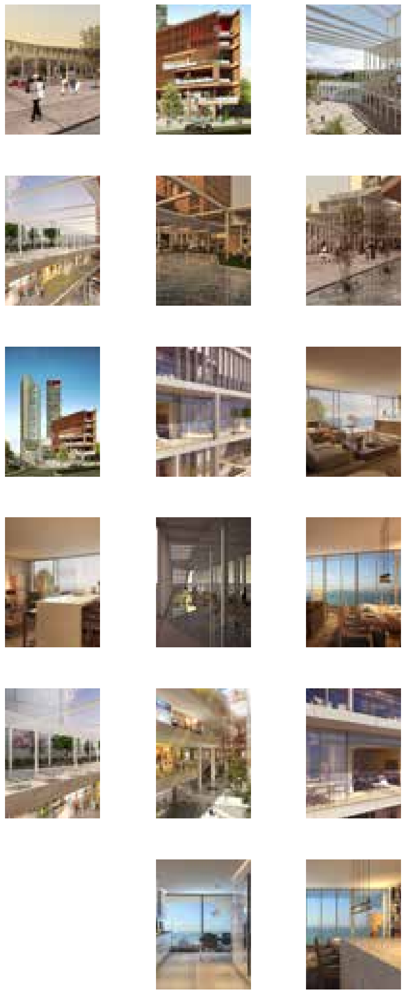
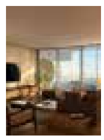
İŞ REAL ESTATE INVESTMENT TRUST CO.





2012 ANNUAL REPORT

İş REIT believes that the rational conduct of every project it undertakes is possible only through detailed analysis of feasibility studies that include being in the right place, at the right time, and at the right price. As one of the pioneers of its sector, İş REIT commits itself to every undertaking that propels itself and its sector forward while also strengthening the sustainable growth momentum of both.

CONTENTS

İŞ REIT IN BRIEF

ADHERING TO A POLICY OF PURSUING ONLY HEALTHY, SUSTAINABLE GROWTH SINCE THE DAY IT WAS FOUNDED, İŞ REIT REINFORCES THE DEEP-ROOTED CORPORATE PRINCIPLES AND FINANCIAL STRENGTH OF THE İŞBANK GROUP OF WHICH IT IS A MEMBER WITH A STRONG SECTORAL VISION AND DISTINGUISHED PROJECTS OF ITS OWN.

İş Gayrimenkul Yatırım Ortaklığı A.Ş. (İş REIT) is a real estate investment trust company (REIT) whose solid portfolio and sound financial structure make it one of the leading firms in the real estate sector.

İş REIT is a portfolio management company which invests in real estate properties and real estate projects and whose activities are carried out in compliance with the requirements of Turkish Capital Markets Board (CMB) laws and regulations.

İş REIT was originally founded on 6 August 1999 as a result of the merger of two real estate investment and appraisal companies: İşbank-owned İş Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. and Merkez Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş.

Adhering to a policy of pursuing only healthy, sustainable growth since the day it was founded, İş REIT reinforces the deep-rooted corporate principles and financial strength of the İşbank Group of which it is a member with a strong sectoral vision and distinguished projects of its own.

With a portfolio structure that is well-diversified and balanced, İş REIT focuses on providing its investors with an optimal possible risk-return trade-off.

With steady rental income generated by its high-quality portfolio, its own deep equity resources, and convenient access to external funding, İş REIT is able to finance an uninterrupted series of new investments that further accelerate its growth and advance its position in the sector.

İş Real Estate Investment Trust Co. – Company Profile

Date of Incorporation	6 August 1999
Issued Capital	TL 600,000,000
Authorized Capital	TL 2,000,000,000
Date / Price of Initial Public Offering	1-3 December 1999 / TL 1.4
Head Office	İstanbul
Trade Registry No	402908
Trade Registry Office	İstanbul
ISE trading symbol	ISGYO

VISION, MISSION AND OBJECTIVES

Vision

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

Mission

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

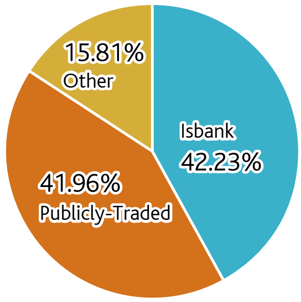
Objectives

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

CAPITAL AND SHAREHOLDER STRUCTURE

Capital and Shareholder Structure

	TL	%
T. İş Bankası A.Ş.	253,409,693	42.23
Anadolu Hayat Emeklilik A.Ş.	42,650,356	7.11
Anadolu Anonim Türk Sigorta A.Ş.	28,636,488	4.77
İş Net Elektronik Hizm. A.Ş.	7,953,899	1.33
Other	15,579,792	2.60
Publicly-Traded	251,769,772	41.96
Total	**600,000,000**	**100.00**



Capital Structure

İş REIT's issued capital amounts to TL 600,000,000, 42% of which belongs to Türkiye İş Bankası A.Ş. (İşbank). After eliminating indirect and cross-shareholding interests, there remain no non-corporate shareholders with indirect control of any stakes in the company.

There were no share capital increases of any kind during the reporting period nor were there any other changes in the company's capital.

Under recently introduced changes in the Turkish Commercial Code (TCC) and Capital Markets Board (CMB) rules and regulations, companies are allowed to acquire shareholding interests in themselves provided that they comply with a previously prepared and publicly disclosed program share-repurchase program. During the 2012 reporting period, İş REIT neither announced such a program nor bought back any of its own shares.

As required by CMB Communique IV:38 concerning the Registered Capital System, the company applied to CMB to maintain its previously authorized registered capital ceiling. In a CMB letter dated 20 March 2012, the company received CMB's statutorily mandated acknowledgment that its registered capital ceiling would remain at its existing TL 2 billion level for a five-year period beginning in 2012 and ending in 2016. At the annual general meeting held on 28 March 2012, the company's board of directors was given the authority to make decisions about increasing the company's capital until 2016. An amendment to the company's articles of association concerning changes in the company's registered capital was also approved at the same general meeting.

The company's capital consists of 600,000,000 shares. TL 857,142.85 worth of these shares are classified "Group A" shares and the remaining TL 599,142,857.15 worth are classified as "Group B" shares. Group A shares are entitled to specific preferential rights with respect to their representation on the company's board of directors: only one seat on the board is filled from among candidates designated by Group B shareholders while all the remaining seats are filled from among candidates designated by Group A shareholders.

The authority of real estate investment trusts to issue shares granting preferential rights in the designation of candidates for seats on their boards is governed by article 16 of CMB Communique VI:11 concerning Principles regarding Real Estate Investment Companies. REITs are not allowed to issue any instrument that incorporates any preferential right other than shares that allow their holders to designate candidates for seats on their boards of directors. In such cases, board candidates put up by a major shareholder are presented to shareholders at a general meeting and they are empowered in line with decisions taken at the general meeting. The company's articles of association contain no provisions pertaining to special voting rights.

49% OF THE COMPANY'S CAPITAL WAS PUBLICLY HELD AS OF 31 DECEMBER 2012. 45% OF THE COMPANY'S PUBLICLY-TRADED SHARES ARE HELD BY INTERNATIONAL (NON-RESIDENT) INVESTORS. THIS CORRESPONDS TO ABOUT 22% OF THE COMPANY'S CAPITAL.

Shareholder Structure

Of the company's TL 600,000,000 in issued capital, 42% belongs to İşbank. There were no significant changes in the company's shareholder structure during the reporting period. According to information published by the Central Registry Agency (MKK), 49% of the company's capital was publicly held as of 31 December 2012.

According to MKK's 31 December 2012 report, the nominal value of the company's publicly-traded shares was TL 294 million, which corresponds to 49% of the company's capital. According to similarly-dated clearance data, 45% of the company's publicly-traded shares are held by international (non-resident) investors. This corresponds to about 22% of the company's capital. As of 31 December 2011, this proportion was 35%.

Subsidiaries

The company has two subsidiaries: Kanyon Yönetim İşletim ve Pazarlama and Nest in Globe in each of whose capital it controls a 50% stake.

Kanyon Yönetim İşletim ve Pazarlama was set up on 6 October 2004 as a joint venture of İş REIT and Eczacıbaşı Holding in which each controls a 50% stake. This jointly-controlled company was created primarily to manage the residence, commercial, and office buildings of the Kanyon Complex, to provide the complex's cleaning, security, maintenance & repair, and grounds maintenance services, and to undertake the promotion and marketing of all real estate properties in the complex and to mediate their rental and sale.

Nest in Globe was set up on 7 July 2011 as a joint venture of İş REIT and Kayı Holding in which each controls a 50% stake. This jointly-controlled company was created primarily to develop, construct, and manage commercial properties and hotels in Holland and other countries and to reap the benefits of such properties. The company's object and scope also include participating in tenders, submitting bids, and providing consultancy and management services as they may touch upon the same matters.

ANNUAL GENERAL MEETING OF SHAREHOLDERS AGENDA

1. Opening; forming a presiding committee

2. Authorizing the presiding committee to sign the meeting's minutes

3. Reading and discussing the board of directors' report, the statutory auditors' report, and the independent auditors' report concerning activities in 2012

4. Reading, discussing, and approving the 2012 balance sheet and profit & loss statement

5. Submitting appointments made to seats on the Board of Directors during the year for the general assembly's approval

6. Submitting revisions made in the company's Dividend Policy during the year for the general assembly's approval; discussing and coming to a decision on the Board of Directors' recommendation concerning the distribution of 2012 operating profit

7. Acquitting members of the board of directors of their 2012 fiduciary responsibilities

8. Acquitting statutory auditors of their 2012 fiduciary responsibilities

9. Discussing and approving, subject to subsequent authorization by the Capital Markets Board and by the Ministry of Customs and Trade, the amendment of articles 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 22, 23, 24, 25, 26, 27, 29, 30, 31, 32. and 34 and the cancellation of articles 21, 28, and 33 and of provisional articles 1, 2, 3, 4, and 5 of the company's articles of association

10. Electing members of the Board of Directors and determining their terms of office

11. Determining the remuneration to be paid to members of the Board of Directors

12. Selecting an independent auditing firm

13. Submitting a new company directive concerning the working principles and procedures of the general assembly for shareholders' approval

14. Authorizing members of the Board of Directors to engage in the activities governed by articles 334 and 335 of the Turkish Commercial Code

15. Providing the general assembly with information about donations made by the company in 2012 and setting limits on such donations made in 2013

16. Providing, as required by Capital Markets Board regulations, the general assembly with information about guarantees, pledges, and mortgages entered into by the company in favor of third parties

17. Providing information about related-party transactions taking place in 2012

18. Providing shareholders with information pursuant to Communique VI:11 article 41.

19. Petitions and requests.

GENERAL MEETING OF SHAREHOLDERS AND PARTICIPATION

The company's general assembly of shareholders convenes in ordinary (annual) and extraordinary sessions and makes decisions subject to the provisions of the Turkish Commercial Code and of applicable capital market laws and regulations. An ordinary session of the general assembly must be convened within three months of the closing of the company's fiscal year, at which time the issues set forth in an agenda drawn up according to the provisions of article 409 of the Turkish Commercial Code are to be discussed and decided upon. Extraordinary sessions of the general assembly are convened for any of the reasons set forth in articles 410 et sequitur of the Turkish Commercial Code, at which time decisions are made as required.

Invitations to attend annual general meetings are made by the Board of Directors within the framework of principles set forth in article 29 of the Capital Markets Law. General meeting invitations are published on the company's website, the Public Disclosure Platform, and such other places as the Board of Directors may decide. Such invitations are published at least three weeks before the meeting date not including the dates either of the announcement or of the meeting.

Once a meeting's agenda has been published it may not be changed except in the case of any of the situations specified in article 438 of the Turkish Commercial Code or in the case of any issues which the Capital Markets Board wants to be discussed by or disclosed to shareholders and which must therefore be placed on the agenda irrespective of the principle of agenda adherence.

General assembly meetings are held at the company's headquarters, except that when circumstances dictate, the Board of Directors may summon a general assembly to convene at some other address in the same city as the company's headquarters or in some other city.

Only shareholders whose names are on an attendance roster drawn up based on a list of company shareholders obtained by the Board of Directors from MKK may attend general meetings. Shareholders may have themselves represented at general meetings in accordance with the provisions of articles 427 through 431 (inclusive) of the Turkish Commercial Code subject also to the rule of article 30 of the Capital Markets Law. The Board of Directors determines and announces the form of proxy statements insofar as these conform to capital markets laws and regulations. The provisions of articles 427 through 432 (inclusive) of the Turkish Commercial Code also govern the representation of shareholders.

Beneficiaries who are entitled to take part in general meetings may do so online pursuant to article 1527 of the Turkish Commercial Code (TTK 1527) via the Central Registry Agency's Electronic General Meeting System (EGKS). As stipulated in the company's articles of association, beneficiaries and their representatives are allowed to exercise their rights as specified in regulations pertaining to general meetings via EGKS at any general meeting of the company that may take place.

Upon entering the meeting venue, non-corporate shareholders and their representatives appointed via the online system governed by TTK 1527 must present identification; the proxies of non-corporate shareholders must present identification together with evidence of their proxy status; the representatives of corporate shareholders must present evidence of their authorization. Everyone entering the meeting venue must sign the attendance roster in the space provided for their signature.

KEY FINANCIAL HIGHLIGHTS

IN 2012 İŞ REIT POSTED RESULTS THAT FURTHER STRENGTHENED ITS POSITION IN THE SECTOR. THE COMPANY'S ASSETS REACHED TL 1,391.9 MILLION, ITS MARKET VALUE TL 900 MILLION, AND ITS RENTAL INCOME TL 97.9 MILLION.

Balance Sheet

TL million	31.12.2008	31.12.2009	31.12.2010	31.12.2011	31.12.2012
Current Assets	119.4	145.3	90.2	134.6	240.0
Noncurrent Assets	848.2	866.4	1,006.0	1,026.5	1,151.9
Total Assets	967.6	1,011.7	1,096.2	1,161.0	1,391.9
Short-term Liabilities	17.4	14.8	21.6	16.6	107.2
Long-term Liabilities	36.4	45.3	84.6	109.9	214.8
Shareholders' Equity	913.8	951.6	990.0	1,034.5	1,069.9
Net Profit	53.1	60.3	60.9	66.9	65.4

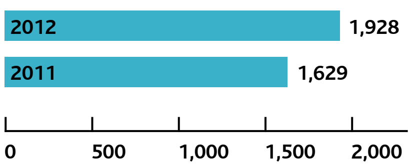
PORTFOLIO
2,022
(TL MILLION)

In 2012 the total value of İş REIT's portfolio reached TL 2,022 million. This corresponds to a year-on rise of 16.2%.

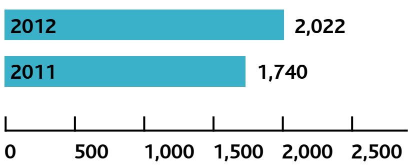
Financial Indicators

TL million	31.12.2008	31.12.2009	31.12.2010	31.12.2011	31.12.2012
Sales Revenue	80.9	88.9	95.5	123.5	131.9
Cost of Sales	46.6	33.1	31.5	45.3	57.8
Gross Profit/Loss	34.3	55.9	64.0	78.2	74.1
EBIT	28.9	50.3	58.1	69.0	64.3
EBITDA	51.0	73.3	81.1	93.1	88.8
Gross Profit Margin (%)	42	63	67	63	56
EBIT Margin (%)	36	57	61	56	49
EBITDA Margin (%)	63	82	85	75	67
Net Profit Margin (%)	66	68	64	54	50

Real Estate Portfolio
TL million



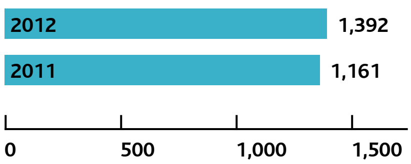
Total Portfolio Value
TL million



Financial Structure

TL million	31.12.2008	31.12.2009	31.12.2010	31.12.2011	31.12.2012
Total Financial Liabilities	53.8	60.1	106.2	126.5	322.1
Shareholders' Equity	913.8	951.6	990.0	1,034.5	1,069.9
Financial Liabilities	0	0	49.7	53.3	135.6
Equity Ratio (%)	94	94	90	89	77
Total Liabilities/Shareholders' Equity (%)	6	6	11	12	30
Financial Leverage Ratio (%)	6	6	10	11	23
Financial Liabilities/Total Assets (%)	0	0	5	5	10
Financial Liabilities/Shareholders' Equity(%)	0	0	5	5	13
Net Profit Margin (%)	66	68	64	54	50

Total Assets
TL million



TOTAL ASSETS	EQUITY	NET PROFIT
1,392	1,070	65.4
(TL MILLION)	(TL MILLION)	(TL MILLION)

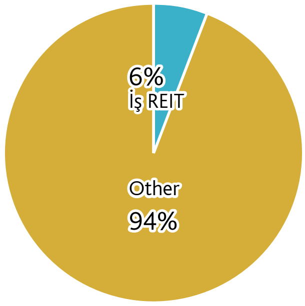
Summary of Reporting Period Results

- İş REIT's total assets increased by 20% year-on and reached TL 1,391.9 million.
- İş REIT's current ratio of 2.2 indicates that the company has the resources it needs to meet its short term obligations.
- Every possible investment financing option is explored and given consideration. Those debt vehicles and structures that are deemed to be the most advantageous at the time the borrowing actually takes place are the ones that are decided upon.
- The advances which İş REIT receives for its ongoing projects comprise about 41% of the company's total liabilities.
- 10% of İş REIT's assets were financed by means of borrowing. There appears to be nothing that would prevent the company from borrowing more financing should it need to do so.

REIT Sector

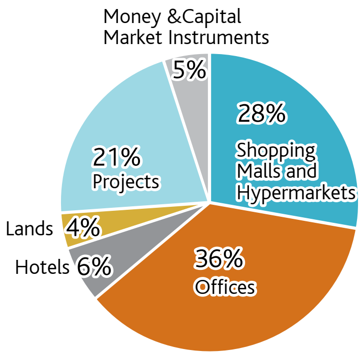
Market Capitalization of the REITs

	TL million	% Share
İş REIT	900	6
Other REITs	14,869	94
Market Total	**15,769**	**100**



Portfolio Breakdown

%	31.12.2012
Shopping Malls and Hypermarkets	28
Offices	36
Hotels	6
Lands	4
Projects	21
Money &Capital Market Instruments	5
Total	**100**



Portfolio Development

TL million	31.12.2008	31.12.2009	31.12.2010	31.12.2011	31.12.2012
Real Estate Portfolio	1,111	1,165	1,419	1,629	1,928
Total Portfolio Value	1,213	1,296	1,504	1,740	2,022
Total Assets	968	1,012	1,096	1,161	1,392

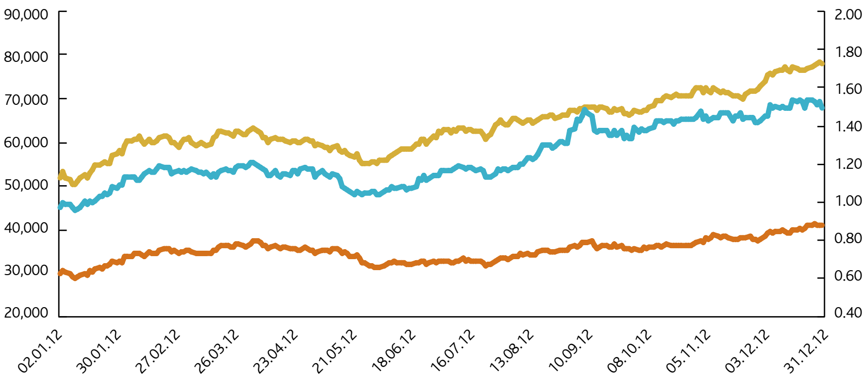
STOCK PERFORMANCE

	31.12.2008	31.12.2009	31.12.2010	31.12.2011	31.12.2012
Market Capitalization (TL million)	315	742.5	792	600	900
Market Share (%)	27	26	7	6	6
Stock Exchange Closing Price (TL) *	0.45	1.12	1.23	0.96	1.50
Earnings per Share(TL)	0.12	0.13	0.14	0.11	0.11
P/E Ratio	5.9	12.3	13.0	9.0	13.6
P/BV	0.34	0.78	0.80	0.58	0.84

* Stock exchange closing prices retroactively adjusted.

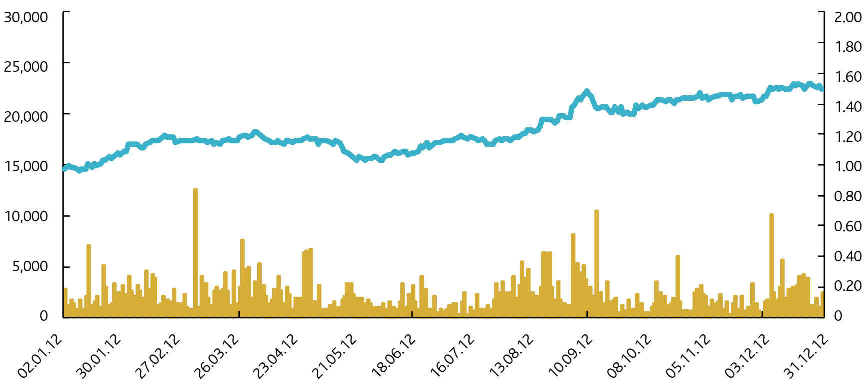
As of 31 December 2012 İş REIT had a market value of TL 900 million, a figure that corresponds to about 6% of Turkey's REIT sector.

ISE 100, ISE REIT Index and ISGYO



As measured on a Turkish lira-basis, in 2012 the ISE 100 Index increased by 53% and the ISE REIT Index increased by 38% while İş REIT's own shares gained 56% in value. In other words the returns generated by the company's shares for its investors outperformed both the ISE 100 and the ISE REIT indexes.

2012 - ISGYO Daily Trading Volume and Share Price



İş REIT's shares are traded on the ISE Corporate Products Market. On average, TL 2.3 million worth of the company's shares changed hands every ISE trading day during 2012.

According to monthly figures published by ISE concerning trading carried out by or on behalf of foreign banks, brokerages, or individuals, international investors bought USD 68.9 million worth and sold USD 53.9 million worth of İş REIT's shares during 2012. This corresponds to a net purchasing surplus of USD 15 million.

On an overall sectoral basis, more REIT shares were bought than were sold by investors in 2012. The net value of trading in REIT shares amounted to USD 273.4 million; a similar situation prevailed on the ISE National Market, where the net value of trading amounted to USD 9.8 million.

MILESTONES IN İŞ REIT'S HISTORY

HAVING LAUNCHED A NUMBER OF TRULY MAJOR PROJECTS IN 2012, İŞ REIT MAINTAINED ITS STANDING AS A REAL ESTATE INVESTMENT TRUST THAT WILL CONTINUE TO PLAY A LEADING ROLE IN SHAPING THE FUTURE OF THE REAL ESTATE SECTOR IN TURKEY.

1998
- The Ankara İş Tower and İstanbul İş Towers Complex are added to the portfolio.

1999
- The company starts to be publicly-traded with a three-day IPO at the beginning of December.

2001
- The Maslak Office Building is added to the portfolio.
- The Antalya Seven Seas Hotel is added to the portfolio.
- The Marmaris Mallmarine Shopping Mall (Solaris Plaza) is added to the portfolio.
- A 50,000 m^2 project land encompassing the Tatilya Theme Park and its immediate vicinity is added to the portfolio.

2004
- The Ankara Ulus Office Building is added to the portfolio.
- The Ankara Kızılay Office Building is added to the portfolio.
- The Antalya Office Building is added to the portfolio.
- Construction work begins on the Kanyon project, a complex consisting of a shopping mall, offices and residences.

2005
- İş REIT was granted "Best Developer in Turkey" award by Euromoney magazine.

2006
- The İstanbul Üsküdar land is added to the portfolio.
- Kanyon Mall, Turkey's first semi-open air shopping mall, opens its doors.
- Kanyon Mall's success is acknowledged by its receiving the "2006 Cityscape Architectural Review Award", the international "Oscar" for architecture.

2007
- Real Hypermarket, a project undertaken for the Germany-based Metro Group on a turnkey-delivery basis, opens its doors to the public.

2008
- The Sirkeci Office Building is added to the portfolio.
- The Güneşli Office Building is added to the portfolio.
- A 77,327 m^2 project land is purchased in the Kartal district of İstanbul.

2009
- An independent and permanent superficies right was established for the property located in Esenyurt, İstanbul (site of the former Tatilya Theme Park), on behalf of ECE Turkey.
- A plot of land with an area of 53,200 m^2, located in Tuzla, İstanbul and the immovable located on it, is purchased for future project development.

2010
- An 8-storey building in the Taksim-Beyoğlu district of İstanbul is added to the portfolio as a site for future project development.
- The Lykia Lodge Cappadocia Hotel is added to the portfolio.
- The Club Magic Life Kemer Imperial Hotel is added to the portfolio.
- Two plots of land measuring 42,114.39 m^2 and 20,375.87 m^2 in the Tuzla district of İstanbul are purchased for future project development.

2011
- A shareholding agreement concerning investments in Russia is signed with Kayı Holding A.Ş.

- Pre-sales and construction work begin on the Çınarlı Bahçe Tuzla Residential Project.
- Construction work begins on the Taksim office building.

2012
- About 86% of the units in the Çınarlı Bahçe Tuzla Residential project are pre-sold as of year-end.
- Building permits are obtained for the Tuzla Technology and Operation Center project and for the Tuzla mixed-use project and construction work begins on both.
- A 9,590 m^2 land is purchased for project development in the İstanbul Financial Center.
- The Marmara Park Shopping Mall opens to the public.
- USD 50 million is secured from QInvest Investment Bank for use in financing real estate projects.
- After necessary ground improvement permits are received, construction work begins on the İzmir Ege Perla project.
- Following the Ege Perla promotional launch, sales of the project's units begin.

MESSAGE FROM THE CHAIRMAN

THE PERSISTENCE OF UNCERTAINTIES IN 2012 AND ABOUT THE IMMEDIATE FUTURE POSES SERIOUS RISKS FOR THE GLOBAL ECONOMY.

Aydın S. Önder
Chairman

The weak appearance of the global economy, especially among the developed countries, persisted last year as problems stemming essentially from intractable euro-zone public-finance and banking-sector difficulties mounted and investors' appetite for risk paled. The contagious effects of the crisis driving up the public-sector borrowing costs in some EU countries with high levels of public debt spread to Greece and then to other peripheral countries. Despite all the measures that were taken and the bailout packages that were unwrapped, the return of recession in the euro-zone in the third quarter and the absence of any clear recovery in leading indicators worsened fears about EU economic prospects.

By the end of 2012, it still looked as if the global economy was not yet back on solid ground. With many euro-zone countries struggling to roll over their massive public debt and unable to restart economic growth, global markets are increasingly more frequently confronted by uncertainty and turmoil.

In the near term it does look as if measures taken by policymakers in the developed countries will lead to modest improvements in economic activity. The passage of a bill by both the US Senate and House of Representatives to postpone the self-imposed "fiscal cliff" that the US economy was about to plunge over is one reason for such optimism. So too are the recent laying out of a roadmap showing the way to a euro-zone banking union and the growing likelihood that the European Stability Mechanism will indeed come into force.

In its January 2013 update of its World Economic Outlook report, the International Monetary Fund (IMF) revised its global economy growth expectations downward. In the same report the IMF did emphasize however that global growth could be stronger than its projection so long as crisis risks did not materialize and financial conditions continued to improve.

In October 2012, the IMF had projected global output growth rates of 3.6% and 4.2% respectively for 2013 and 2014. In its January update, the fund reduced these projections to 3.5% and 4.1%.

In 2012 the Turkish economy achieved its goal of a successful "soft landing".

Turning now to the Turkish economy, the delayed effects of measures that policymakers took to rein in domestic demand manifested themselves as a restored balance between domestic and external demand in the third quarter of 2012 while both consumption and investment outlays remained weak in appearance. Growth was characterized by a net foreign trade surplus fuelled by exports. National income however, which grew by 8.5% in 2011, increased by a mere 2.6% in the first three quarters of 2012.

One of the most encouraging developments taking place in the national economy last year was the greater diversification witnessed in the country's export markets, thanks to which the contraction suffered in the overall share of EU countries in Turkey's exports was countered by significant rises in exports to Near and Middle Eastern countries. Along with this market diversification, exports of gold also played a substantial role in keeping export volumes relatively high in 2012.

A narrowing of Turkey's foreign trade deficit helped bring the twelve-month current account deficit down from its October 2011 peak of USD 78.7 billion to around USD 48.9 billion by the end of 2012. Nevertheless it should also be noted that the current account deficit was financed largely by means of short-term capital flows and this situation continues to be an element that increases the Turkish economy's fragility. According to the Medium-Term Program (MTP), the ratio of the current account deficit to GDP, which was 10% in 2011, was projected to be around 7.3% in 2012. Based on currently available year-end national income performance data, it seems likely that the current account deficit actually ended up somewhere in the 6.0-6.3% range

Fitch Ratings, an international credit rating agency, raised Turkey's long term credit rating from BB+ to BBB- in November while also announcing a "stable" outlook. This rise places Turkey in the "investment grade" category and marks the first time that an internationally recognized credit rating agency of Fitch's stature has done so in eighteen years.

On the evidence, the Turkish economy therefore appears to have grown by 3% or so in 2012. While the government's MTP posits growth rates on the order of 4% and 5% in 2013 and 2014 respectively, the IMF's projections are a somewhat lower 3.5% and 4%.

Assuming that global economy experiences even moderate improvement next year, one must suppose that this will impact favorably on the Turkish economy as well. Recent improvements in credit ratings that put it back in the investment-grade category and the expectation that at least one more international rating agency will follow suit in the near future cannot help but attract the attentions of international investors to a country which has managed to reduce its current account deficit in a climate of such global–especially European–hard times, which is successfully diversifying its export markets, and which, having forestalled a potential overheating of its domestic economy, has embarked upon a process of stable and sustainable economic growth.

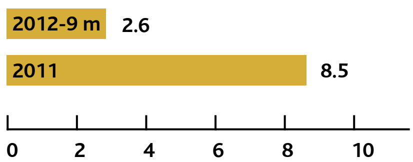
GROWTH

2.6%

GDP (JAN-SEP 2012)

Growth last year was fuelled largely by exports. Having grown by 8.5% in all of 2011 however, national income increased by only 2.6% in the first 9 months of 2012.

GDP Growth
%



OUR COMPANY OWES MUCH OF ITS SUCCESS TO THE STRONG SENSE OF CONFIDENCE THAT IT INSPIRES AMONG INVESTORS. İŞ REIT BUILDS UPON THAT SUCCESS BY CONSCIENTIOUSLY PROVIDING SERVICE WHICH, BEING GROUNDED IN ETHICAL BUSINESS PRINCIPLES, IS THEREFORE MINDFUL OF PROTECTING THE INTERESTS OF THE INVESTOR.

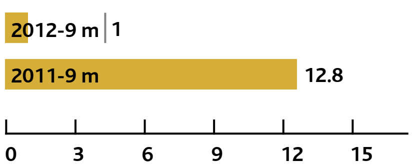
GROWTH

1%

CONSTRUCTION SECTOR (JAN-SEP 2012)

In the first nine months of 2011, the Turkish construction sector grew by 12.8%. In the same period of 2012, the slowdown in economic activity reduced that to the 1% level.

Construction Sector Growth
%



Global real estate markets are still fraught with difficulties.

Housing markets in developed countries remain weak and their residential property finance systems still suffer from distress. While there has been something of a recovery in construction starts in the US, in the EU construction outlays have actually begun to fall again. With commercial property values barely recovering at all in developed countries, it is likely that the current stagnation in investment as well as in financing for it will persist for some time more. In developing countries' construction sectors and real estate markets, there is evidence of moderate growth; and yet growth in property values is being dampened by fears of yet another price bubble.

Our sector has been hit by the global financial crisis too.

In the first nine months of 2011, the Turkish construction sector grew by 12.8%. In the same period of 2012, depressed economic activity caused that to collapse to just the 1% level.

The housing sector performed weakly all year long. This market was not at all helped by uncertainties about what rates of VAT homes would be subject to or by a rise in property deed fees. Owing to efforts by monetary authorities to keep any expansion in credit under control and generally to keep a tight rein on the money supply, sales remained weak. Towards the end of the year however it did seem that cuts in house-financing interest rates were beginning to trigger investment.

The slowdown in economic growth also constrained overall activity in the commercial property sector. The office properties and the hotels market remained lively but shopping mall investments lost momentum. A newly-passed investment incentives law also stimulated interest in and demand for investment in manufacturing and logistical services projects being undertaken in designated industrial districts.

İş REIT had successful year.

Having launched a number of major projects in 2012, İş REIT posted results that strengthened its position in its sector. The company's total assets rose to TL 1,391.9 million, its market value to TL 900 million, and its rental income to TL 97.9 million.

İş REIT's extensive knowledge and experience of its sector enhance its ability to analyze demographic trends and potential customer profiles in target markets. This in turn gives the company an important edge in the competition to spot and take advantage of project development opportunities.

With strong equity and convenient access to long-term, low-cost credit, our company has the resources it needs to finance its investments.

In its assets management business line, our company's approach is rooted in maintaining a portfolio that is balanced and mindful of spreading out risk. This basic approach is supported by consistent, continuous, and substantial streams of rental income that further bolster İş REIT's financial strength and sectoral standing.

In 2013...

The near-term outlook for the Turkish economy is that 2013 will be a year of gradual recovery , that the national economy will grow by about 4% year-on, and that growth in the construction sector will be somewhere in the 5-6% range.

The players in our market do not appear to be overly concerned about the likelihood of suffering any noteworthy setbacks in 2013. While there certainly may be market weaknesses and seasonal difficulties, the impact of these on projects whose feasibility studies are based on detailed analyses are likely to be temporary.

Thus we will continue to explore the dynamics that nourish our company's and our sector's growth momentum in order to take advantage of them as well as of the new business opportunities that they give birth to.

We regard it as our duty to express, in different ways and on different platforms, certain ideas which we believe to be crucial to the future of our sector and its development.

The first of these is that changes in the legal framework are vitally important to any efforts to strengthen the supply side of our sector and that such changes will fundamentally determine the course of its future growth and development. The second is that all perceptions about and actions involving the future must be mindful of their underlying sustainability. Energy efficiency is one outstanding issue; I am also of the opinion that the matter of "urban regeneration" that is going to be showing up on our agendas with ever-increasing frequency needs to be dealt with in a much broader perspective and with a much more inclusive approach that takes the architectural texture of the city in which it occurs into account as well.

İş REIT will continue to enrich the strongly commercial-property focus of its portfolio with new additions which it intends to develop and undertake as mixed-use projects.

Our company owes much of its success to the strong sense of confidence that it inspires among investors. İş REIT builds upon that success by conscientiously providing service which, being grounded in ethical business principles, is therefore mindful of protecting the interests of the investor.

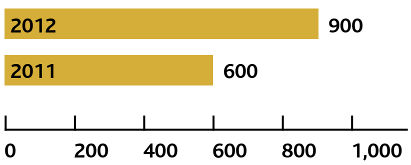
As a member of the deep-rooted and strong İşbank Group, İş REIT advances confidently into the future along the course set out in its growth roadmap. In closing I wish to take this opportunity to extend my own thanks and those of our Board of Directors to our employees, our business partners, our shareholders, and all our other stakeholders for accompanying us on this journey.

Aydın S. Önder
Chairman

MARKET VALUE
900
(TL MILLION)

In the twelve months to 31 December 2012, İş REIT's market value increased by 50% to TL 900 million.

Market Value
TL million



MESSAGE FROM THE CEO

THE TURKISH ECONOMY CONTINUED TO DISTINGUISH ITSELF AMONG OTHER DEVELOPING ECONOMIES IN 2012.

Turgay Tanes
CEO

Having achieved high rates of growth in 2010 and 2011, the Turkish economy successfully completed its much hoped-for soft landing in 2012.

The effects of economic deceleration policies introduced in Turkey in parallel with global economic developments began to make themselves felt in the second half of 2012. There was a reduction in both investment and domestic demand and this naturally affected both the construction and the real estate industries.

Currently available evidence indicates that economic growth in our country was around the 3% level in 2012 while the construction sector completed the year with a growth rate on the order of 1.0-1.5%. If these numbers turn out to be correct, they mean that 2012 will be the first year in a decade that construction grew more slowly than did GDP. The 71.8 construction sector confidence index announced for December 2012 was ten points below the 81.8 level it was at twelve months earlier. Analyses of the findings on which the index is based indicate that the factors most contributing to the loss of confidence were insufficient demand and financing problems.

Housing demand and sales were limited in 2012.

Looking at the residential side of our sector we see that sales were weak and that this paralleled the weakness in demand. In all of 2011, 419 thousand housing units of all kinds were sold; at 305,670 units in the first 9 months of 2012, sales were up slightly (by 1.8%) on the same 3-quarter basis but our expectation is that the twelve-month figure will fall short of the previous year's performance at around 400 thousand units.

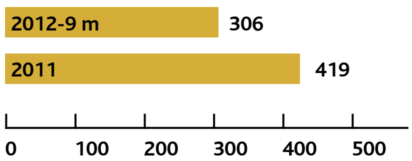
Having begun to fall in the second half of 2012, home loan interest rates fell below 1%, a level not witnessed since 2010: by year-end, the monthly average rate on such financing was down to around the 0.80% level. Such low-priced credit nourished about a 16% year-on rise in housing loans, which increased from TL 74.6 billion in 2011 to TL 86 billion in 2012.

As had been expected, international reciprocity agreements mobilized potential in commercial real estate properties just as they did in the housing sector and they had an invigorating effect on the market. While only a limited increase can be expected in the demand for housing in 2013, there is some hope that modest growth in the demand for credit driven by such relentlessly low interest rates will support house sales to foreign nationals under those agreements.

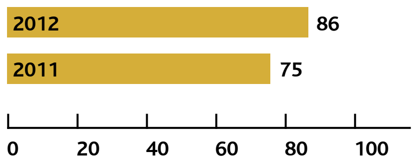
Urban regeneration projects, the effects of which will become even clearer in the period ahead, are another factor contributing to production in the real estate sector. Attempts have been made to give equal attention to the interests of all concerned parties in order to resolve initial problems related to the implementation of these projects. Nevertheless projects involving changes that affect a whole city rather than just this or that part of it need to be considered carefully in light of their potential impact on the city's traditional character as well as on the physical, social, and economic futures of the people who live in it.

These projects need to be developed in line with each city's unique needs, problems, deficiencies, and attributes and they need to be considered from many different aspects. Consideration should be given to other countries' experience with similar undertakings and in this process attention should focus on failures as well

Housing Sales
thousand units



Housing Loans
TL billion



as on successes. The goal should be to develop an underlying legal framework and to equip it with models and strategies capable of meeting the requirements of different locales.

Units in the branded residential projects that were initiated in previous years continued to come onto the market. While there was an increase in the number of new projects in 2012, the rise was smaller than in previous years. With the completion of existing projects, the supply of residential units in all categories can be expected to increase in 2013, albeit at a slower pace.

While house prices and rents typically rose faster than did inflation throughout Turkey in 2012, that was not true in the case of new units coming to market, whose price increases lagged behind the inflation rate. In all likelihood residential property prices in 2013 will remain at the same bargain-basement levels they were in 2012.

Changes in VAT-related rules that went into effect at the beginning of 2013 will result in tax rates of either 8% or 18% on housing unit sales. Since the rate will be determined essentially by the value of the land occupied by the units, this could be a significant issue in big cities. On the one hand this could impact favorably on the sale of units already in stock; on the other, it also increases expectations that the units in projects that receive their licenses on or after 1 January 2013 will end up being more expensive. From the standpoint of new residential projects, that could be seen as less than ideal. We believe that tax rule changes which impact unfavorably on all aspects of our sector from sales of homes to individuals to the number of building permits issued will also reduce the contributions to national economic growth made by the construction sector and by all of the sub-industries that support it.

The demand for new office rentals continued in 2012 despite the economic slowdown.

Although class-A office space vacancy rates declined in 2012–especially in İstanbul–rents stagnated. Two factors contributed to this: the first was a conspicuous rise in demand for office space coming from foreign companies; the other was the result of office space coming to market in newly opened commercial districts. The demand for office rentals will continue in 2013 as economic recovery gradually proceeds and as we begin to see the beneficial impact that the recent rises in Turkey's credit ratings have on foreign investors.

About 380,000 m^2 of new office area was added to İstanbul's office stock in 2012. The majority of these additions took place outside the city's central business districts. The demand for office area is expected to remain strong in 2013 and we can also expect to see more investment both in new development and in the conversion of existing properties in order to keep pace with that demand. Another likely outcome is that the percentages of mixed-use projects' floor area being earmarked as offices will also rise.

Although investment in the retailing sector slowed down, turnover targets were exceeded.

Having previously drawn so much attention with its dynamic structure and rapid expansion, the retail property sector's growth slowed down and the demand for mall area rentals weakened appreciably in 2012 in parallel with contractions in consumer spending. Nevertheless foreign retailers' interest in Turkey continued to drive demand for mall area. Improvements in household income levels and the growth potential that is inherent in Turkey's organized retailing sector will keep the demand for shopping malls vigorous for the foreseeable future and certainly in the medium term. This is apparent even from so problematic a year as 2012, in which total mall turnover increased by 13% year-on and reached TL 50 billion–TL 2 billion higher than had been expected–while visitor numbers also rose.

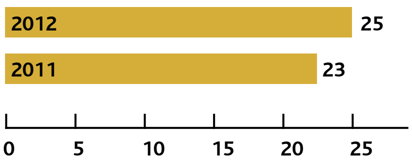
While it is becoming increasingly more difficult to enlist the financing needed for new shopping mall projects, investments in about 1.7 million m^2 of leasable mall area are still continuing not just in Turkey's biggest cities but elsewhere as well. Sixteen new malls that were opened in 2012 added another 600,000 m^2 of new leasable area to the existing stock and brought the total to about 8.16 million m^2 by year-end. On the basis of Turkey's total population, this corresponds to an average 108 m^2 of leasable area for 1,000 people. Another 0.9 million m^2 of new leasable area are expected to be added to the total in 2013.

REITs perform an important balancing function in economic development.

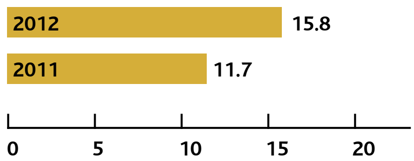
REITs play an important role by broadening the capital base and by making the real estate sector more transparent and professional. The also act as balances in a country's economy and help keep it on keel. Two new REITs went public in Turkey in 2012, thereby bringing the total number being traded on the İstanbul Stock Exchange (ISE) to 25. The aggregate market value of REITs amounted to TL 15.8 billion at year-end 2012.

Further progress in the sector requires several things but first and foremost, real estate companies need to complete their institutionalization and to become fully-transparent, publicly-traded firms. Real estate has long been one of the most preferred investment vehicles for savings in our country and this fact alone demands the utmost attention and care on the part of real estate companies.

Number of REITs Traded on the ISE



Total Market Capitalization of REITs TL billion



The widespread prevalence of residential projects in particular makes it essential that the firms undertaking and managing them be publicly-traded concerns–if for no reason other than the huge audiences that they have the potential to appeal to and whose lives they have the power to influence. Equally essential is the requirement that the companies to which people entrust their savings in order to satisfy their vital need for shelter be properly audited. When considered in this way, a real estate investment trust is the proper model for such firms owing to the attributes of accountability, transparency, and auditability that are dictated by the partnership structure of a publicly-traded company. The confidence and value inherent in a REIT as a publicly-held concern gives it a competitive advantage from the standpoint of consumer appeal.

There are currently about three dozen or so countries which have REIT-specific legal frameworks and which are capable of attracting international investment. Real estate investment trusts in such countries present an especially dynamic opportunity for international investors, who can also play a beneficially influential role in the growth and development of the country's real estate sector. Having recently seen its own country rating elevated to "investment grade", it is to be hoped that Turkey will take advantage of this situation and pull more of this sort of investment in.

It is both our aspiration and our goal to further strengthen the regulatory and institutional underpinnings of the real estate sector and to quicken the market's development.

İş REIT stands ever ready to fulfill the duties incumbent upon it in helping to create a real estate market in Turkey that is dynamic, sustainable, and professional.

Our strategy at İş REIT is to maintain the well-balanced diversity of our property portfolio structure.

As of 31 December 2012 İş REIT had a market value of TL 900 million, a figure that corresponds to about 6% of Turkey's REIT sector.

İş REIT's business strategies are rooted in the principle of having and maintaining a property portfolio that is both balanced and diversified. Ranging from shopping malls to housing and from office towers to hotels, our portfolio encompasses nearly all of the property types and functions typical of the real estate sector. Such diversification is just one of the things that distinguish İş REIT from all other real estate investment trusts.

Rather than focusing exclusively on a particular segment of the sector such as mass housing, İş REIT spreads its risks by operating in most of them. This has the additional benefit of enhancing our company's influence and effectiveness in the sector as well. When considering property development options, İş REIT gives particular preference to those that take a boutique or multi-purpose approach that combines residential and commercial functions.

The pearl in our portfolio: Ege Perla

The star of our new undertakings in 2012 was Ege Perla, a project in the New City Center of İzmir's venerable Konak district.

With a planned investment value of about USD 150 million, our goal is to complete the Ege Perla project by end-2015.

Bearing the signature of Emre Arolat, whose previous work earned him the Aga Khan Award for Architecture, Ege Perla is a mixed-use project embracing all-seaview residences together with spacious home-offices and a shopping mall whose semi-open architecture makes it an ideal home for up-market stores and shops.

Ege Perla consists of 111 residential and 65 home-office units located in two (46- and 29-storey) towers. Units went on sale for the first time on 7 November 2012 and within just four months' time, 42% of the flats were snapped up by eager buyers. Owing to the strong interest in and demand for Ege Perla properties, the selling-date of some of the home offices in B Tower, which had been scheduled to take place later, was moved up to 17 December 2012.

Two major projects on both sides of İstanbul

İş REIT registered important progress in ongoing projects and also launched new ones in both 2011 and 2012. Ofis Lamartine, a project added to the portfolio in 2010, is located on a 578.72 m^2 site in İstanbul's prestigious Taksim square. Construction work on this project is almost finished and should be completely over by the end of the first quarter of 2013.

The architecture of this centrally-located class-A office tower was designed to make the completed building one of the signature landmarks of the locality. Most of the available office space in and near Taksim consists of former apartment buildings that have undergone conversion. This fact significantly enhances the prestige of Ofis Lamartine as an entirely new and modern office tower conforming to the highest standards.

Located in Tuzla on İstanbul's Asian side, Çınarlı Bahçe is an İş REIT residential project whose foundations were laid in late 2011. Çınarlı Bahçe consists of 476 units, 86% of which have already been

İŞ REIT STANDS EVER READY TO FULFILL THE DUTIES INCUMBENT UPON IT IN HELPING TO CREATE A REAL ESTATE MARKET IN TURKEY THAT IS DYNAMIC, SUSTAINABLE, AND PROFESSIONAL.

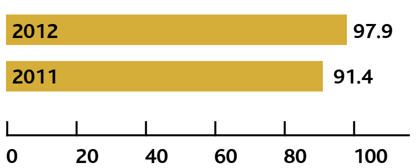
RENTAL INCOME

97.9

(TL MILLION)

İş REIT's rental income increased by 7% in 2012 and reached TL 97.9 million in value.

Rental Income
TL million



sold. The project's rough construction work is about 96% completed Also in the Tuzla district, infrastructure work has begun on a complementary mixed-use project adjacent to the Technology and Operations Center. Tuzla Mixed-Use Project consists of a shopping mall, hotel, and offices. The aggregate development cost of these three projects is expected to be around USD 350 million. An important goal of all three projects is to draw attention to İş REIT's reputation as a prestigious property developer in the Tuzla area.

Committed to the pursuit of planned, sustainable growth, İş REIT will continue to create value for all of its stakeholders.

In addition to ongoing construction projects whose total investment value amounts to USD 600 million, İş REIT also plans to initiate new projects in 2013.

Construction work is on schedule at the Çınarlı Bahçe Tuzla Residential Project , Tuzla Tecnology and Operation Center, Tuzla Mixed-Use Project, Ege Perla Project that were begun in 2012.

One of the most important of our newest projects involves the development of office and commercial properties on about 10,000 m^2 of land in the İstanbul International Finance Center (IFC).

Development of another mixed-use project on land that we own in Kartal region is also planned to commence in 2013.

Located on the Asian side of İstanbul, Kartal has huge development potential that makes it one of the most "investment-grade" localities anywhere in the area. Central location and proximity to many different transportation modes make Kartal easily accessible. Over the last few years it has been the scene of many major residential project starts. The Kartal Urban Renewal Project, covering an area of about 3.5 million m^2, has further boosted the appeal of the area while expectations of future development have driven up property prices. Kartal is also one of three new districts identified as venues for future expansion in İstanbul's stock of office space. The recent rapid growth in the availability of such space in Kartal confirms this view.

İş REIT's tourism sector activities are also continuing. Consideration is being given to selling one or more of the hotels in our portfolio and possibly buying new ones. Our decisions concerning these issues will be informed entirely by the profitability of such undertakings.

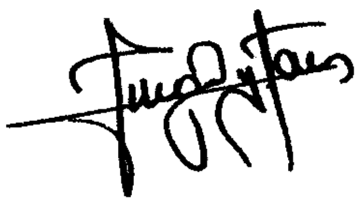
Our belief is that only projects that we undertake on the basis of a detailed analysis of feasibility studies that include being in the right place, at the right time, and at the right price can mature and be realized as viable, productive business ventures.

We believe that 2013 will be a productive year for İş REIT.

İş REIT seeks to maintain a prestigious portfolio of valuable properties while growing it with the addition of profitable new projects. In the fulfillment of this vision, İş REIT conducts its business as a real estate investment trust which has a commanding presence in the future both of the country and of the sector and which is backed as much by its rock-solid financial structure as it is by its commitment to the values of the İşbank Group of which it is a member.

Adhering to a business model whose essential goal is to create more value for all of our stakeholders, we will continue our steadfast and dedicated efforts on behalf of the greater benefit and advancement of our sector and our company.

I would like to take this opportunity to extend my appreciation and my very best wishes to our employees and to all of our other stakeholders for both their confidence and their generous support.



Turgay Tanes
CEO

BOARD OF DIRECTORS AND BOARD OF AUDITORS

Aydın Süha Önder
Chairman

Born in 1962, Aydın Süha Önder received his degree in political sciences and public administration from the Faculty of Economics and Administrative Sciences at the Middle East Technical University in 1985. He began his career on the Board of Inspectors at İşbank in 1986. After serving in managerial positions at the Galata, Avcılar and Karaköy branches of İşbank, Mr. Önder was appointed as the head of Corporate Banking Marketing Division in 2003, as manager of the Levent Branch in 2006 and of the Gebze Corporate Branch in 2007. Serving as Deputy CEO at İşbank since April 2011, Mr. Aydın Süha Önder has been the chairman of the Board of Directors of İş REIT since 2011.

M. Kemal Fettahoğlu
Board Member

Born in 1967, Kemal Fettahoğlu got his degree in economics from the Middle East Technical University in 1990. Having started his career the same year as an assistant specialist in the Strategic Planning Department at İşbank, Mr. Fettahoğlu pursued graduate studies in finance in London in 1997-1998. He worked as the Finance Manager and Capital Markets and Asset Management Manager at Petrol Ofisi from 2000 through 2003. He assumed the responsibility of unit manager of İşbank's Economic Research, Enterprise Architecture and Branch Network Development divisions. He has been serving as the head of the Bank's Construction and Real Estate Management Division since 26 October 2011, and as the Company's Board member since 2012. Mr. Fettahoğlu also holds a seat on the Board of Directors of İş-Koray.

Kemal Şahin
Board Member

Kemal Şahin got his degree in business administration from the Middle East Technical University in 1988, and joined İşbank the same year as an assistant inspector on the Board of Inspectors. Following ten years of service as assistant inspector and inspector on İşbank's Board of Inspectors, he was appointed as assistant manager to the Bank's Subsidiaries Division in 1998. He currently serves as a unit manager for Property Development, Healthcare and Food Industry Companies under the Subsidiaries Department at İşbank. Mr. Şahin also holds seats on the Boards of Directors of İş-Koray, İşmer, Bayek, Antgıda, and Mipaş Mümessillik ve Erişim Müşteri Hizmetleri A.Ş., which are some of the subsidiaries covered by the unit he is in charge of. Functioning as a Board member of İş REIT since 2004, Mr. Kemal Şahin is also a member of the Corporate Governance Committee and the Committee for Early Detection of Risk.

H. Cemal Karaoğlu
Independent Board Member

Born in 1965 in İzmir, H. Cemal Karaoğlu got his bachelor's degree in 1987 and his master's degree in 1991 from the Department of Civil Engineering in the Faculty of Engineering at the Middle East Technical University. He started his career under a research program at Imperial College in 1988. He worked as project engineer at Yüksel Proje Uluslararası A.Ş. from 1989 to 1993. He was a board member at Başarı Yatırımlar Sanayi ve Ticaret A.Ş. from 1993 to 2003 and at Yüksel Proje Uluslararası A.Ş. from 2003 to 2008. He functioned as engineer and executive in various fields, including constructional drawings, control services, and investment consultancy. Functioning in the capacity of Deputy Chairman at Yüksel Proje Uluslararası A.Ş. since 2008, he is on the Board of Directors of Başarı Yatırımlar San. ve Ticaret A.Ş. Holding a seat on our Company's Board of Directors since 2010, Mr. Karaoğlu also heads the Committee for Audit and the Committee for Early Detection of Risk.

D. Sevdil Yıldırım
Independent Board Member

Having received her bachelor's degree in business administration from the Middle East Technical University in 1988, Sevdil Yıldırım got her master's degree in economics from the same university and in business administration from the London Business School. Ms. Yıldırım worked in the Research and Development, Oversight and Enforcement divisions at the Prime Ministry Capital Markets Board from 1988 to 1999. She joined Yapı Kredi Yatırım in March 1999 to set up the International Capital Markets Department, and was promoted to Executive Vice President in 2003. She joined Turkish Yatırım A.Ş. as Assistant General Manager in 2006, transferred to BGC Partners as Assistant General Manager in 2007, and joined Yıldız Holding A.Ş. in 2009 to set up the Corporate Finance and Capital Markets Coordination Department. Having assumed a duty in the incorporation of Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş., a publicly traded subsidiary of Yıldız Holding, Ms. Yıldırım worked as Assistant General Manager and as member of the Investment Committee at this company until February 2012. She also functioned as vice chairman on various councils of the Foreign Economic Relations Board (in Turkish: DEİK) from 2002 through 2012. She currently serves as an independent board member for TAV Airports and Denizli Cam. Ms. Yıldırım has been a member of the Company's Board since 2012; she also heads the Corporate Governance Committee and is a member of the Committee for Audit.

Turgay Tanes
CEO

Murat Doğan
Statutory Auditor

H. Cemal Karaoğlu
Independent Board Member

Şebnem Kurhan Ünlü
Statutory Auditor

Aydın Süha Önder
Chairman

Kemal Şahin
Board Member

M. Kemal Fettahoğlu
Board Member

D. Sevdil Yıldırım
Independent Board Member

Erdal İnceler
Statutory Auditor

Murat Doğan
Statutory Auditor

Murat Doğan graduated from the Department of Industrial Engineering at İstanbul Technical University. He joined İşbank Subsidiaries Division in 2000. Mr. Doğan was promoted to assistant manager in the same division in 2009, a position he currently holds.

Şebnem Kurhan Ünlü
Statutory Auditor

Şebnem Kurhan Ünlü graduated from the Department of Business Administration in English of the Faculty of Economics and Administrative Sciences at Marmara University in 1993. She completed her post-graduate education in Business Administration-Finance in English at the Social Sciences Institute at Marmara University in 1996. She joined the Treasury Division at İşbank in 1994 and was promoted to the assistant manager position of the same department in 2004. Ms. Ünlü has been working as a unit manager for the Treasury Department since 2008.

Erdal İnceler
Statutory Auditor

Holding a bachelor's degree in economics from the Middle East Technical University, Erdal İnceler joined İşbank as an assistant specialist at the Training Department in 1990 and became assistant manager and group manager in the same department in 1999 and 2005, respectively. He currently serves as unit manager at İşbank's Human Resources Management Division. Mr. İnceler held memberships on the Boards of Auditors and Boards of Directors at various İşbank subsidiaries.

Turgay Tanes
CEO

Turgay Tanes graduated from the Department of Public Administration of the Faculty of Economics and Administrative Sciences at Gazi University in 1987. He started his career at İşbank as an assistant inspector on the Board of Inspectors in 1988. He became an assistant manager in the Subsidiaries Division in 1996 and worked as a group manager of Real Estate and Glass Sector Companies from 1999 to 2004 in the same division. Serving as the CEO of İş Real Estate Investment Trust Co. since 2004, Mr. Tanes also functions as the chairman of one of the subsidiaries of İşbank.

Changes in Management during the Reporting Period

Aydın S. Önder, M. Kemal Fettahoğlu, and Kemal Şahin having resigned their seats on the İş REIT Board of Directors pursuant to article 25 of Statute 6103 ("Law concerning the entry into force and implementation of the Turkish Commercial Code"), they were reappointed board members of the company pursuant to article 363 of the Turkish Commercial Code on condition that these appointments be submitted for the approval of shareholders at the very next general meeting of the company. With the exception of these appointments made as required by the Turkish Commercial Code, no other changes took place in the company's Board of Directors last year.

Duties and Responsibilities of the Board of Directors

The duties and responsibilities of members of the board of directors are spelled out in the company's articles of association. The Board of Directors is ultimately responsible for the management of the company and for representing the company before outside parties. The Board of Directors fulfills the duties incumbent upon it in compliance with the requirements of the Turkish Commercial Code, the Capital Markets Law, and other applicable laws, regulations, and administrative provisions. The board consists of five members, two of whom are independent board members.

Operating Principles of the Board of Directors

The Board of Directors conducts its activities within the framework of publicly-disclosed operating principles. The board convenes on such occasions as deemed to be made necessary by the company's business and affairs upon an invitation by its chairman or his deputy. Under article 13 of the company's articles of association, it is possible for other members to summon the board to convene as well.

Board Meetings

A Board of Directors Secretariat has been set up at the company. This unit is now responsible for and actively involved in organizing board meetings, preparing and recording reports, documentation, and board decision, coordinating communication among board members, and performing similar functions.

The agendas for board meetings are prepared as recommended by the general manager and with the knowledge of the board's chairman.

During the reporting period, the Board of Directors convened twelve times and passed 59 resolutions. All board members attended all of the board meetings that were held during the year. All decisions taken by the board were passed unanimously. No dissenting opinions were expressed in any of the decisions taken during board meetings. Inasmuch as no votes were cast against any of the decisions that were taken, it was not necessary to make note of any opposition to them in meetings' minutes.

No board member enjoys any special voting rights or has the power to exercise a veto.

Board of Directors Committees

As required both by the Capital Markets Board's corporate governance principles and by the company's board of directors operating principles, three committees have been created within the board: a Corporate Governance Committee, a Committee for Early Detection of Risk, and a Committee for Audit. Each of these committees is headed by an independent board member. As required by law, all of the members of the Committee for Audit are independent board members. The names and positions of those who serve as heads and members of these committees are presented below.

Corporate Governance Committee
Head
D. Sevdil Yıldırım, Independent Board Member
Member
Kemal Şahin, Board Member

Committee for Early Detection of Risk
Head
H. Cemal Karaoğlu, Independent Board Member
Member
Kemal Şahin, Board Member

Committee for Audit
Head
H. Cemal Karaoğlu, Independent Board Member
Member
D. Sevdil Yıldırım, Independent Board Member

Because the Board of Directors consists of only five members, it is both necessary and deemed to be sufficient that a single board member should serve on more than one committee. All due consideration is given to the requirements of corporate governance principles when selecting committee members.

During the reporting period and after the conduct of the company's annual meeting, the duties and responsibilities of board members were assigned and elections to committee seats were held as required by CMB Communique IV:56 concerning the determination and application of corporate governance principles. Committees' current operating principles were also reviewed and publicly announced. All committees performed their functions within the framework of their governing principles.

Neither a nominating committee nor a remuneration committee has been set up. The functions of such committees are performed by the Corporate Governance Committee.

A Corporate Governance Committee has been set up in compliance with the Capital Markets Board's rules and regulations concerning corporate governance and it has been charged with fulfilling the duties and responsibilities incumbent upon it under CMB's corporate governance principles. This committee regularly reviews the company's corporate governance practices and it strives to make improvements in them. During the reporting period, this committee played an active role both in initiating the company's corporate governance rating process and in the actual conduct of that process. Besides its corporate governance duties, this committee also gives importance to investor relations. At regular intervals they committee reviews the company's investor relations activities and strategies and it ensures that the Board of Directors is kept informed about such issues on a regular basis. In addition to these functions, the committee is also active in such areas as providing coordination among other committees and supporting their activities when necessary. It is a principle of the Corporate Governance Committee to meet at least once a month before the regular monthly meeting of the Board of Directors; however it may also convene more frequently as circumstances require.

As required by CMB Communique IV:56 concerning the determination and application of corporate governance principles, the name of the committee responsible for overseeing the company's risks was change from "Risk Committee" to "Committee for Early Detection of Risk". Along with this change of name, the committee's operating principles were also updated. The Committee for Early Detection of Risk plays an active role in identifying risks which are inherent in the company's activities, in quantifying them, in reporting them, and in determining risk management strategies and policies. In addition to these duties, the Committee for Early Detection of Risk has also begun operating within the framework of the risk-management and risk-detection duties and responsibilities incumbent upon the Board of Directors pursuant to article 378 of the Turkish Commercial Code (Statute 6102).

In line with the duties incumbent upon it as specified in its operating principles and in compliance with the principles of applicable capital market laws, regulations, and administrative provisions during the reporting period, the Committee for Audit played an active role in such matters as publicly disclosing the company's financial statements, having independent audits conducted, and ensuring that the company's internal control system functioned effectively; all other aspects of the independent auditors' activities were also supervised.

Duties Undertaken by Board Members Outside the Company

No specific rules have been laid down with respect to company board members undertaking duties outside the company. Some members of the Board of Directors hold seats on the boards of other companies. Information about the non-company duties undertaken by board members as well as about their specific areas of responsibility within the company and their terms of office is provided in each board member's biography.

Disclosure of company board members' dealings related to company's principal business activities or involving either the company or capital market instruments belonging to the company

No member of the Board of Directors was involved in any commercial or financial transaction related to the company's principal business activities, or entered into any debt relationship with the company, or was involved in any dealings that involved any capital market instruments belonging to the company.

Remuneration of the Members of the Board of Directors

As required by CMB Corporate Governance Principles, principles related to the remuneration of members of the company's Board of Directors are set forth in writing. The company's remuneration policy has been submitted to the general assembly of shareholders and has been publicly disclosed.

Payments made to members of the Board of Directors are determined by the general assembly of shareholders. All benefits provided to board members are publicly disclosed in the company's quarterly financials. The gross value of all remuneration provided to members of the Board of Directors during the reporting period was TL 278,567,000.

Besides the remuneration decided upon by the general assembly of shareholders, members of the Board of Directors receive no other benefits under such rubrics as "honoraria" or "bonuses" or any similar entitlements. None of the remuneration provided to independent board members involves any company stock options or any forms of payment linked to the company's performance.

During the reporting period, the company did not lend any sums or extend any credit to its board members, did not stand guarantee for them, and did not engage in any other transactions of a similar nature with them.

SENIOR MANAGEMENT

Turgay Tanes
CEO

Turgay Tanes graduated from the Department of Public Administration of the Faculty of Economics and Administrative Sciences at Gazi University in 1987. He started his career at İşbank as an assistant inspector on the Board of Inspectors in 1988. He became an assistant manager in the Subsidiaries Division in 1996 and worked as a group manager of Real Estate and Glass Sector Companies from 1999 to 2004 in the same division. Serving as the CEO of İş Real Estate Investment Trust Co. since 2004, Mr. Tanes also functions as the chairman of one of the subsidiaries of İşbank.

Hülya Demir
Senior Head of Project and Construction Management Coordination

Hülya Demir graduated from the Faculty of Architecture at İstanbul Technical University in 1982, and received her master's degree from the same faculty in 1984. She started her career in 1983 as a project architect at EPA Architecture and worked as an architect and chief architect for Architectural Project Design and Implementation at İşbank Construction and Real Estate Division from 1985 to 1994. She was in charge of the project and construction management and coordination for İş Towers first as an assistant manager and then as a group head from 1994 until 2001. Hülya Demir joined İş REIT in 2001 as Assistant General Manager and was in charge of Kanyon project and construction management from 2001 through 2006. Ms. Demir, who has good command of English, currently functions as the Senior Head of Project and Construction Management Coordination.

T. Aydan Ormancı
Senior Head of Project Development & Feasibilities and Real Estate Investments Coordination

T. Aydan Ormancı got her degree in civil engineering from the Middle East Technical University in 1990; she also holds a master's degree from the Graduate School of Science Engineering and Technology. Ormancı started her career in 1991 as a project engineer at STFA Mühendislik A.Ş. In 1993, she joined 3M İnşaat A.Ş. as Technical Office Assistant Manager. From 1995 to 2000, she worked as an assistant manager and manager at Project and Sales Departments at Gök İnşaat A.Ş. She began functioning as an assistant manager at the Investment and Project Development Department at İş REIT in 2000, where she was promoted to manager in 2001 and to Assistant General Manager in 2007. Mrs. Ormancı, who has good command of English, currently serves as Senior Head of Project Development and Real Estate Investments Coordination.

Tuğrul Gürdal
Head of Accounting and Administrative Affairs Group
Accounting, Financial Affairs, Information Technology, Document Management and Operation, Support Services

Tuğrul Gürdal started working as a reporter with the Ministry of Finance Regular Tax Objection Board in 1975, from which post he resigned in 1980. The same year, he joined İşbank Securities Department. He assumed the position of operations manager at İş Yatırım Ortaklığı A.Ş. in 1997 and was actively involved in the incorporation and public offering of İş REIT, his current employer, where he has been working since 1999. Having worked under the title of Accounting and Administrative Affairs Manager from 1999, Mr. Gürdal is currently the Head of Accounting and Administrative Affairs Group responsible for Accounting, Financial Affairs, Information Technology, Document Management and Operation, Support Services.

Atty. Pınar Ersin Kollu LL.M.
Head of Legal Counseling, Human Resources and Education Group

Pınar Ersin Kollu graduated from the Faculty of Law at İstanbul University in 1994 and got her LL.M. degree in Business Law from İstanbul Bilgi University. Ms. Kollu completed her legal internship in 1995 and was enrolled with the İstanbul Bar Association. She began her career as a lawyer at BEDAŞ in 1996, and joined İş REIT in 2000, where she set up the Company's Legal Counseling, Human Resources and Education Departments. Possessing a notarial certificate, Mrs. Kollu, who has good command of English, also holds Human Resources Management Certification and Adler Coaching Certificate accredited by the International Coaching Federation. She was appointed as Legal Counsel in 2005 and currently serves as the Head of Legal Counseling, Human Resources and Education Department.

Ayşegül Şahin Kocameşe
Head of Investor Relations and Corporate Compliance, Risk Management and Internal Control Group

Ayşegül Şahin Kocameşe got her bachelor's degree in political science and public administration from the Middle East Technical University in 1998 and got her Executive MBA degree from İstanbul Technical University. Having good command of English, she holds the CMA Advanced Level License from the Capital Markets Board, Credit Rating Expert License, and Corporate Governance Rating Expert License, as well as a Real Estate Appraiser License. She began her career as an investment specialist at İşbank in 1998. She joined İş REIT in 1999 and personally worked in the incorporation and IPO of the Company. Upon establishment of the Risk Management and Investor Relations Department in 2005, she was brought to the position of manager in this unit. Ms. Kocameşe currently functions as the head of Investor Relations and Corporate Management, Risk Management and Internal Control Group.

Gülfem Sena Tandoğan
Head of Corporate Communications, Sales, Leasing and Marketing Group

Gülfem Sena Tandoğan got her bachelor's degree in labor economics and industrial relations from the Faculty of Political Sciences at Ankara University in 2001 and Executive MBA from Boğaziçi University. She began her career as an assistant product manager in a pharmaceuticals company in 2001. She started working at the Marketing Department of İş REIT in 2003 and functioned as a specialist at the Risk Management and Investor Relations Department from 2005 until 2007. She was involved in the establishment of the Corporate Communications and Marketing Department in 2007. Ms. Tandoğan, who has good command of English, is currently the Head of Corporate Communications, Sales, Leasing and Marketing Group.

K. Sertaç Seviner
Head of Audit Group

Ömer Barlas Ülkü
Head of Financial Management Group

Kaan Özsoy
Architectural Projects Coordinator

T. Aydan Ormancı
Senior Head of Project Development & Feasibilities and Real Estate Investments Coordination

Tuğrul Gürdal
Head of Accounting and Administrative Affairs Group

Gülfem Sena Tandoğan
Head of Corporate Communications, Sales, Leasing and Marketing Group

Turgay Tanes
CEO

Bülent Otuz
Electrical and Mechanical Projects Coordinator

Hülya Demir
Senior Head of Project and Construction Management Coordination

Ayşegül Şahin Kocameşe
Head of Investor Relations and Corporate Compliance, Risk Management and Internal Control Group

Gökhan Temel
Constructional Projects Coordinator

Atty. Pınar Ersin Kollu, LL.M
Head of Legal Counseling, Human Resources and Education Group

Merter Gürgün
Project Development and Feasibilities Coordination Manager

Ömer Barlas Ülkü
Head of Financial Management Group

Ömer Barlas Ülkü received his bachelor's degree in civil engineering from the Middle East Technical University in 1995 and his MBA from the Faculty of Economic and Administrative Sciences at the same university. Mr. Ülkü started his business life as a research assistant in the Department of Civil Engineering at METU (1995-1997) in tandem with his graduate studies. He functioned as an inspector on İşbank's Board of Inspectors from 2000 to 2008, and as the Internal Audit and Control Manager of our Company from 2008 to 2012 while he also set up the said department. Having good command of English, Mr. Ülkü involved in the establishment of the Financial Management Department in July 2012, and currently serves as the Head of the Financial Management Group.

K. Sertaç Seviner
Head of Audit Group

K. Sertaç Seviner graduated from the Department of Economics, Faculty of Economic and Administrative Sciences at the Middle East Technical University in 2000. He joined İşbank in 2001 as an assistant inspector trainee on the Board of Inspectors, and was appointed as an assistant manager in the Retail Loans Monitoring and Recovery Division in 2010. Having good command of English, Mr. Seviner was brought to the position of the Head of Audit Group of İş REIT in December 2012.

Bülent Otuz
Electrical and Mechanical Projects Coordinator

Bülent Otuz received his bachelor's degree in 1983 and his master's degree in 1986 in electrical and electronics engineering from the Middle East Technical University. He functioned as a chief engineer at TEK (Turkish Electricity Authority) Power Plants Department from 1984 to 1988. He worked in İşbank's Construction and Real Estate Management Division from 1988 to 2001. He was in charge of the design and implementation of electrical works in İş Towers from 1996 through 2001. He joined İş REIT in 2001 and assumed the responsibility of assistant coordinator for the Kanyon Mixed Use Project from 2001 to 2006. Mr. Otuz, who has good command of English and is also a Real Estate Appraiser, currently serves as Electrical and Mechanical Projects Coordinator at İş REIT.

Gökhan Temel
Constructional Projects Coordinator

Gökhan Temel graduated from the Department of Civil Engineering at İstanbul Technical University in 1988. He started his career in 1988 as a supervising engineer in the construction of the Kınalı-Sakarya Highway undertaken by ENET-ARUP-DCI Joint Venture. He worked as a civil engineer in İşbank's Construction and Real Estate Management Division from 1991 to 1993. He functioned first as a supervising engineer and then as a chief engineer in the construction of İş Bank's Head Office Building from 1993 through 2001. He joined İş REIT in 2001 as a chief engineer, and later assumed the positions of Project Implementation Assistant Manager and then Project Implementation Manager. Mr. Temel, who has good command of English and is also a Real Estate Appraiser, currently serves as the Constructional Projects Coordinator at İş REIT.

Kaan Özsoy
Architectural Projects Coordinator

Kaan Özsoy received his degree in architecture from the Faculty of Architecture at Yıldız Technical University in 1992. He started his career as an architect in the construction of İşbank Head Office Building in 1994 and functioned as a supervising architect until 2001. Having joined İş REIT as an architect in 2001, Kaan Özsoy was later promoted, in chronological order, to Chief Architect, Project Implementation Assistant Manager and Project Implementation Manager. Mr. Özsoy, who has good command of English and is a Real Estate Appraiser, currently serves as the Architectural Projects Coordinator at İş REIT.

Merter Gürgün
Project Development and Feasibilities Coordination Manager

Merter Gürgün graduated from the Department of Civil Engineering at İstanbul Technical University (ITU) in 1994. He received his MBA from the Department of Business Administration at Boğaziçi University, and an M.Sc. in structural design engineering from the Department of Civil Engineering at ITU. Currently pursuing his postgraduate studies in Land Management and Use program, Mr. Gürgün has good command of English. Having started his career at İş Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. in 1999, he was actively involved in the incorporation of İş REIT and in the establishment of the Investments and Project Development Department. He assumed responsibilities in the monitoring and execution of construction works within the existing real estate portfolio, in the development of real estate projects and management of the real estate portfolio. Mr. Gürgün became Assistant Manager of Investment and Project Development in 2010. Holding Capital Markets Advanced Level Investment Expert License, Derivatives License, Credit Rating Expert License, Corporate Governance Rating Expert License, and Real Estate Appraiser License, Mr. Gürgün currently serves as Manager in the Project Development and Feasibilities Coordination under the Project Development & Feasibilities and Real Estate Investments Coordination Group.

Disclosure of Company Senior Management's Dealings Related to Company's Principal Business Activities or Involving Either the Company or Capital Market Instruments Belonging to the Company

No member of the company's senior management was involved in any commercial or financial transaction related to the company's principal business activities, or entered into any debt relationship with the company, or was involved in any dealings that involved any capital market instruments belonging to the company.

Remuneration of the Members of the Company's Senior Management

As required by CMB Corporate Governance Principles, matters related to the remuneration of members of the company's senior management are set forth in writing. The company's remuneration policy has been submitted to the general assembly of shareholders and has been publicly disclosed.

The financial benefits provided to senior management consist of salaries and bonuses. The gross value of all remuneration provided to members of senior management (CEO and senior group managers) during the reporting period was TL1,333,586.

During the reporting period, the company did not lend any sums or extend any credit to members of its senior management, did not stand guarantee for them, and did not engage in any other transactions of a similar nature with them.

DECLARATION OF INTEREST BY INDEPENDENT BOARD MEMBERS

Owing to my candidacy for a seat as an independent board member at your company's ("the Company") general meeting, I hereby declare:

- That neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the third degree, have, within the most recent five years, entered into any direct or indirect relationship involving employment, capital, or any commercial interest of a significant nature, with the Company, or with any related parties of the Company, or with any corporate entity whose shareholders control, whether directly or indirectly, a 5% or greater interest in the Company's capital or management;
- That within the most recent five years, I have neither been employed by nor served as a board member in any company, including companies involved in the Company's auditing, rating, or consulting functions, which controls all or any part of the Company's activities or organization within the framework of any agreement that has been entered into;
- That within the most recent five years, I have been neither a partner, nor an employee, nor a board member in any firm which provides the Company with substantial amounts of any products or services;
- That no shareholding interest that I may have in the Company amounts to more than 1% of the Company's capital and that none of these shares entail any special rights;
- That I am possessed of the professional training, knowledge, and experience necessary to duly fulfill the duties I shall undertake as an independent member of the board of directors;
- That, as of the date on which my candidacy for board membership is proposed I am not a full-time employee of any public agency or organization and that, if elected, I shall not be for the duration of my term of office;
- That I am a resident of Turkey as defined in the Income Tax Law;
- That I am possessed of ethical standards and of professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any disputes that may arise among the Company's shareholders, and to come to decisions freely on the basis of all stakeholders' interests;
- That I will be able to devote to the Company's affairs an amount of my time sufficient to keep track of the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking.

D. Sevdil Yıldırım

H. Cemal Karaoğlu

CONSULTANCY, AUDITING, RATING AND APPRAISAL SERVICES

Tax Consultants

Başaran Nas Yeminli Mali Müşavirlik A.Ş.

Independent Auditors

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of KPMG International)

Corporate Governance Principles Compliance Rating Agency

JCR Eurasia Rating

Real Estate Appraisal Firms from Which Services Were Procured in 2012

Harmoni Gayrimenkul Değerleme ve Danışmanlık A.Ş.
Ekol Gayrimenkul Değerleme ve Danışmanlık A.Ş.

Disclosure of Any Conflicts of Interest Between the Company and Its Service Providers

In the selection of its service providers, the company complies with applicable capital market regulations and takes all due care to prevent potential conflicts of interest.

There were no conflicts of interest between the company and the service providers identified above either during the service procurement process nor subsequently.

BOARD OF DIRECTORS ACTIVITIES IN 2012

WE PLAN TO ACHIEVE SIGNIFICANT MEDIUM-TERM EXPANSION IN OUR PORTFOLIO DIMENSIONS. IN ADDITION TO ONGOING CONSTRUCTION PROJECTS WHOSE CURRENT INVESTMENT VALUE AMOUNTS TO MORE THAN USD 600 MILLION, WE WILL BE LAUNCHING NEW PROJECTS IN 2013 AS WELL.

Having achieved its rental income and portfolio dimension targets, our company had a successful year in 2012. As measured by market value, İş REIT is one of the top five publicly-traded real estate investment trusts active in our country today. With the completion of our existing projects, we plan to achieve significant medium-term expansion in our portfolio dimensions. In addition to our ongoing construction projects whose current investment value amounts to more than USD 600 million, we will be launching new projects in 2013 as well. In light of these and similar considerations, we believe that 2013 is going to be a productive year for İş REIT.

İş REIT keeps its eye on investment prospects wherever it believes that there is investment potential. The company actively seeks out and exploits opportunities to acquire existing properties and also to undertake the development of new projects. We are constantly on the lookout for every potentially worthwhile opportunity that will be beneficial to the interests of our investors. All of İş REIT's actions and investments are guided by the company's mission of enabling its investors to profit from the revenues and gains generated by real estate properties.

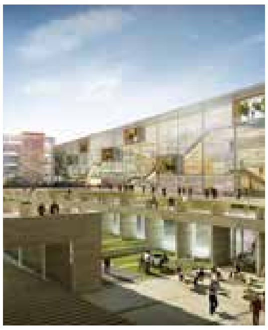
Tuzla Projects

Owing to its historical and cultural associations as well as to its location, Tuzla has grown rapidly in recent years as it attracts increasingly more investment. The unrelenting eastward expansion of metropolitan İstanbul has been fuelling investment in both residential and commercial properties in the Tuzla area while also steadily increasing interest in its environs as well. Many large firms have relocated their headquarters and/or operations centers to Tuzla and nearby districts and others are looking to do so. This process contributes significantly to the region's development and makes it even more attractive. Both private-sector companies' and local municipalities' investments here have been accelerating of late. The areas flanking the E-5 highway in particular have been appreciating in value the fastest. The local municipality's announcement in 2012 that the existing metro network would be extended as far as Tuzla in the near future makes the area even more attractive from the standpoint of transportation accessibility.

Having foreseen the growth and development potential inherent in the Tuzla area, İş REIT acquired two adjacent properties in the area and began working on projects to develop them. Licenses were obtained for both the company's Tuzla Technology and Operations Center Project and Tuzla Mixed-Use Project last year and work has begun on both. These projects' construction works are being carried out by Koray İnşaat, which submitted the winning bids for both. The total area under construction amounts to 261,988 m^2. These projects are slated for completion before the end of 2015. The total development cost of the two projects is expected to be about USD 285 million.

The Tuzla Technology and Operations Center is a turnkey-delivery project being undertaken for İşbank. The complex will house the bank's information technology, data-storage, and training units, the last of which include accommodations for trainees. The facility has been leased to the bank for a period of 25 years. Under the terms of this agreement, rental payments will be based on final development costs. On the basis of current projections, this should work

Tuzla Projects



out to about USD 20 million a year. This project's architectural design works and master plan are under the responsibility of the internationally famous SOM. Complementary, design works are being undertaken by Dizayn Grup.

Adjacent to the Technology and Operations Center is another 21,305.29 m² property on which İş REIT is developing a mixed-use project. As currently envisaged, this project will include a hotel and offices along with commercial spaces intended primarily to meet the essential needs of those working in the technology and operations center next door. A construction license has been obtained for this project; excavation and revetment works have begun.

Another project under development in Tuzla township is Çınarlı Bahçe Tuzla, a "New Life in İstanbul" concept residential property located on the land registered on parcel no: 1329, about 3 kms from the E-5 highway and from the newly-planned Tuzla Marina. Çınarlı Bahçe Tuzla consists of low-rise dwellings which have been specifically designed to be compatible with Tuzla's history and reputation as one of İstanbul's prestigious summer resorts.

All of the project's licensing formalities were finalized in 2011. Promotional activities and pre-sales began in October 2011. There are 476 units whose total sellable area amounts to 58,000 m². Total development cost, including land, is expected to be about USD 66 million. Construction work began in December 2011. At end-2012, about 86% of the 476 units had been sold. The company has also decided to retain 30 of the units in the Çınarlı Bahçe Tuzla project as investments in İş REIT's own property portfolio in order to take advantage of future appreciation in their value. On this basis therefore about 8% of the remaining units are still up for sale. A 235 m² section of the property, which was earmarked in the project's architectural plan as a school, has been sold to Feyziye Mektepleri Vakfı, a privately-owned charitable foundation that has been building and operating primary schools since 1885. The site will be used for a kindergarten. With the inclusion of sums to be paid for the completion of the school's interior and exterior finishing works, the proceeds from this sale will amount to TL 1,083,005. Finishing, mechanical, electrical, and exterior works are currently in progress on the sections of the project whose rough construction work is finished. According to the Çınarlı Bahçe project's contractors Mesa Mesken Sanayii A.Ş., the residential units are scheduled for delivery in August 2013. That such a high percentage of units should have been sold in such a short time is evidence of the confidence that people have in İş REIT, in the İşbank Group of which it is a member, and in our choice of project partners. Coming at a time when the effects of a crisis-wracked global economy are beginning to be felt in our country's own economy and its real estate sector, the success of the Çınarlı Bahçe project is remarkable indeed.

WE BELIEVE THAT THE RATIONAL CONDUCT OF EVERY PROJECT WE UNDERTAKE IS POSSIBLE THROUGH DETAILED ANALYSIS OF FEASIBILITY STUDIES THAT INCLUDE BEING IN THE RIGHT PLACE, AT THE RIGHT TIME, AND AT THE RIGHT PRICE.

Taksim Office Lamartine Project

Our company keeps a close watch on developments taking place in office space supply and demand in İstanbul in order to spot and take advantage of potential investment opportunities. Office-property development projects in the city are thick on the ground in established "business districts" while other areas tend to be neglected. One outcome of this is that some of İstanbul's traditional centers such as Taksim suffer from a dearth of modern, class-A office space which is nevertheless much in demand, especially among foreign firms which find it almost impossible to find offices satisfying the quality standards which they demand.

İş REIT is developing its Ofis Lamartine project specifically to meet domestic and foreign commercial tenants' demand for class-A office space in and around Taksim. Located quite centrally in Beyoğlu (known in Ottoman times as Pera), Ofis Lamartine's architectural features were designed to make the completed building one of the signature landmarks of the locality.

Total development cost, including land, is expected to be about USD 13.5 million. As of end-2012, 95% of the project's construction works were complete. The process of leasing to tenants has begun and it is expected that the building will be fully occupied when it goes into service.

Ege Perla Project

Situated in the "New City Center" of İzmir's venerable Konak district, Ege Perla is a mixed-use project consisting of residential and home-office properties and a shopping mall. Total development cost, including land, is expected to be about USD 150 million. The project is slated for completion in December 2015. Bearing the signature of Emre Arolat, some of whose previous work earned him the Aga Khan Award for Architecture, Ege Perla consists of all-seaview residences together spacious offices and home-offices and a shopping mall whose semi-open architecture makes it an ideal venue for up-market stores and shops. The project was conceptually designed both to be an amalgam of traditional İzmir lifestyles and modern architecture and to return Konak to its former glory as the central hub of the great conurbation that extends around İzmir Bay and into its hinterland. Deftly ensconced in the İzmir's architectural fabric, Ege Perla is certain to become a signature landmark of the city.

Ege Perla consists of a shopping mall with about 25,000 m^2 of leasable area and two tower blocks whose combined leasable area amounts to about 30,000 m^2. A Tower has 45 stories and consists entirely of dwellings while B Tower is 29 stories and consists of home-offices. The two towers together contain 176 units of eighteen different types with floor space ranging between 83 m^2 and 425 m^2. The project's construction license was received in September 2012. Excavation, revetment, and foundation works are in progress at this time.

Although the İzmir New City Center district is the scene of intense and rapid development, the presence of a shopping mall and the choice of unique design concepts and themes set Ege Perla quite apart from any potential rivals in the area. Concept development and tenant-mix activities continued all year long in 2012. İş REIT has engaged CEFIC, a firm with many years of successful experience in the sector, to manage the leasing of units, which is expected to get underway in 2013.

The Ege Perla project units went on sale for the first time on 7 November 2012 and within just four months' time, 42% of the flats were snapped up by eager buyers. Owing to the strong interest in and demand for Ege Perla properties, the selling-date of some of the home-offices in B Tower, which had been scheduled

Taksim Office Lamartine Project

Ege Perla Project

to take place later, was moved up to 17 December 2012.

Marmara Park Shopping Mall

The Marmara Park Shopping Mall is not a project undertaken independently by İş REIT but is instead a joint venture carried out by ECE (a German project management company that İş REIT assigned its building rights on the site to), ECE Türkiye (ECE's Turkish subsidiary), and DWS (a property investment firm belonging to Deutsche Bank). The mall was completed and opened for business in October 2012. It is now fully occupied. Marmara Park Shopping Mall does not contain a hypermarket of its own. That function is provided by our Real Hypermarket investment, another of our projects in the same area.

İstanbul International Finance Center Project

One of the most important of our newest projects involves about 9,500 m^2 of land in the İstanbul International Finance Center (IFC) that was acquired for development by İş REIT at a cost of TL 93 million. Occupying an area of 800 thousand m^2, IFC is to be completed in 3.5 years at total investment cost of TL 4.5 billion and will be providing employment for some 50 thousand people when it becomes operational. When completed, IFC will be one of the five biggest financial services centers in the world. Besides transforming İstanbul into an international financial services hub in its region, IFC is also expected to radically change living standards in its own locality.

İş REIT plans to develop a project incorporating commercial units and offices on the land it has acquired at IFC. With the completion of tendering processes in 2013, these plans will be finalized and project development work is expected to get immediately underway. When completed, the project will have about 27,000 m^2 of leasable/sellable space. The project's anticipated investment cost is around USD 110 million.

Financing Procurements

İş REIT keeps a close watch on all market trends and developments related to its procurement of funding with which to finance both the ongoing projects that it has already initiated and the new projects that it plans to undertake in the future. In 2012 the company secured a USD 50 million murabaha loan in a syndication lead-managed by QInvest, the largest investment bank in Qatar. This deal is the clearest possible evidence of the confidence that international markets have in Turkey's economy and banking sector and of the impact of that confidence on İş REIT's business. The term and cost structures of this loan agreement were specifically designed to conform to the needs of the REIT business model.

Our Strategy in 2013

In addition to carrying out and undertaking the investments described above, İş REIT continues to explore new investment opportunities and sectors capable of generating additional portfolio returns and rental income. The company is keeping an especially close eye on commercial-property investments both in Turkey and abroad that will create steady rental-income streams as well as high-yield buy & leaseback investment opportunities.

In light of all of these and similar developments, we believe that 2013 is going to be yet another successful business year for İş REIT. We believe that the rational conduct of every project we undertake is possible through detailed analysis of feasibility studies that include being in the right place, at the right time, and at the right price..

Marmara Park Shopping Mall

İstanbul International Finance Center Project

ACTIVITIES OF THE SHAREHOLDER RELATIONS UNIT

CONVINCED OF THE IMPORTANCE OF CORPORATE GOVERNANCE PRINCIPLES, BELIEVING THAT IT HAS MADE MATERIAL PROGRESS IN ITS COMPLIANCE WITH SUCH PRINCIPLES, JCR EURASIA RATING ASSIGNED İŞ REIT AN OVERALL 8.53 OUTLOOK-POSITIVE CMB CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE RATING.

İş REIT's shareholder relations unit, which has been in existence and operating since 28 January 2005, conforms to the requirements of "CMB Communique Serial IV, No 41 on Guidelines for the Incorporated Companies Subject to Capital Market Law." This unit reports to a senior-level company officer who is also responsible for ensuring that the company fulfills the obligations incumbent upon it under capital market laws and regulations and for coordinating the company's corporate governance activities.

The İş REIT Shareholder Relations Unit is also responsible for the consistent and effective management of the exercise of shareholders' rights, for public disclosure and provision of company-related information, and for overseeing matters related to the conduct of general meetings and share capital increases.

Public Disclosure and Provision of Company-Related Information

Owing to its significant growth potential arising from projects under development as well as to the attractiveness of the rental income generated by its high-quality property portfolio, İş REIT continued to attract the attention of domestic and international investors in 2012. During the reporting period, the company engaged in talks with more than 100 representatives of Turkish and foreign investment companies during meetings conducted at its own headquarters. It also took part in investor conferences and roadshows organized in Turkey and in other countries. Besides meetings with investors at its headquarters and abroad, company representatives also took part in teleconferences and went on tours that made presentations about the properties in the İş REIT portfolio. The majority of firms met with during the reporting period consisted of foreign brokerages' and assets management companies' analysts and fund managers and the analysts and fund managers of domestic investors.

During the year, the Shareholder Relations Unit received about 200 requests for information, a majority of them by email. Wide-ranging requests for information from numerous domestic, foreign, individual, and institutional investors were dealt with and responded to in detail within the framework of all public disclosure-related issues including the requirements of laws and regulations and the company's own information disclosure policy. About 80% of all requests for information were received from institutional investors; the remaining 20% consisted of queries from others about a variety of matters.

Shareholders have the ability to contact personnel of the Shareholder Relations Unit directly. Shareholders may also obtain information by sending their requests to the unit's published email address or by filling out and submitting a form provided for them on the company's website.

The Shareholder Relations Unit also responds to requests for information from non-shareholders such as public agencies and organizations that are conducting studies and surveys as well as from brokerages that are doing research for their reports about the company. The responds to such requests completely, accurately, and in a timely fashion.

The questions raised at investor meetings and the queries directed to the Shareholder Relations Unit generally deal with such issues as real estate projects' timetables and potential returns, the company's future investment strategies, its financing policies and revenue and expenditure projections, its financial statements, its rental earnings, and its dividend policy. The Shareholder Relations Unit maintains proper records both of the written and oral queries that it receives and of the responses that it gives to them. Besides handling requests for information made to the company, this unit is also responsible for keeping track of reports and bulletins published by brokerages in which any mention of the company is made.

In addition to its duty of acting as an effective channel of communication between the company and its shareholders, the Shareholder Relations Unit also attends meetings of the Corporate Governance Committee in an advisory capacity, at which time it provides the committee with information about its activities. Such participation provides the unit with an opportunity to play an active role in the evaluation and improvement of the effectiveness of corporate governance.

Seeking to maximize the effectiveness of communication between the investment community and the Board of Directors, the Shareholder Relations Unit keeps the board informed about its own activities through regular reports in which it included detailed information about significant views and opinions expressed by investors as well as about brokerages' reviews and analyses concerning the company.

The company makes effective use of its corporate website both as a channel for public disclosures and to make it easier for shareholders to exercise their rights. Quarterly investor presentations and financial reports including balance sheets and income statements are published in Turkish and English on the website. Special circumstance announcements made by the company through the Public Disclosure Platform also appear in Turkish and English on the corporate website the same day. Information on the website that is subject to change is kept current by means of regular updates. The underlying goal of all of these activities is to ensure that investors, analysts, and all other individuals and organizations have convenient and timely access to whatever information they may need about the company.

Corporate Governance

Last year the Capital Markets Board (CMB) published three communiques (IV:57, IV:60, and IV:61) concerning amendments to "CMB Communique Serial IV, No::56 on the Definition and Implementation of Corporate Governance Principles". The company has acknowledged its compliance with corporate governance principles, keeps a close watch on changes in the regulatory framework governing such principles, and exercises all due care in its compliance with such issues.

During the reporting period, compliance with CMB communiques concerning the determination and application of corporate governance principles was made mandatory for publicly-traded companies. This in turn necessitated changes in a number of the clauses of the company's articles of association.

Procedures to amend the articles of association were initiated as required and these amendments were authorized by CMB letter 3300 dated 20 March 2012 and by Ministry of Customs and Trade letter 2095 dated 21 March 2012. Having been so approved, the text of the amended articles of association was published for the information of shareholders both on the Public Disclosure Platform and via the company's corporate website. A convenience translation of the amended text was also prepared in English and published on the corporate website for the benefit of the company's international investors prior to the conduct of the company's annual meeting, which took place on 28 March 2012. During that meeting, detailed information was provided about the amendments and the justifications for them. The amendments were discussed and approved by shareholders. The newly-amended company articles of association were registered on 5 April 2013 and announced in the Trade Registry Gazette on 11 April 2012.

Convinced of the importance of corporate governance principles, believing that it has made material progress in its compliance with such principles, and wishing to review its performance in this area so as to further improve it, the company entered into an agreement with JCR Avrasya Derecelendirme A.Ş. (JCR Eurasia Rating) to have its corporate governance practices rated. After conducting its audit, JCR Eurasia Rating assigned İş REIT an overall 8.53 outlook-positive CMB Corporate Governance Principles Compliance Rating. The company's ratings by individual section were Shareholders 8.66, Disclosure and Transparency 8.89, Stakeholders 7.91, Board of Directors 8.26.

İş REIT's 8.53 rating falls in the "AAA (Trk)" category, which corresponds to the "Distinctive Compliance" level of convergence with corporate governance principles. JCR's ratings are internationally recognized.

Because of this rating assignment, the company's shares were included in the İstanbul Stock Exchange's "Corporate Governance Index", an index of ISE-traded companies with a corporate governance rating of at least 7 out of 10.

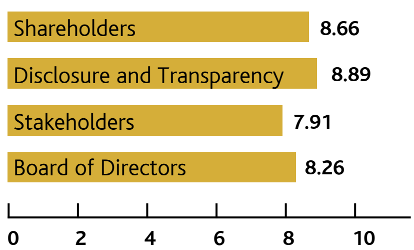
Detailed information about the company's corporate governance practices and performance is provided in the "Corporate Governance Principles Compliance Report" section of this annual report.

CORPORATE GOVERNANCE

8.53

OUTLOOK: POSITIVE

Corporate Governance Principles Compliance Rating



INTERNAL AUDIT AND CONTROL

THE INTERNAL AUDIT AND CONTROL GROUP IS RESPONSIBLE FOR MONITORING AND REVIEWING ALL OF THE BUSINESS PROCESSES AND ACTIVITIES OF EVERY COMPANY DEPARTMENT, FOR EVALUATING AND REPORTING ITS FINDINGS, AND FOR MAKING SUCH RECOMMENDATIONS PERTAINING TO THOSE FINDINGS AS THE GROUP MAY DEEM TO BE NECESSARY

The Internal Audit and Control Group is responsible for monitoring and reviewing all of the business processes and activities of every company department, for evaluating and reporting its findings, and for making such recommendations pertaining to those findings as the group may deem to be necessary. The group's monitoring and reviewing activities are carried out independently. Their underlying goals are to foster an internal auditing culture throughout the company and to determine the effectiveness and efficiency of the company's internal control, risk management, and corporate governance systems.

The İş REIT Internal Audit and Control Department was established in November 2008, at which time the department was also made separate from and independent of other company units. This department began reporting directly to the Board of Directors in June 2012. As a result of a general reorganization carried out at the company in December of the same year, it was decided to split the company's internal audit and internal control functions from each other. As a result of this change, a separate group responsible for audit was set up and made responsible for reporting directly to the Board of Directors while internal control activities were merged into the Investor Relations & Corporate Compliance, Risk Management, and Internal Control Group, which reports directly to the general manager.

During 2012, the Internal Audit and Control Group monitored and reviewed all of the company's activities and transactions in light of their compliance with the requirements of all the laws and regulations to which İş REIT is subject as well as with Board of Directors decisions and with the company's own regulations and directives. All payments made to and expenses reported by the company's contractors and service providers, all rents owed by and received from tenants, and all other company revenues and expenditures were audited. Particular attention was given to monitoring sales and collections related to İş REIT's two biggest projects in 2012–the Çınarlı Bahçe Tuzla residential and the Ege Perla/İzmir mixed-use projects–in order to make certain that customers were fulfilling the terms of their respective sales agreements and payment plans. The group's activities last year also included a review of all contracts to which the company is a party, of guarantees and their reconciliations, and of the fulfillment of contractual terms. Other group activities consisted of auditing fulfillment of tax and similar obligations incurred by properties in the company's portfolio and conducting reviews of construction progress reports, payments, and contractual performances related to the ongoing Taksim, Tuzla, and İzmir projects. The group's findings and opinions were expressed in reports that were submitted to İş REIT's senior management and to its parent company.

RISK MANAGEMENT

THE RISK MANAGEMENT UNIT'S DUTIES CONSIST OF MANAGING ALL RISKS WHICH ARE INHERENT IN THE COMPANY'S ACTIVITIES WITHIN THE FRAMEWORK OF THE COMPANY'S PUBLISHED RISK POLICY AND OF ASSOCIATED INTERNAL RULES AND REGULATIONS. THE UNIT REPORTS TO COMPANY SENIOR MANAGEMENT.

Risk management functions and activities at İş REIT were placed under the responsibility of a separate risk management unit in 2005. This unit's duties consist of managing all risks which are inherent in the company's activities within the framework of the company's published Risk Policy and of associated internal rules and regulations. The Risk Management Unit reports to company senior management.

The Board of Directors is kept informed about the company's risk exposure by means of a comprehensive "Company Risk Report" that is prepared and submitted every three months. This report includes, among other things, information about the company's business sector, key financial indicators, and the results of the unit's quantification and assessment of the risks which are inherent in the company's activities. Detailed information is provided about business environment risk, a category of operational risk that the company is particularly exposed to.

Under article 378 of the Turkish Commercial Code (Statute 6102), which went into effect during the reporting period, companies' boards are charged with new duties and responsibilities in the area of risk detection and management. Changes were made in the company's risk management procedures and policies in order to bring them into compliance with the new rules.

İş REIT has published a "Company Risk Catalogue" that identifies all of the risks which are inherent in the company's activities as dictated by changing market and business conditions. This catalogue is constantly reviewed and kept up to date, new types of risk are defined, potential risks are identified, and risk-mitigation measures are proposed. The goal of all of these activities is to enable senior management to take whatever measures are needed to ensure that the company's risks are effectively managed.

In the conduct of its portfolio management activities, the company invests not just in real estate properties but also in money- and capital-market instruments. As of end-2012, real estate investments made up about 95% of the company's overall investment portfolio. The most serious risk to which the company is exposed on account of its activities is business environment risk. Among the most notable risks in this category are external factors such as changes in the legal frameworks and building codes applicable to the company's activities; changes in local and/or national government policies and practices; and restricted investment opportunities, weak demand, and depressed prices resulting from a feeble real estate market. The company takes such measures as seem necessary and possible to minimize its exposure to business environment risk. To the same end, it makes use of various risk monitoring and mitigation systems whose effectiveness it keeps constant watch on.

As of 31 December 2012, money- and capital-market vehicles made up only a 5% share of İş REIT's overall investment portfolio. These investments are exposed primarily to market risk, which is an expression of the potential losses that the company may sustain on account of unfavorable movements in interest rates, exchange rates, and equity prices. The company's exposure to market risk on account of its money- and capital-market investments is regularly quantified and the results of such measurements are compared to predetermined limits and reported to senior management.

Credit risk is an expression of the risks to which a company is exposed on account of contracts that it enters into for the sale or purchase of goods and/or services. In İş REIT's case, the risk is the possibility of the company's suffering a loss in the value of a contract because a counterparty fails to fulfill some or all of their obligations under the terms of the agreement. İş REIT minimizes its credit risk exposure by maintaining a portfolio of high-quality properties which it only rents to superior tenants or sells to superior buyers.

Liquidity risk is defined as the possibility of the company's suffering, on account of imbalances in its cash flow, a loss because there are not enough cash assets available or cash flow sufficient in volume and quality to fulfill all of its cash disbursement obligations in full and on time. İş REIT manages its liquidity risk exposure by placing cash resources that it does not use in projects in money- and capital-market instruments whose values and maturities are compatible with its cash-flow needs.

HUMAN RESOURCES

İŞ REIT RECOGNIZES THE PARTICIPATION OF HUMAN RESOURCES WHO SHARE COMMON VALUES IN THE COMPANY AND PROVIDING SUCH HUMAN RESOURCES WITH TRAINING AND PROGRESSION OPPORTUNITIES THAT WILL SUPPORT THEIR PERSONAL AND PROFESSIONAL DEVELOPMENT AS ESSENTIAL ELEMENTS OF ITS CORPORATE CULTURE.

İş REIT recognizes the participation of human resources who share common values in the company and providing such human resources with training and progression opportunities that will support their personal and professional development as essential elements of its corporate culture.

İş REIT's human resources management functions were reorganized in September 2011 and placed under the responsibility of a newly-created Human Resources & Education Department that takes a proactive, innovative, systematic, and open-communication approach, is aware of its impact on the company's strategic decisions, and cooperates with all related parties.

Human resources functions at İş REIT consist primarily of employee recruitment, performance management, career planning, compensation and benefits management, training, development, and communication. The company's human resources practices are carried out with the aims of increasing employee performance and productivity and of improving the quality of the workplace environment. Its recruitment and placement activities are informed by the principle of choosing the best people from among candidates who are compatible with İş REIT's corporate culture and values, who are professionally competent, who are open to development, and who have strong potential. Having identified such individuals, the company then places them in positions that best suit their abilities.

With the support of the Human Resources & Education Department and the cooperation of company managers, employees who are interested in their own professional progression take part in discussions about how their own career paths are to be managed. This approach is embodied in İş REIT's belief that every employee should be a potential leader.

Recruiting the Right Person in the Right Job

The Human Resources & Education Department (HR) fulfills its recruitment and hiring duties in line with İş REIT's principle that every employee should have the potential to be a leader. The process begins with company managers determining their personnel requirements and sending a personnel request form to HR. The department compares the information in such forms with the qualifications of those who have submitted job applications as well as with possible candidates from other sources. A list of names is drawn up and these people are invited to come to an interview. These initial interviews are conducted by HR personnel, who focus primarily on overall competency. Those who are successful in this first interview are recalled for a second, which is conducted by an HR officer together with the manager who submitted the original personnel request form. During this interview, HR determines whether or not the candidate satisfies the behavioral requirements of the position while the manager assesses the candidate's technical and professional abilities. Except in the case of job positions with special requirements, the actual decision to offer someone a job is made after a third interview with the general manager.

Performance Management at İş REIT

Effective performance management is viewed as an essential and indispensable element of İş REIT's ability to achieve its objectives as a company. The performance management process at İş REIT involves employees sitting down with their managers in meetings during which are discussed each individual employee's strengths, weaknesses, and performance. The results of these performance evaluations are used as input for other human resources processes such as training and development, competency management, compensation management and merit awards, and career management

Personnel Training and Development at İş REIT

In the conduct of its employee training and development processes, İş REIT plans and conducts professional, personal development, and motivational training programs which make certain that its personnel are trained to meet its current needs while also equipping employees with such knowledge, skills, and behavioral competencies as may be demanded by their jobs and will enhance their productivity. Two priorities in all training-related activities are that training should be provided continuously and that every employee should have a equal opportunity to benefit from the company's training. During 2012, 30 employees took part in 36 different professional training programs. In May, all personnel took part in the motivational training program that the company conducts every year.

Human Resources System Development Project

Based on the results of an initial analysis of the then existing HR system infrastructure in 2012, it was decided that the system needed to be improved so as to enable it to better achieve its objectives of effectively deploying, developing, and managing the company's workforce in line with the company's strategies and of recruiting and retaining the additional manpower made necessary by the company's expanding business. Under the Human Resources System Development Project, basic HR functions were structured according to the steps indicated below.

- Current Status Assessment
- Job Position Evaluation and Grading
- Base Remuneration System Design
- Performance Management System Redesign

The completion of these steps necessitated a detailed examination of the company's organizational structure which revealed, among other things, that there were overlappings of departmental responsibilities and functions. Taking both the need for accountability and the requirements of laws and regulations into account, the Board of Directors decided that this organizational structure should be reorganized into an array of separate, specialized groups linked by coordinator's offices. Each group was made responsible only for the company units necessary for that group to perform its specialized functions. The group / coordinator structure that emerged from this reorganization is summarized below.

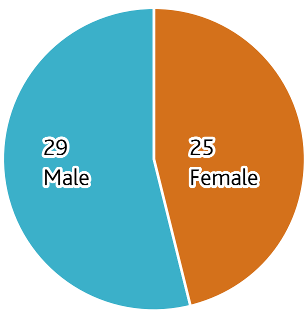
- Project & Construction Management Coordination Group
- Project Development & Feasibilities and Real Estate Investments Coordination Group
- Accounting & Administrative Affairs Group
- Legal Counseling & Human Resources and Education Group
- Investor Relations and Corporate Compliance & Risk Management and Internal Control Group
- Financial Management Group
- Corporate Communications, Sales, Leasing, and Marketing Group
- Audit Group
- Electrical and Mechanical Projects Coordination
- Constructional Projects Coordination
- Architectural Projects Coordination
- Project Development and Feasibilities Coordination
- Real Estate Investments Coordination

The average length of service among company employees is six years. The company recruits its managers from among its own personnel. Thirteen employees received promotions in 2012.

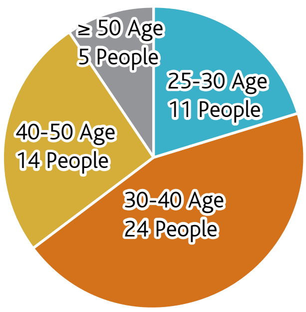
In 2013...

In 2013 İş REIT will continue to conduct its business with an approach which is compatible with its structure, which seeks to make effective use of its inherent capacity and human resources, which is transparent and quantifiable, and which never compromises universally acknowledged ethical values. The company will continue to work on improving its performance management system, which it recognizes as being vitally important to its ability to correctly read the indicators that underlie its success, and it will be making additional efforts to enhance employee loyalty and satisfaction. Considerable attention will be focused on personnel training and development aimed at increasing all employees' consciousness and awareness of activities that contribute towards the better realization of the company's objectives.

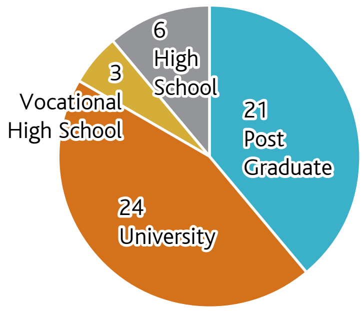
Number of Employees



Distribution by Age



Distribution by Educational Status



CORPORATE SOCIAL RESPONSIBILITY

BESIDES CREATING LIVING AND WORKING SPACES WORTHY OF PEOPLE AND OF THE CITIES IN WHICH THEY DWELL, İŞ REIT ALSO BELIEVES THAT THE COMMUNAL SUSTAINABILITY OF SUCH ASSETS IS NO LESS IMPORTANT. IN LINE WITH THIS CONVICTION, IN 2012 İŞ REIT CONTINUED TO SUPPORT SECTORAL DEVELOPMENT, SOCIAL SOLIDARITY, ART, AND SPORT.

While maximizing shareholder value is one of the company's primary aims, at it advances towards that goal İş REIT also engages in a variety of activities that seek to contribute to social and environmental wellbeing as befits its sense of corporate social responsibility.

In addition to taking part in the collective efforts made in this direction by its own sector, İş REIT also supports many arts- and sports-related activities as well. Activities which give young people experience of its sector and which also enrich their lives socially are quite in accord with our company's mission of providing people with shelter.

Besides creating living and working spaces worthy of people and of the cities in which they dwell, İş REIT also believes that the communal sustainability of such assets is no less important. In line with this conviction, in 2012 İş REIT continued to support sectoral development, social solidarity, art, and sport.

İş REIT sponsors the Konak Municipality Women's Football Team, which competes in the Turkish Football Federation's Women's Premier League. Besides playing championship-level football, the Konak team also takes part in a wide range of efforts to encourage all segments of society–male and female, young and old–to take part in sports. İş REIT sponsored the team in the 2011-2012 season and is doing so again in the 2012-2013 season.

İş REIT was a "Platinum" sponsor for Rotary Institute 2012 Izmir. Rotary Institute is an international gathering of Rotarians that is held in a different part of the world every year. Last year's event, took place in İzmir on November 16 and 17. It was attended by Rotary Club members from North African, Balkan, Caucasus, and Middle Eastern countries as well as from Turkey and the event provided many excellent opportunities to promote both Turkey and the city of İzmir.

İş REIT regularly allows public-interest associations and foundations to put up stands and promote themselves at the shopping malls in its portfolio. Besides providing these organizations with free access to and use of these premises, the company also cooperates with them on all essential issues.

İş REIT provides gratuitous support to projects involving areas which it recognizes as falling within the scope of its social responsibility such as education, health, culture, law, art, scientific and scholarly research, environmental protection, and sport. Committed to consistently shaping its approaches, values, and policies within the framework of its corporate social responsibility, the company will continue to engage in such activities and to provide them with support in the future as well.

In the conduct of all of its activities, İş REIT takes pains to be a socially responsible actor who abides by the law and is mindful of environmental values. The company was not a respondent to any suit brought against it for its having caused environmental harm in 2012.

Charitable Donations Policy

It is the policy of the company to make charitable donations which are in line with its sense of social responsibility and which comply with applicable principles and procedures laid down by the Capital Markets Board. The company made no charitable donations in 2012. The company's publicly disclosed donations policy is presented below.

The company may make charitable donations which are in line with its sense of social responsibility and which comply with applicable principles and procedures laid down by the Capital Markets Board.

The company may make charitable donations related to the matters listed below with the aim of contributing favorably towards public perceptions of its sensitivity about the fulfillment of its social responsibilities and on condition that it shall do so without securing any financial or commercial benefit therefrom.

- Education, health, culture, law, art, scientific and scholarly research, environmental protection, sport, and similar social endeavors;
- Natural disasters that have occurred in Turkey or elsewhere.

ADDITIONAL INFORMATION REQUIRED BY CMB REGULATIONS

Related-party transactions

Our company regularly engages in related-party transactions with its principal shareholder İşbank and with other members of the İşbank Group. These are ordinary transactions carried out as part of the company's normal business activities. They consist primarily of:

- Letting properties and accounting for revenues, expenditures, and receivables associated therewith;
- Borrowings, mortgagings, and collateralizations related to the conduct of the company's ordinary business activities;
- Insurance, banking, and non-banking services procured in the conduct of the company's ordinary operations;
- Other goods and services procurements.

Rental income makes up a substantial part of the company's normal business revenues. In 2012 the company received a total of TL 42,823,990 paid to it as rent by related parties. As of the end of the reporting period (31 December 2012), total cash and cash equivalents belonging to the company and held in accounts with İşbank amounted to TL 85,164,616 in value. As of the same date the company had received, from İşbank, letters of guarantee totaling TL 336,009 and USD 54,000,000 in value. İşbank also holds senior mortgages over some of the company's real estate properties amounting in total to USD 161,500,000. At the end of the reporting period, the company's accounts showed that it owed the equivalent of USD 46,123,305 to İşbank on account of its borrowings from that bank.

More detailed information about the related-party transactions which the company was involved in during 2012 is provided in footnote 26 ("Related-party transactions") to the company's financial statements provided elsewhere in this report.

In the "Conclusions" section of the "Affiliated Companies Report" published in compliance with the requirements of article 199 of the Turkish Commercial Code (Statute 6102), which went into effect on 1 July 2012, the following statement is made:

All of the company's dealings with its principal shareholder İşbank and with other members of the İşbank Group are in the nature of ordinary transactions which are carried out on an arm's-length basis as part of the company's normal business activities. The company was adequately and appropriately compensated for each and every such transaction that it entered into at the time the transaction occurred. The conclusion reached is that there were no measures taken or refrained from which might have caused the company to suffer a loss.

Suits Initiated Against the Company During the Reporting Period

No suits capable of materially affecting either the company's financial standing or its activities were initiated against the company during the reporting period.

Administrative or judicial action initiated against the company or the members of its governing bodies

No administrative or judicial action was initiated against the company or any member of any of its governing bodies during the reporting period.

Legal action involving other group companies

İş REIT is a member of a group of companies of which İşbank is the head. Both İş REIT and İşbank are publicly-held and publicly-traded companies and are therefore subject to external as well as internal audit. İşbank is also subject to supervision by the Banking Regulation and Supervision Agency and by the Capital Markets Board while İş REIT is additionally subject to Capital Markets Board supervision. On these grounds therefore the actions and dealings of both companies may be deemed to be in compliance with the requirements of law. Currently applicable law prevents a controlling company from making decisions or engaging in acts which are detrimental to the interests of a controlled company. For this reason, no other measures or actions were deemed to be necessary in order to prevent the company from suffering a loss.

Transactions involving individuals who have privileged access to company information

No shareholder involved in the management of the company, nor any member of the company's board or of its senior management, nor any of their spouses or their relatives by blood or by marriage unto the second degree, nor any other person with privileged access to company information engaged, on their own behalf, in any transaction falling with the company's object and scope.

CHANGES MADE IN REGULATIONS DURING THE REPORTING PERIOD

Changes made in "Communique on Principles regarding Real Estate Investment Companies" during the reporting period

During the reporting period, the Capital Markets Board published two communiques (VI:32 and VI:33) that made changes in "Communique on Principles regarding Real Estate Investment Companies" ("the REIT Communique").

"Communique VI:32 concerning the amendment of the Communique on Principles regarding Real Estate Investment Companies" went into effect with its publication in the official gazette on 31 January 2012.

The justifications for the changes made by this communique are given as "allowing REITs to procure services from related parties in order to comply with current changes in CMB Corporate Governance Principles as well as to develop their portfolios and investigate alternative ways of doing so; addressing certain needs arising in a changing market environment; and providing clarification on issues related to majority shareholders and preference shares."

The most important these changes are summarized below.

- The REIT Communique requirement that REITs have independent board members on their boards and the qualifications of such board members were brought into line with those of CMB Corporate Governance Principles.
- REITs are allowed to procure consultancy services from related parties if, by doing so, they will benefit from the know-how and experience of companies and company groups that are specialized in the real estate sector.
- In situations where a REIT has not issued any preference shares and there exists a majority shareholder, the majority-shareholder position of that shareholder in the company must be maintained for at least two years after the completion of the public-offering sale of shares corresponding to at least the minimum percentage needed to be a publicly-traded company.
- REITs are now allowed to open participation accounts with participation banks.
- REITs are now allowed to issue asset-backed securities based on their rental income streams.

Communique VI:33 concerning the amendment of the Communique on Principles regarding Real Estate Investment Companies" went into effect with its publication in the official gazette on 12 May 2012.

This communique rescinds the requirement that building rights (superficies) which real estate investment trusts acquire and add to their portfolios be shown on a separate page as "perpetual and independent rights registered in the company's name". One outcome of this is that it is now possible for REITs to acquire for their portfolios building rights whose durations are less than 30 years provided that the rights be registered with the deeds office and that there be no restrictions on their disposition. This change significantly expands REITs' investment horizon.

The full text of "Communique VI:11 on Principles regarding Real Estate Investment Companies" may be found at the CMB's website at www.spk.gov.tr.

Communiques concerning changes made in regarding the determination and implementation of Corporate Governance Principles

During the reporting period the Capital Markets Board published three communiques (IV:57, IV:60, and IV:61) concerning changes made in "CMB Communique IV:56 regarding the determination and implementation of Corporate Governance Principles". The changes and their consequences are summarized below.

- Clarification is provided on a number of issues and questions related to the implementation of Communique IV:56.
- Some of the qualifications required of REITs' independent board members were made less stringent; additional clarification was provided about a number of others.
- CMB is now empowered to initiate action (in a commercial court) in the event of violations of corporate governance principles.

Capital Markets Law (Statute 6362)

A new Capital Markets Law went into effect at the end of the year. Intended to bring Turkey's legal framework into better alignment with EU Community acquis, the law makes changes in many areas such as the scope and applicability of corporate governance principles, preference shares, the eligibility of companies to acquire shares in themselves, public-offering related processes and responsibilities, new capital markets agencies, and the scope of the measure that CMB may take and of the penalties that it may impose.

Changes in VAT-Related Rules

Late in the year, a change was made in the way that VAT is charged on deliveries involving residential properties whose net usable space amounts to 150 m^2 or less and which are located in metropolitan areas. Before the change, such deliveries were subject to a 1% rate of VAT. Under the new rule, the unit (that is m^2) tax value of the land will serve as the basis for determining the VAT rate on all projects whose building licenses are issued on or after 1 January 2013.

Because this new rule only applies to the VAT charged on deliveries whose project building permits were issued after 31 December 2012, it has no effect on any of İş REIT's ongoing residential projects.

Turkish Commercial Code (Statute 6102)

A new Turkish Commercial Code (Statute 6102) that went into effect in 2012 makes many sweeping and fundamental changes in Turkey's trade law. The scope of many features (such as registered capital system, cumulative voting system, independent audit) that were previously applicable only to publicly-traded companies was extended to include closely-held and private companies, which are also facing the possibility of being made to conform to generally accepted accounting and auditing standards as well. Statute 6102 also embodies in law a number of matters that previously existed only as "corporate governance principles".

Another innovation introduced by Statute 6102 is the requirement that listed companies' general meetings be conducted "in an electronic environment". This rule will apply to the annual meetings that companies hold in 2013 to discuss and vote on their 2012 results. Last year the Ministry of Customs and Trade published a series of regulations and communiques governing a variety of issues related to electronic general meetings as well as to the content of companies' annual reports.




Petrol Ofisi






kanyon

mallmarine

MARMARA PARK

real







PORTFOLIO INFORMATION

İş REIT's leading position in the real estate sector is amply justified by an outstanding portfolio of prestigious commercial properties that is the most important source of its revenues.

İş REIT's commercial property portfolio allows it to offer its customers a rich array of options capable of satisfying their every need.

İş REIT's commercial property portfolio consists of:

- Offices (38%)
- Hotels (7%)
- Shopping malls and hypermarkets (30%)
- Ongoing projects (21%)
- Lands (4%)

Rental Income Properties

- İstanbul İş Towers Complex (Tower 2 - Tower 3 - Kule Çarşı Shopping Mall)
- Ankara İş Tower
- İstanbul Maslak Office Building
- Ankara Ulus Office Building
- Ankara Kızılay Office Building
- Antalya Office Building
- İstanbul Sirkeci Office Building
- İstanbul Güneşli Office Building
- İstanbul Kanyon Shopping Mall
- Marmaris Mallmarine Shopping Mall
- İstanbul Marmara Park Shopping Mall
- İstanbul Real Hypermarket Building
- Antalya Seven Seas Hotel
- Nevşehir Lykia Lodge Cappadocia Hotel
- Antalya Club Magic Life Kemer Imperial Hotel

Ongoing Projects

- İstanbul Tuzla Technology & Operations Center Project
- İstanbul Tuzla Mixed-Use Project
- İstanbul Tuzla Çınarlı Bahçe Residential Project
- İzmir Ege Perla Project
- İstanbul Taksim Office Lamartine Project

Projects in Planning

- İstanbul Finance Center Project

Lands

- İstanbul Üsküdar Project Land (32,081 m²)
- İstanbul Kartal Project Land (77,327 m²)
- İstanbul 4. Levent İş Towers vacant lot (7,613 m²)
- İstanbul Esenyurt lots 102 and 103 (747.3 m²)

İSTANBUL İŞ TOWERS COMPLEX

İŞ TOWERS HAS ESTABLISHED ITSELF AS ONE OF İSTANBUL'S ICONIC LANDMARKS. DISTINGUISHED BY VIRTUE OF ITS ROBUST INFRASTRUCTURE, EFFICIENT TECHNOLOGY, AND OUTSTANDING ARCHITECTURAL CONCEPT, İŞ TOWERS WAS DESIGNED AND DEVELOPED TO BE AN ECO-FRIENDLY BUILDING THAT IS AS MINDFUL OF THE NEEDS AND EXPECTATIONS OF THE FUTURE AS OF THOSE OF THE PRESENT.

Located midway along one of İstanbul's major arteries, the thoroughfare linking Mecidiyeköy and Maslak business districts, İş Towers is a complex of two office towers, each consisting of 34 stories of which 27 are leasable. Also included in the complex is Kule Çarşı, a mall with 48 independent sections.

İş Towers has established itself as one of İstanbul's iconic landmarks. Distinguished by virtue of its robust infrastructure, efficient technology, and outstanding architectural concept, İş Towers was designed and developed to be an eco-friendly building that is as mindful of the needs and expectations of the future as of those of the present.

Conveniently accessible from every part of İstanbul, İş Towers's advantageous location enhances its appeal to both tenants and users. Its prestigious reputation makes it a preferred choice among top-notch, financially-solid domestic and foreign firms. Most of İş Towers's independent units are let on leases whose average term is five years.

A distinguished mainstay of the İş REIT portfolio, this complex includes in addition to the Tower 2, Tower 3 and Kule Çarşı Shopping Mall buildings, the 52-storey headquarters building of İşbank, the İş Art and Culture Center with its 800-seat auditorium and art gallery, and a 479-vehicle car park.

Location

İstanbul province, Beşiktaş district, 4. Levent quarter

Gross Leasable Area	Acquisition Date	Appraised Value (TL)
80,124 m²	1999	495,000,000

Ratio of Rental Income to Total Rental Income	Occupancy Rate	Number of Tenants
35.7%	100%	71

İSTANBUL, LAND-1

Area	Acquisition Date	Appraised Value (TL)
7,613 m²	1999	1,090,000

The land in front of İş Kuleleri in the 4. Levent district is held in İş REIT's portfolio.

ANKARA İŞ TOWER

LOCATED IN ANKARA'S EMINENT KAVAKLIDERE DISTRICT, ANKARA İŞ TOWER WAS THE TALLEST SKYSCRAPER IN TURKEY WHEN IT OPENED ITS DOORS. DESIGNED AND BUILT TO BE AN ORIGINAL AND PRESTIGIOUS BUILDING, ANKARA İŞ TOWER IS A SUCCESSFUL BLEND OF FUNCTIONAL SPACES AND ARCHITECTURAL AESTHETICS.

Ankara İş Tower is a landmark not just in the city whose name it bears but also in the development of modern architecture in Turkey. The complex consists of three blocks of offices located on a total of 29 stories.

Located in Ankara's eminent Kavaklıdere district, Ankara İş Tower was the tallest skyscraper in Turkey when it opened its doors. Designed and built to be an original and prestigious building, Ankara İş Tower is a successful blend of functional spaces and architectural aesthetics.

Ankara İş Tower served as the headquarters of İşbank from 1975 to 1999. Its present tenants are İşbank and the Banking Regulation and Supervision Agency.

Location

Ankara province, Çankaya district, Kavaklıdere quarter

Gross Leasable Area	Acquisition Date	Appraised Value (TL)
26,488 m²	**1999**	**98,000,000**

2012 Rental Income (TL)	Ratio of Rental Income to Total Rental Income	Occupancy Rate
7,863,390	**8.0%**	**100%**

Number of Tenants
2


Petrol Ofisi
PO
TÜRKİYE
BANKASI

İSTANBUL MASLAK OFFICE BUILDING

BOTH ITS LOCATION AND ITS FUNCTIONAL ARCHITECTURE MAKE THE İSTANBUL MASLAK OFFICE BUILDING A PREFERRED CHOICE FOR FIRMS IN NEED OF OFFICE SPACE.

Situated in Maslak at the heart of one of İstanbul's premier business districts, the 12-storey Maslak Office Building's location and functional architecture make it a preferred choice for firms in need of office space.

The İstanbul Maslak Office Building's current tenants include OMV Petrol Ofisi A.Ş. (Turkey's leading fuel products distribution and lubricants company) and İşbank.

Location

İstanbul province, Şişli district, Ayazağa quarter

Gross Leasable Area	Acquisition Date	Appraised Value (TL)
12,904 m²	2001	52,000,000

2012 Rental Income (TL)	Ratio of Rental Income to Total Rental Income	Occupancy Rate
3,682,308	3.8%	100%

Number of Tenants
2


Türkiye İş Bankası A.Ş.

ANKARA ULUS OFFICE BUILDING

THE ARCHITECTURAL AND HISTORICAL ASSOCIATIONS OF THE ANKARA ULUS OFFICE BUILDING MAKE IT A TRUE SYMBOL OF ANKARA.

Originally built in 1924 in what was then the historical, commercial, and social heart of Ankara, this venerable building served as İşbank's second headquarters. Though the city has expanded vastly in every direction since then, Ulus remains one of Ankara's most valuable and commercially viable districts.

The architectural and historical associations of the Ankara Ulus Office Building make it a true symbol of Ankara and a landmark in the history of modern Turkish architecture. The entire building is held by İşbank under a 15-year lease.

Location

Ankara province, Altındağ district, Ulus quarter

Gross Leasable Area	**Acquisition Date**	**Appraised Value (TL)**
5,384 m²	**2004**	**24,900,000**
2012 Rental Income (TL)	**Ratio of Rental Income to Total Rental Income**	**Occupancy Rate**
3,272,363	**3.3%**	**100%**
Number of Tenants		
1		


Yatırım Finansman
Menkul Değerler A.Ş.
TÜRKİYE İŞ BANKASI

ANKARA KIZILAY OFFICE BUILDING

THE ANKARA KIZILAY OFFICE BUILDING STANDS IN KIZILAY SQUARE, THE ORIGINAL CROSSROADS OF THE MODERN CITY OF ANKARA.

Situated in Kızılay Square, the original crossroads of the modern city of Ankara, the Ankara Kızılay Office Building is held by İşbank under a 15-year lease.

Location

Ankara province, Çankaya district, Kızılay quarter

Gross Leasable Area	Acquisition Date	Appraised Value (TL)
5,175 m²	2004	21,750,000

2012 Rental Income (TL)	Ratio of Rental Income to Total Rental Income	Occupancy Rate
2,755,729	2.8%	100%

Number of Tenants
1


BANKASI

ANTALYA OFFICE BUILDING

LOCATED IN ANTALYA'S BUSINESS DISTRICT, THE ANTALYA OFFICE BUILDING'S TRANSPORTATION NETWORK LINKS MAKE IT AN ATTRACTIVE CHOICE FOR TENANTS.

Strong commercial value, outstanding architecture, and a location that puts it at the center of a transportation network that links Antalya's business district to the rest of the city make the Antalya Office Building an attractive choice for tenants. The entire building is held by İşbank under a 15-year lease.

Location

Antalya province, Merkez district

Gross Leasable Area	Acquisition Date	Appraised Value (TL)
3,290 m²	**2004**	**13,650,000**

2012 Rental Income (TL)	Ratio of Rental Income to Total Rental Income	Occupancy Rate
1,378,381	**1.4%**	**100%**

Number of Tenants
1


TÜRKİYE
İŞ
BANKASI

İSTANBUL SİRKECİ OFFICE BUILDING

THE SIRKECI OFFICE BUILDING STANDS IN SIRKECI, AN HISTORICAL HERITAGE CENTER AND İSTANBUL'S ORIGINAL BUSINESS DISTRICT.

This six-storey office building occupies 4,170 m^2 of land in Sirkeci, an historical heritage center and still an important business district at the heart of İstanbul's historical peninsula. The entire building is held by İşbank under a 15-year lease.

Location

İstanbul province, Fatih district, Sirkeci quarter

Gross Leasable Area	Acquisition Date	Appraised Value (TL)
4,170 m^2	**2008**	**30,000,000**

2012 Rental Income (TL)	Ratio of Rental Income to Total Rental Income	Occupancy Rate
2,681,962	**2.7%**	**100%**

Number of Tenants
1

İSTANBUL GÜNEŞLI OFFICE BUILDING

THE İSTANBUL GÜNEŞLİ OFFICE BUILDING IS JUST SIX KILOMETERS FROM ATATÜRK AIRPORT, THE MAIN INTERNATIONAL AIRPORT SERVING İSTANBUL.

Located in Güneşli, a vibrant commercial district just six kilometers from Atatürk Airport, the main international airport serving İstanbul, the İstanbul Güneşli Office Building is a five-storey structure occupying 20,805 m^2 of grounds. It serves as the center of the operational services of İşbank, which holds it under a 15-year lease.

Location

İstanbul province, Küçükçekmece district, Halkalı quarter

Total Construction Area	Acquisition Date	Appraised Value (TL)
~15,660 m^2	2008	41,000,000

2012 Rental Income (TL)	Ratio of Rental Income to Total Rental Income	Occupancy Rate
4,603,013	4.7%	100%

Number of Tenants
1


GAP

İSTANBUL KANYON SHOPPING MALL

A JOINT VENTURE OF İŞ REIT AND THE ECZACIBAŞI GROUP, KANYON IS RECOGNIZED AS ONE OF THE MOST PRESTIGIOUS MIXED-USE PROJECTS IN TURKEY AND EUROPE.

A joint venture of İş REIT and the Eczacıbaşı Group, the İstanbul Kanyon Shopping Mall is widely recognized as one of the most prestigious mixed-use projects of its kind not just in Turkey but in all of Europe. This complex of residential flats, offices, and shopping & entertainment centers is located in İstanbul's Levent district.

Occupying a net area of 37,705 m^2, the Kanyon Mall has four stories on which are located 130 stores, a gourmet market, 9 cinemas, restaurants, cafes, bars, a sport & health center, and an indoor swimming pool. This award-winning complex deftly combines indoor and outdoor spaces and functions to give users an enjoyable living, working, shopping, dining, and entertainment experience.

Kanyon Mall's architectural design was rooted in the concept of bringing flowing water, greenery, and natural materials together within an artistic perspective that is compatible with the human dimension. The complex is also outstanding for its attention to detail and to safety and security. Kanyon Mall's seismic safety ratings for example exceed both national and international standards.

In mid-2011 V2.O project is started in order to improve the complex's beltway access, to enhance customer and user comfort and satisfaction, to increase the productivity of leasable area use, and to strengthen the tenant brand mix. This project is currently nearing completion and should be finished before mid-2013.

Location

İstanbul province, Şişli district, Levent quarter

Net Area	Opening Date	Appraised Value (TL)
37,705 m^2	**2006**	**346,000,000**

2012 Rental Income (Excluding VAT) (TL)
21,246,473

* İş REIT holds the rights to a total of 18,853 m^2 of space in the shopping mall. Both the appraised value and the estimated rental income are calculated on the basis of this area.


mallmarine
TÜRKİYE

MUĞLA MARMARİS MALLMARINE SHOPPING MALL

MALLMARINE IS THE FIRST MODERN SHOPPING MALL IN MARMARIS, ONE OF TURKEY'S LEADING HOLIDAY RESORTS.

A center of attraction for both domestic and international tourists, Marmaris is one of Turkey's most important holiday resorts and Mallmarine is its first truly modern shopping mall. Mallmarine's tenant profile is structured to satisfy the unique demands and needs of the locale.

Location

Muğla province, Marmaris district, Kemeraltı quarter, Atatürk Street

Gross Leasable Area	Acquisition Date	Appraised Value (TL)
3,172 m^2	**2001**	**10,500,000**

2012 Rental Income (Excluding VAT) (TL)	Ratio of Rental Income to Total Rental Income
482,794	**0.5%**


MARMARA PARK

İSTANBUL MARMARA PARK SHOPPING MALL

ONE OF EUROPE'S BIGGEST SHOPPING MALLS, THE İSTANBUL MARMARA PARK SHOPPING MALL IS A UNIQUE COMBINATION OF A "GALAXY" DESIGN THEME AND AN EXCELLENT TENANT MIXTURE THAT PUTS IT OUT IN FRONT OF EVERY COMPETITOR.

After İş REIT transferred building rights on land it owns in Esenyurt, one of İstanbul's fastest-growing districts, to an ECE / GGP joint venture, a project was developed to create a "regional shopping mall" at the site. Under the agreement, İş REIT books about USD 4.6 million a year as income for having assigned its building rights.

The Marmara Park Shopping Mall is one of Europe's biggest shopping malls. It is also the first implementation of the "galaxy" design theme while its excellent tenant mixture puts it out in front of every competitor.

The mall has 73,333 m^2 of leasable area and parking space for about 4,000 vehicles. There are more than 250 stores representing some of the world's most recognizable brands, a vast hypermarket, a DIY center, a huge consumer electronics outlet, cinemas, an amusement park, and a host of other units. Opening its doors in October 2012, has a catchment area of more than four million people and is conveniently accessible via many different transportation modes.

Location

İstanbul province, Esenyurt district

Land Area (Superficies Right)	Gross Leasable Area	Appraised Value (TL)
62,343.69 m^2	**73,333 m^2**	**92,000,000**

2012 Superficies Right Income (Excluding VAT)
8,967,505

* In January 2011, ECE Türkiye's superficies right was transferred to Marmara Park Gayrimenkul İnşaat ve Geliştirme A.Ş., a joint venture set up by ECE Turkey and DWS.


real
50 YTL'ye Mercedes kazanma şansı
hayal değil real
33
Mercedes
real Hipermarketlerinden İnanılmaz 10. Yıl Hediyeleri
her şey

İSTANBUL REAL HYPERMARKET BUILDING

THE İSTANBUL REAL HYPERMARKET OPENED ITS DOORS ON 15 AUGUST 2007. A PROJECT DEVELOPED BY İŞ REIT, THE REAL HYPERMARKET FOCUSES ON PROVIDING ITS CUSTOMERS WITH THE ENJOYMENT AND CONVENIENCE OF A GENUINELY "ALL-IN-ONE" SHOPPING EXPERIENCE.

Located in Esenyurt, one of İstanbul's fastest-growing areas in recent years, the building's operating rights are currently held by Real Hipermarketler Zinciri A.Ş.

A retailing company and member of the Germany-based Metro Group, Real Hipermarketler Zinciri's investor in Turkey is SB Warenhaus Holding GmbH.

The store opened its doors on 15 August 2007. A project developed by İş REIT, the Real Hypermarket's 8-meter ceiling and 6-meter aisles were designed to provide customers with the enjoyment and convenience of a genuinely "all-in-one" shopping experience.

Location

İstanbul province, Esenyurt district, Yakuplu locality

Project Area	Gross Leasable Area	Opening Date
109 parsel	**17,565 m²**	**2007**

Appraised Value (TL)	2012 Rental Income (TL)	Ratio of Rental Income to Total Rental Income
79,000,000	**4,547,648**	**4.6%**

ANTALYA CLUB MAGIC LIFE KEMER IMPERIAL HOTEL

LOCATED ON THE TURKISH MEDITERRANEAN AND OFFERING COMFORTABLE ROOMS AS WELL AS LAVISH BAR, RESTAURANT, AND ACTIVITY OPTIONS, CLUB MAGIC LIFE KEMER IMPERIAL HOTEL PROVIDES QUALITY ACCOMMODATION SERVICES CONFORMING TO THE HIGHEST STANDARDS.

Club Magic Life Kemer Imperial Hotel is located in Antalya, the internationally famous center of Turkey's Mediterranean tourism sector, and boasts a vast sandy beach together with extraordinary views amidst thick pine forests. Capable of perfectly satisfying every taste in sea and water sports, the hotel also offers comfortable rooms, a lavish array of bar, restaurant, and activity options, and quality accommodation services conforming to the highest standards that enable it to attract local and international visitors all year round.

Welcoming guests with outstanding comfort surrounded by a panorama awash with every shade of blue, Club Magic Life Kemer Imperial Hotel offers:

- 168 rooms with a total bed capacity of 567
- 40 suites
- 6 long-stay villas
- 24 bungalows.

The hotel is operated by Magic Life Der Club International Turizm Hizmetleri A.Ş., a subsidiary of Germany-based TUI AG, under a ten-year lease that began with a first-year rental payment of EUR 1,750,000 (not including VAT).

Location

Antalya province, Kemer district

Land Area	Total Enclosed Area	Acquisition Date
35,153 m²	17,822 m²	2010

Appraised Value (TL)	2012 Rental Income (Excluding VAT) (TL)	Ratio of Rental Income to Total Rental Income
43,815,000	4,027,494	4.1%

ANTALYA SEVEN SEAS HOTEL

LOCATED AMIDST THE NATURAL SPLENDORS OF TREMBLING LAGOON, SEVEN SEAS HOTEL IS THE PREMIER CHOICE OF UPPER-INCOME TRAVELERS LOOKING FOR ELITE ACCOMMODATIONS DURING THEIR STAY IN TURKEY.

Seven Seas is a five-star seaside hotel located in the Titreyen Göl (Trembling Lagoon) district of Manavgat, a town near Antalya and in the very heart of Turkey's Mediterranean tourism sector. The hotel has 366 rooms and 861 beds.

Antalya is the most stellar attraction along the Turkish Riviera and indeed one of the biggest tourist destinations in the Eastern Mediterranean. Its astonishing mix of ancient sites, natural splendors, exquisite beaches, and hospitable climate allows it to play host to local and foreign guests during every season of the year.

Run by Magic Life, one of Europe's leading tour operators, Seven Seas Hotel, and located amidst the natural splendors of Trembling Lagoon, Seven Seas Hotel is the premier choice of upper-income travelers looking for elite accommodations during their stay in Turkey.

Location

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

Land Area	Total Enclosed Area	Acquisition Date
52,699 m²	27,201 m²	2001

Appraised Value (TL)	2012 Rental Income (Excluding VAT) (TL)	Ratio of Rental Income to Total Rental Income
68,500,000	4,832,993	4.9%

NEVŞEHİR LYKIA LODGE CAPPADOCIA HOTEL

WITH ARCHITECTURAL FEATURES THAT PERFECTLY MATCH ITS SUBLIME SURROUNDINGS, LYKIA LODGE CAPPADOCIA HOTEL COMBINES THE ENDLESSLY ENTRANCING ATMOSPHERE OF ITS SURROUNDINGS WITH FOUR-STAR COMFORT.

Taking its architectural inspiration from Nevşehir's historical heritage and the stunning landscapes of the region around it, Lykia Lodge Cappadocia Hotel offers guests luxurious accommodations and services amidst a unique blend of comfort and history. This four-star hotel has 146 rooms and 291 beds. It is being operated by Silkar Turizm under a twelve-year lease.

Lykia Lodge Cappadocia Hotel offers unrivalled comfort amidst architectural features that perfectly match the endlessly entrancing atmosphere of ancient and medieval Cappadocia, a region whose geological and historical treasures have been pulling in visitors from all over the world for centuries.

Two indoor and outdoor restaurants offer a choice menu that includes traditional flavors reflecting the rich culinary culture of the Cappadocia region. Besides exploring the local wonders on foot, horseback, bike, or jeep or even in a hot-air balloon, visitors can enjoy the hotel's basketball, volleyball, and tennis courts, play football, table tennis, and billiards, or just relax at poolside or in the sumptuous gardens. During 2011 the hotel's rooms and public areas underwent a renovation and rooms were refurbished in line with the hotel's new concept.

Location

Nevşehir province, Merkez district, Uçhisar town

Land Area	Total Enclosed Area	Acquisition Date
28,827 m²	**11,085 m²**	**2010**
Appraised Value (TL)	**2012 Rental Income (Excluding VAT) (TL)**	**Ratio of Rental Income to Total Rental Income**
18,750,000	**1,554,705**	**1.6%**

* The appraised value indicated above is calculated on the basis of three real estate properties: 2,827 m^2 of land registered in Block 2; Lykia Lodge Cappadocia Hotel, a four-star hotel located on the land; and 11,409 m^2 of land registered in Block 3 at the same location.




















ONGOING & PLANNED PROJECTS

İŞBANK TECHNOLOGY AND OPERATIONS CENTER PROJECT

Informed by its goal of creating a uniquely 21st-century campus that takes full advantage of the amalgamation of all functional disciplines, İşbank Technology and Operations Center seeks to establish strong links and communication between its own world and that of its surroundings.

The project will be developed on 44,395 m^2 of land in Tuzla, İstanbul's easternmost township.

Many large firms have relocated their headquarters and/or operations centers to Tuzla and nearby districts while others are looking to do so. This process contributes significantly to the region's development and makes it even more attractive.

The project's successful, advanced, and efficient construction techniques are certain to spearhead further development in and around Tuzla.

The Tuzla Technology and Operations Center will become the new home of İşbank's information technology, data-storage, and training units, the last of which include accommodations for trainees. The complex is being undertaken on a turnkey-delivery basis for İşbank and has been leased to the employer for a period of 25 years.

The facility has about 184,500 m^2 of leasable area and should generate rental income of about USD 20 million a year.

TUZLA MIXED-USE PROJECT

Adjacent to the Technology and Operations Center is another 21,305 m^2 property on which İş REIT is developing a mixed-use project that will include a shopping mall, offices, and a city hotel.

As currently envisaged, there will be a central plaza linking the two projects that will serve as a common area in which users and visitors on both sides can come together.

Design and architectural works are being carried out by Skidmore, Owings & Merrill LLP (SOM), a world-famous architectural and engineering firm, and by Design Group. The project is slated for completion in the third quarter of 2015.

ÇINARLI BAHÇE TUZLA RESIDENTIAL PROJECT

Construction work has begun on Çınarlı Bahçe, a residential project of 476 units located on 41,000 m^2 of land in İstanbul's up-and-coming Tuzla township.

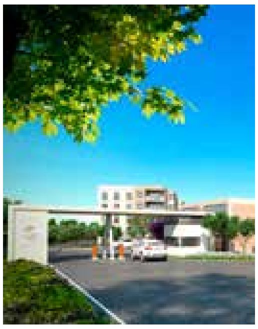
The project is intended to provide housing for those who work in and around Tuzla as well as for the İşbank personnel who will be employed at the bank's nearby Technology and Operations Center.

The product of advanced architectural design approaches and painstakingly planned down to the last detail, Çınarlı Bahçe will be providing its residents with every possible amenity in line with its "New Life in İstanbul" concept.

Çınarlı Bahçe consists of low-rise dwellings set amidst landscaping rich in water and greenery designed to be compatible with and provide access to the protected woodland nearby.

Contractors for the Çınarlı Bahçe project are Mesa Mesken Sanayii A.Ş. Sales of units began in late October 2011. Work is in progress and the aim is to begin surrendering units to their owners in August 2013.






TAKSIM OFFICE LAMARTINE PROJECT

Located on a 578.72 m^2 site in İstanbul's high-potential Taksim square at the intersection of Cumhuriyet and Lamartine avenues, the Taksim Office Lamartine Project is being developed to meet the demand for modern, high-quality offices in an area where most of the currently available space is in former apartment buildings that have undergone conversion.

With total leasable area of about 3,865 m^2 the project should generate rental income on the order of USD 1.3 million/year.

The architecture of this centrally-located project was designed to make the building one of the signature landmarks of the locality.


İZMİR EGE PERLA PROJECT

Situated in the New City Center of İzmir's venerable Konak district, the Ege Perla project is being developed on 18,392 m² of land at a planned investment value of about USD 150 million. It is the first mixed-use project of its kind to be undertaken in the region.

A work by Aga Khan-laureate Emre Arolat, Ege Perla has been designed to blend seamlessly into İzmir's traditional architecture and lifestyle. The project consists of:

- A shopping mall with about 25,000 m² of leasable area
- 111 residential and 65 home-office all-seaview properties located in two (46- and 29-storey) towers with a combined sellable area of nearly 30,000 m².

Apartment sizes and plans range from 1+1 to 5+1 executive. Units went on sale for the first time on 7 November 2012 and they are fetching prices averaging USD 3,000 / m².

Ege Perla's building license was issued in May 2012 and excavation and revetment works are now in progress. The project is slated for completion by the end of 2015.

PLANNED PROJECTS

İSTANBUL FINANCE CENTER PROJECT

Situated at the very heart of what will be the İstanbul Finance Center and enjoying an extremely advantageous position owing to its proximity to the city's main traffic arteries, the 9,590 m² site was purchased for future development at a cost of about TL 93.2 million (not including VAT).

İş REIT plans to develop a mixed-use project consisting of offices and commercial properties. Total leasable/sellable area should be around 27,000 m² while the total investment cost is expected to be on the order of USD 110 million.

DIVIDEND POLICY

The dividend distribution proposal of the Board of Directors is discussed at the General Assembly and it is decided whether to pay out dividends, as well as its manner and timing.

The company's articles of association stipulate that first dividends in the rate and amount determined by the CMB are to be distributed from the distributable profit.

The Board of Directors adopted a dividend distribution policy based on the principle of proposing to distribute at least 30% of the distributable profit in bonus shares or in cash to the General Assembly, while keeping a close eye on:

- maintaining the delicate balance between shareholders' expectations and the company's need to grow,
- the company's profitability.

There are no privileges regarding distribution of profit, and dividend distribution is carried out within the legally prescribed period of time.

In the event that the Board of Directors proposes against distribution of profit to the General Assembly, information on the reasons therefor and the usage manner of retained earnings will be presented to the shareholders at the General Assembly, included in the annual report, and disclosed publicly.

PROFIT DISTRIBUTION TABLE FOR THE YEAR 2012

The Company's net profit for the period as of December 31, 2012 is TL 65,408,398 in the financial statements prepared in accordance with the "Capital Market Board Communiqué on Capital Market Accounting Standards" and is TL 63,827,702.51 in the legal records maintained in accordance with Tax Procedures Law.

According to the Capital Market Board regulations and Article 30 concerning "The Distribution of Profits and Reserve Funds" of the Company's Articles of Association, it has been decided by the Board of Directors to present the distribution of net profit of TL 30,000,000.00 in cash and TL 30,000,000.00 as bonus to the approval of the General Meeting of the shareholders.

İş Real Estate Investment Trust Co. 2012 Profit Distribution Table (TL)			
1. Paid-in/Issued Capital			600,000,000
2. Total Legal Reserves (based on legal records)			21,316,613.38
If there are privileges for distribution of profits according to the Articles of Association, information on such privileges:			There are not any privileges for distribution of profits.
		Based on CMB	**Based on Legal Records**
3.	**Period Profit**	65,522,966.00	63,827,702.51
4.	**Taxes Payable (-)**	114,568.00	0.00
5.	**Net Period Profit (=)**	65,408,398.00	63,827,702.51
6.	**Prior Period Losses (-)**	0.00	0.00
7.	**First Legal Reserve (-)**	3,191,385.13	3,191,385.13
8.	**NET DISTRIBUTABLE PERIOD PROFIT**	62,217,012.87	60,636,317.38
9.	Donations Made during the Year (+)	0.00	
10.	**Net Distributable Period Profit including Donations from which First Dividend will be Calculated**	62,217,012.87	
11	First Dividend to Shareholders	60,000,000.00	
	- Cash	30,000,000.00	
	- Bonus	30,000,000.00	
	- Total	60,000,000.00	
12.	Dividends for Preferred Shares	0.00	
13.	Dividends for Board Members, Employees, etc	0.00	
14.	Dividends for Redeemed Shares	0.00	
15.	Second Dividend for Shareholders	0.00	
16.	Second Legal Reserves	0.00	
17.	Statutory Reserves	0.00	
18.	Special Reserves	0.00	
19.	**EXTRAORDINARY RESERVES**	2,217,012.87	636,317.38
20	**Other Sources for Distribution**	0.00	0.00
	- Prior Period Profit		
	- Extraordinary Reserves		
	- Other Reserves Distributable in Accordance with Law and the Articles of Association		

INFORMATION ON DIVIDEND RATIO				
INFORMATION ON EARNINGS PER SHARE				
			DIVIDENDS PER SHARES WITH A NOMINAL VALUE OF TL 1 EACH	
	GROUP	**TOTAL DIVIDENDS (TL)**	**AMOUNT (TL)**	**RATIO (%)**
GROSS	**A**	85,714.29	**0.10000**	**10.00**
	B	59,914,285.72	**0.10000**	**10.00**
	TOTAL	**60,000,000.00**		
NET (7)	**A**	85,714.29	**0.10000**	**10.00**
	B	59,914,285.72	**0.10000**	**10.00**
	TOTAL	**60,000,000.00**		

RATIO OF DIVIDENDS DISTRIBUTED TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS	
DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TL)	**RATIO OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS (%)**
60,000,000	**96.44**

STATUTORY AUDITORS' REPORT PREPARED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TURKISH COMMERCIAL CODE

Trade name	İş Real Estate Investment Trust Co
Headquarters	İş Kuleleri Kule 2 Kat 9 Levent İstanbul
Registered capital	TL 2,000,000,000
Issued capital	TL 600,000,000
Principal business activity	The Company was established to invest in real properties, in capital market instruments backed by real estate properties and in real estate projects.

Names, term of office, and partnership status of the statutory auditors::

- Erdal İnceler
- Murat Doğan
- Şebnem Kurhan Ünlü

Statutory auditors are elected to serve until the date of the next annual general meeting. They are not the partners in the Company.

Number of Board of Directors meetings participated in and number of times the statutory auditors formally convened: 12 (twelve)

Scope, date and results of examinations performed on the Company's accounts books and documents:

The Company's legal books of account and documents were examined in the months of June and December and the conclusion reached: They were in accord with the accounts.

Number of cash counts performed at the company cashier's office in accordance with the requirements of subparagraph 3 of paragraph 1 of article 353 of the Turkish Commercial Code and the conclusions reached:

Cash counts were performed at the Company's cashier office twice in 2012 in accordance with the requirements of law. All cash balances conformed to the books of account.

Dates on which examinations were performed in accordance with the requirements of subparagraph 1 of paragraph 4 of Article 353 of the Turkish Commercial Code and the conclusions that were reached:

During our examinations performed each month the presence of negotiable instruments were checked and it was established that they conformed to the records.

Charges or complaints of improprieties received and the action taken were referred to us:

No charges or complaints of improprieties were received.

We have examined the accounts and transactions of the firm of İş Real Estate Investment Trust Co., for the period 1 January 2012 to 31 December 2012 for compliance with the requirements of the Turkish Commercial Code, the Company's Articles of Association, relevant laws and regulations and generally accepted accounting principles and standards.

In our opinion: the enclosed balance sheet for the period issued on 31 December 2012, the contents of which we certify, accurately reflects the true financial standing of the Company on this date; the income statement for the period 1 January 2012 to 31 December 2012 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.

STATUTORY AUDITORS

Erdal İnceler	Murat Doğan	Şebnem Kurhan Ünlü

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Statement of Compliance with Corporate Governance Principles

İş REIT espoused the four main elements of Corporate Governance Principles, which are Fairness, Transparency, Accountability and Responsibility, and observes compliance with them in its activities. Our company closely monitors the development of the Corporate Governance practices both in the world and in our country, and believes in the necessity to achieve compliance with these principles in order to maintain successful business practices and to generate long-lasting added value to investors.

Our company adheres to all of the Corporate Governance Principles that are compulsory to be implemented, and takes maximum care to adhere to optional principles. Optional corporate governance principles are addressed under the relevant headings in the following sections. There were no conflicts of interest that arose during the reporting period on account of non-implementation of optional principles.

Our company exercises the necessary sensitivity for compliance with Corporate Governance Principles, and established the Corporate Governance Committee in 2007. The Committee's primary duties include monitoring compliance with corporate governance principles, undertaking improvements in these areas, and presenting recommendations to the Board of Directors. The Committee follows up the Capital Market legislation, in particular, as well as other applicable legislation, regularly reviews the Company's corporate governance practices, constantly identifies improvement areas, and continually improves the Company's corporate governance system through new implementations enforced.

During the reporting period, the need arose to amend certain articles of the Company's articles of association within the frame of the Corporate Governance Principles that became mandatory to be implemented under the Communiqué on the Determination and Implementation of Corporate Governance Principles. Necessary permission for amending the articles of association has been received with the Capital markets Board letter no. 3300, dated 20 March 2012, and the T.R. Ministry of Customs and Trade, Directorate General of Domestic Trade letter no. 2095 dated 21 March 2012. The approved amendment text for the articles of association were made available for the information and review of shareholders on the Public Disclosure Platform (in Turkish: KAP) and the Company's website. The amendment text was also translated into English, and posted on the Company's website to inform the foreign investors on the subject. Detailed information on the grounds of the amendment was presented to the shareholders at the General Meeting and the amendment text that was accepted was registered on 5 April 2012 and promulgated in the Turkish Trade Registry Gazette dated 11 April 2012.

Believing that it has arrived at an important level in corporate governance practices and wishing to share this fact particularly with shareholders and all other stakeholders, our company decided to obtain corporate governance rating service from JCR Eurasia Rating for the rating of the company's compliance with corporate governance principles in 2012. Following the rating process, JCR Eurasia assigned our company's compliance with the CMB Corporate Governance Principles a rating of 8.53 along with a positive outlook. The company's compliance levels in each of the four main sections are as follows: Shareholders - 8.66, Disclosure and Transparency - 8.89, Stakeholders - 7.91, Board of Directors 8.26.

The internationally recognized score corresponds to AAA (Distinctive) according to the rating agency's notation, and indicates that our Company achieved high level of compliance with corporate governance principles. On the other hand, our company has been included in the ISE's "Corporate Governance Index" from 28 December 2012 based on the rating received. The Rating report issued by JCR Eurasia is posted on the company website in the "Investor Relations" section, under the heading "Corporate Governance".

The company's Corporate Governance Principles Compliance report is available on the company website in the "Investor Relations" section, under the heading "Corporate Governance".

PART I - SHAREHOLDERS

2. Shareholder Relations Unit

The company's "Shareholder Relations Unit" has been active since 28 January 2005 within the frame of the Communiqué Serial: IV No: 41 on Principles to be Followed by Joint Stock Corporations subject to Capital Market Law. This unit is managed by a senior-level company officer who is also responsible for ensuring that the company fulfills the obligations incumbent upon it under the capital market legislation and for coordinating the company's corporate governance activities. The company's Shareholder Relations Unit operates under the name "Investor Relations and Corporate Governance" within the "Investor Relations and Corporate Governance, Risk Management and Internal Control Group". Contact details for the unit are presented below:

Contact Person	Phone Number	E-mail Address
Ayşegül Şahin Kocameşe Group Head	0212-325 23 50 Ext: 204	aysegul.sahin@isgyo.com.tr
Mine Kurt Yıldırım Supervisor	0212-325 23 50 Ext: 270	mine.kurt@isgyo.com.tr
Begüm Olgaç Assistant Specialist	0212-325 23 50 Ext: 271	begum.olgac@isgyo.com.tr

Shareholder Relations Unit is also responsible for the consistent and effective management of the exercise of shareholders' rights, for public disclosure and provision of company-related information, and for overseeing matters related to the conduct of general meetings and share capital increases. The company continued to attract the attention of domestic and international investors in 2012. During the reporting period, the company engaged in talks with more than 100 representatives of Turkish and foreign investment companies during meetings conducted at its own headquarters. It also took part in investor conferences and roadshows organized in Turkey and in other countries. Besides meetings with investors at its headquarters and abroad, company representatives also took part in teleconferences and went on tours that made presentations about the properties in the İş REIT portfolio. The majority of firms met with during the reporting period consisted of foreign brokerages' and asset management companies' analysts and fund managers, and the analysts and fund managers of domestic investors. During the year, the Shareholder Relations Unit received about 200 requests for information, many of them by email. About 80% of all requests for information were received from institutional investors; the remaining 20% consisted of queries from others about a variety of matters. The questions raised at investor meetings and the queries directed to the Shareholder Relations Unit generally deal with such issues as real estate projects' timetables and potential returns, the company's future investment strategies, its financing policies and revenue and expenditure projections, its financial statements, its rental earnings, and its dividend policy. In addition to investors' queries, the Unit also responds to information requests and surveys sent within the scope of research conducted by universities and various public institutions, as well as detailed information requests received from brokerages at the time of company coverage report preparation, thus supporting the activities of such institutions.

In addition, the Shareholder Relations Unit, which actively works for providing the communication between shareholders and the Company, attends the meetings of the Corporate Governance Committee to provide advisory opinions, gives information on its activities to the Committee, and takes active part in the improvement of corporate governance practices, as well as in the rating process.

Aiming to maximize the communication between the investors community and the Board of Directors, the Unit periodically reports its activities to the Board of Directors; these reports detail the important opinions and recommendations of investors, and the comments and assessments of brokerage firms about the Company.

3. Exercise of Shareholders' Right to Obtain Information

İş REIT's Disclosure Policy is based on transparency and fairness, and the company adheres to İş REIT Code of Ethics, which has been in place since 2003, in all of its public disclosure activities, and treats every shareholder equally, irrespective of the value of shares held thereby.

Shareholders request information by directly contacting the Shareholder Relations Unit employees, or by sending an email either to the Unit's email address or using the communication form available on the website.

During the reporting period, comprehensive information requests and queries received from any number of local, foreign, individual or institutional investors have been responded to in a multi-faceted and detailed manner, observing particularly the legislation and the company's Disclosure Policy, as well as all other considerations relating to public disclosure. Necessary records in relation to written and oral information requests and the responses provided to them are regularly kept by the Shareholder Relations Unit. Besides the information requests received by the Company, the reports prepared and bulletins published by brokerages about the Company are also regularly followed up.

The Company website is actively used to facilitate public disclosure and exercise of shareholder rights. Quarterly investor presentations in Turkish and English, as well as the balance sheet and income statement drawn up within the scope of financial statements, along with material event disclosures made through the Public Disclosure Platform (KAP) are prepared in Turkish and English and posted on the corporate website the same day. Furthermore, updatable parts of the Company website are updated in line with current changes. Thereby, accurate and up-to-date information is made available especially to investors and analysts in addition to various individuals or institutions that require information about the Company and its activities.

Moreover, under a service contract entered into with Foreks Bilgi İletişim A.Ş., investors have access to share performance as well as to material event disclosures via a link on the home page.

Care is taken to publish announcements about the Company's activities, which will take place in the press, in national editions of newspapers with high circulation numbers. In addition, news and documents concerning ordinary and extraordinary General Assemblies of Shareholders are also posted on the corporate website.

Requests to appoint a special auditor have not been stipulated as an individual right in the company's articles of association. During the reporting period, our company did not receive any requests for the appointment of a special auditor.

4. Information About General Assembly

The Annual General Assembly of Shareholders for 2011 convened on 28 March 2012 with 61.35% attendance, of which 55.62% were acting in person and 5.73% were acting as proxies. Besides the shareholders, all members of the Board of Directors and of the Board of Auditors participated in the meeting, as well as officials from the independent audit firm to give information about the company's financial statements and the audited period, and company employees. Although the company's articles of association contain no provisions precluding the media from attending the general assembly, no members of the media attended the general assembly convened.

The General Assembly was conducted according to the Corporate Governance Principles and the provisions of the Turkish Commercial Code (TCC); in addition, the invitations, agenda and proxy form samples in relation to the meeting were published in two national newspapers and related information was provided on the website. In order to ensure that both Turkish and foreign investors were informed about meeting matters in advance, a "General Assembly Informative Document" was prepared in Turkish and English. This document, as well as the proxy form sample, the agenda and the dividend distribution proposal of the Board of Directors along with the invitation were all published on the company website. The 2011 Annual Report was made available at the company's headquarters and on the website for investor review 21 days before the meeting date.

When preparing the agenda, the Board of Directors pays attention to take into consideration the matters communicated in writing by shareholders to the company's Shareholder Relations Unit for their incorporation in the agenda. At the time the agenda for the 2011 Annual General Assembly was being prepared, no such requests have been received by the Company.

Pursuant to Corporate Governance Principles, the company publicly disclosed the finalized independent board member nominees in a material event disclosure, and their résumés were included in the "General Assembly Informative Document", thus allowing shareholders to have information about board member nominees in advance.

In order to facilitate participation of shareholders in the General Assembly meeting, due care was taken to hold the meeting in a place where majority of shareholders reside and to ensure that the right to participate in the meeting is exercised within the frame of the relevant regulations of the Ministry of Customs and Trade.

Pursuant to Corporate Governance Principles, prior to the meeting, shareholders were informed on the number of total votes that may be cast at the General Assembly, the privileges they incorporate, and the voting procedure.

At every stage of the meeting, shareholders are allowed to raise questions, advance proposals and even take the floor. All questions are answered and all proposals are given consideration as well. Since no questions or proposals were presented at the Annual General Assembly of Shareholders this year, these matters were not mentioned in the meeting minutes. Furthermore, all oral and written queries from the shareholders about the company during the reporting period were answered prior to and after the General Assembly of Shareholders within the scope of the company Disclosure Policy.

Following the General Assembly meeting, meeting minutes and the attendance sheet were made available for the shareholders' information on the corporate website under the heading "General Meetings" in the "Investor Relations" section and were also sent to those who requested it.

The company's Donations Directive that set outs the principles and procedures for donations to be made by the Company was drawn up in December 2006 and presented for the information of our shareholders in the General Assembly held in 2007. To achieve compliance with the related principle of Corporate Governance Principles, the company has prepared the Company Donations Policy in parallel with the Donations Directive that is currently in force, and submitted the same for the approval of the General Assembly and provided information about the donations made in 2011.

The Company did not make any donations in 2012. This matter is informed to the General Assembly pursuant to the corporate governance principle numbered 1.3.11 and to Article 7 of the CMB Communiqué Serial: IV No:27.

According to the New Turkish Commercial Code enforced, general assembly meetings must be held in electronic environment. During the reporting period, the Ministry of Customs and Trade also published communiqués and regulations on this matter. Shareholder Relations Unit carefully follows up the relevant legislation and regulations in order to hold the general assembly meeting for 2012 electronically, and continues with preparations for electronic general meetings.

The General Assembly did not convene extraordinarily during the reporting period.

5. Voting Rights and Minority Rights

The Company's capital is divided into 600,000,000 shares, which are made up of Class A shares that correspond to TL 857,142.85 and Class B shares that correspond to TL 599,142,857.15. Class A shareholders have the privilege of nominating candidates to the election for membership to the Board of Directors. One member of the Board of Directors is elected from among the candidates nominated by Class B shareholders, with all of the remaining members being elected from among the ones nominated by Class A shareholders. Candidates for the Board of Directors nominated by the parent company are presented for the information of the shareholders during the General Assembly and are appointed by the decision adopted in the General Assembly.

Article 16 of the CMB Communiqué Serial: VI No: 11 on the Principles Regarding Real Estate Investment Trusts sets out that real estate investment trusts may issue shares that grant the privilege to nominate candidates to election of board of directors membership. REITs are not allowed to issue any securities that grant privileges other than the one to nominate candidates to the election of board of directors membership. Accordingly, the Company's articles of association contain no privileges regarding voting.

Minority shareholders are not represented in the Company's administration. The articles of association do not contain any provisions regarding minority rights.

6. Dividend Policy and Dividend Distribution Timing

During the reporting period, a new provision was supplemented to the Company's dividend policy, which does not alter the main elements and substance of the said policy; information will be provided to the shareholders in the General Assembly about the said change and grounds therefor.

The current Dividend Policy of the company is presented below:

The dividend distribution proposal of the Board of Directors is discussed at the General Assembly and it is decided whether to pay out dividends, as well as its manner and timing.

The company's articles of association stipulate that first dividends in the rate and amount determined by the CMB are to be distributed from the distributable profit.

The Board of Directors adopted a dividend distribution policy based on the principle of proposing to distribute at least 30% of the distributable profit in bonus shares or in cash to the General Assembly, while keeping a close eye on:

- maintaining the delicate balance between shareholders' expectations and the company's need to grow,
- the company's profitability.

There are no privileges regarding distribution of profit, and dividend distribution is carried out within the legally prescribed period of time.

In the event that the Board of Directors proposes against distribution of profit to the General Assembly, information on the reasons therefor and the usage manner of retained earnings will be presented to the shareholders at the General Assembly, included in the annual report, and disclosed publicly.

The company's current Dividend Policy is contained in the annual report and posted on the company website under "Policies" under the heading "Corporate Governance" in the "Investor Relations" section.

At the Annual General Assembly for 2011 fiscal year, it was decided to distribute cash dividends in the amount of TL 30,000,000 to shareholders so that TL 0.05 (gross=net) (5%) dividend will correspond to each share with a nominal value of TL 1. Dividend distribution began on 29 March 2012 and was completed on 2 April 2012.

7. Transfer of Shares

The Company's articles of association do not contain any provisions restricting the transfer of shares.

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

The Company Disclosure Policy was first prepared in 2005 pursuant to Article 43(ğ) of the CMB Communiqué Serial: VI No: 11 on the Principles Regarding Real Estate Investment Trusts. The policy was revised in 2009 in view of the CMB Communiqué Serial: VIII No: 54 and the "Material Event Disclosures Guidelines" prepared thereunder. The changes in the said Policy and the revised Policy were publicly disclosed via a material event disclosure, and presented at the General Assembly convened for the year 2009. The Company's Disclosure Policy is posted on the Company website under "Policies" under the heading "Corporate Governance" in the "Investor Relations" section.

The company Disclosure Policy is based on transparency and fairness, and İş REIT Code of Ethics that has been in place since 2003 is adhered to in any public disclosure activity. The Policy aims to inform the public timely, accurately and efficiently by ensuring maximum compliance with the Corporate Governance Principles published by the CMB, as well as with Capital Market legislation and other applicable regulations.

The company's Disclosure Policy has been devised by the Board of Directors, which bears the responsibility and authority for monitoring, overseeing and improving the Policy.

The principles covered in the company's Disclosure Policy are adhered to in responding to the information requests received by the company and in any activity that falls under the scope of public disclosure. It is the basic principle to disclose the assumptions and the underlying data when publicly disclosing forward-looking information, and to update the public when the assumptions involved in forward-looking information do not materialize or when it is understood that they will not materialize.

Material event disclosures made during the reporting period were publicly disclosed via the "Public Disclosure Platform" in a manner to help with the decision-making of the individuals and institutions that will make use of the disclosure in an accurate, complete, intelligible, interpretable manner, easily accessible at low-cost, and were also posted in Turkish and in English on the Company website the same day. Pursuant to Article 22/4 of the CMB Communiqué Serial: VIII No: 54 on Principles Regarding Public Disclosure of Material Events and in accordance with the decision of the Board of Directors, the individuals who are named in the list of authorized signatures to represent and bind the company are designated as individuals responsible for making material event disclosures.

Furthermore, the company makes use of the "e-Governance: Corporate Governance and Investor Relations Portal" of the Central Registry Agency (in Turkish: MKK) for provision of information to shareholders efficiently and accurately.

9. Company Internet Site and Its Content

The company has its own website accessible at www.isgyo.com.tr. The website covers the matters specified in the Corporate Governance Principles. The website is also prepared in English for use by foreign investors. Both the Turkish and English versions of the website are constantly updated to better inform the investors.

Furthermore, the service provided by Foreks Bilgi İletişim A.Ş. provides the investors with access to share performance, as well as to material event disclosures via a link on the home page."

10. Annual Reports

The company's annual reports are prepared in the content that will give the public opinion access to accurate and complete information about the company's activities within the frame of Corporate Governance Principles, as well as other Capital Market regulations and applicable regulation of the Ministry of Customs and Trade.

PART III - STAKEHOLDERS

11. Keeping Stakeholders Informed

Open and honest communication channels have been established with company employees and other stakeholders, with attention paid to ensure that all stakeholders are kept informed about issues that concern them.

The company pays due attention to protect the rights of stakeholders regulated by legislation and mutual contracts in its activities and transactions. In addition, the rights of all stakeholders are protected within the frame of the Code of Ethics published by the Board of Directors.

The company takes care to always cooperate with partners that espouse its Code of Ethics. In the professional relationships with customers, honesty and fairness are observed, reliability of agreements is upheld, and commitments are fulfilled in a timely manner. The company attaches importance to building relationships with suppliers upon long-lasting trust.

The sanctions applicable to company employees with respect to adherence to Code of Ethics take place in internal guidelines. Company employees can convey any transaction that contradicts with the legislation and are ethically inappropriate to the Audit Unit. There is no special mechanism devised for conveyance of similar transactions by other stakeholders to the Audit Unit.

12. Stakeholder Participation in Management

Keeping all lines of communication open and eliminating all possible encumbrances is a fundamental principle regarding participation of company employees in management. There is no formal model established for direct participation of other stakeholders in management.

In keeping with this principle and as stated in the company's Code of Ethics, the company "Workplace Policy" is set out and updated in view of employees' needs through constant communication with them. Internal meetings are held, which are attended by company employees when necessary, and they play a significant role in the decision-making process of senior management.

Expectations and demands from all stakeholders involved with the company are addressed on the basis of Code of Ethics and resolved through mutual communication. Contractual and other demands, requests and problems of real and legal persons, which the

Company is dealing with in relation to rental agreements, are forwarded to the company's relevant committees through the Corporate Communications and Marketing Department, and solution-oriented suggestions are discussed and decided on by these committees.

13. Human Resources Policy

The main objective of the company is to recruit qualified personnel in order to carry out company activities in the most effective manner and to ensure employee motivation so as to maintain constant success, as well as continuously improve financial and social rights of employees, create a fair and professional work environment and determine the training needs of personnel.

In line with the objectives and strategies stated in the company's Human Resources Policy, the company aims to create a shared Corporate Culture by recruiting the human resource that espouses the same values with the company, and seeks to create competitive advantage by conducting the necessary training, development and cultivation activities.

Matters such as employment conditions, career path and advancement requirements, monetary arrangements and fringe benefits are clearly detailed in the company's Personnel Regulation for the information of employees. The Human Resources and Education Department carries out all decisions made in relation to the employees within the scope of the said regulation.

The company employs an "Open Door Policy" and establishes all necessary platforms for the most efficient use of communication tools. Accordingly, a specific person has not been appointed as a representative to carry out the relations with employees.

Employees are expected to embrace the performance-driven management concept and recognize that their individual involvement will contribute to customers and shareholders. Employees who target to add value to their respective jobs are backed by the Human Resources and Education Department, and position themselves, gain access to self-development and manage their career objectives along with their managers.

The personal honor of each employee and all of their legally-recognized rights are protected within the framework of the company's Code of Ethics. All necessary measures have been taken to ensure a safe and healthy work environment.

During the reporting period, the Human Resources and Education Department received no complaints on account of discrimination.

14. Code of Ethics and Social Responsibility

The Code of Ethics was devised by the Board of Directors in 2003 under the headings "Shareholders", "Operating Standards", "Employees" and "Customers-Suppliers-Shareholders", posted on the Company website and publicly disclosed. The Code of Ethics can be accessed on the company website under the "Corporate Governance" heading in the "Investor Relations" section.

While headed towards generating high returns for its shareholders, which is a key objective, the company also carries out various activities to contribute to the social life and the environment within the scope of its corporate social responsibility concept.

The company supports many artistic and sports activities, in addition to the sector's initiatives conducted along this line. The activities directed towards helping the young generation gain industry experience and towards enriching them socially fully correspond to our corporate mission that places the human factor in its focal point.

The company extends support gratuitously to projects undertaken in subjects that fall under social responsibility, including education, health, law, scientific research, environmental protection, sports, culture and the arts. Committed to shaping its approaches, values and policies consistently within the frame of social responsibility, the company will carry on with its activities in this direction and will continue with its support in the years ahead.

İş REIT complies with legal and environmental values in all of its activities, and exercises due diligence in respect to social responsibility. No lawsuits were filed against the Company on account of any harm done to the environment during the reporting period.

Acting upon the conviction that sustainable growth in all areas is crucial, and with its mission of creating desirable spaces for contemporary people and cities, İş REIT continued to support the sector's development and social solidarity as well as the arts and sports in 2012.

İş REIT sponsored Konak Municipality Women's Football Team, which competes in the Turkish Football Federation Women's Premier League and qualified for the Turkey Championships. The company has assumed sponsorship of the team for 2011-2012 and 2012-2013 seasons in order to take on an active role to assure widespread participation in sports by all demographic segments of society without discriminating between women and men or young and old.

İş REIT was the platinum sponsor of the Rotary Institute 2012 held in a different location every year and hosted by İzmir this year on 16-17 November. Participated by Rotarians from countries in the North Africa, Balkans, Caucasus and the Middle East, as well as from Turkey, the event has been very effective for promoting our country and İzmir.

İş REIT opens the doors of the shopping centers in its portfolio to associations and foundations working to benefit the public by offering them the opportunity to set up stands and carry out publicity activities free-of-charge. The company extends all necessary cooperation in this area.

PART IV - BOARD OF DIRECTORS

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

Members of the Board of Directors:

Aydın S. Önder, Chairman, Non-executive

M Kemal Fettahoğlu, Vice Chairman, Non-executive

D. Sevdil Yıldırım, Board Member, Non-executive, Independent

Kemal Şahin, Board Member, Non-executive

H. Cemal Karaoğlu, Board Member, Non-executive, Independent

Senior Management:

Turgay Tanes, CEO

The powers and authorities of the members of the Board of Directors are set out in the company's articles of incorporation. The company is managed and externally represented by the Board of Directors. The Board of Directors performs the duties assigned to it by the General Assembly in accordance with the Turkish Commercial Code, the Capital Market Law and other applicable legislation. The Board of Directors is composed of five members, two of which are independent.

Within the frame of Corporate Governance Principles, a Nominating Committee was not set up at the Company, and its functions are fulfilled by the Corporate Governance Committee. Along the line, two independent members were nominated to the Corporate Governance Committee during the reporting period. The Corporate Governance Committee prepared evaluation reports establishing whether the candidates possessed the criteria of independence on 05 March 2012 and 08 March 2012, and submitted them to the Board of Directors on the same dates. The Board of Directors finalized the list of nominees in the light of these evaluations and the finalized list of nominees was publicly disclosed.

During the reporting period, no events took place that compromised the independence of the Board members.

Although there are no set rules on Board members' undertaking other duties outside the company, the external positions held by Board members, their terms of office with the company and distribution of positions are provided in the members' résumés.

Aydın S. Önder

Born in 1962, Aydın Süha Önder received his degree in political sciences and public administration from the Faculty of Economics and Administrative Sciences at the Middle East Technical University in 1985. He began his career on the Board of Inspectors at İşbank in 1986. After serving in managerial positions at the Galata, Avcılar and Karaköy branches of İşbank, Mr. Önder was appointed as the head of Corporate Banking Marketing Division in 2003, as manager of the Levent Branch in 2006 and of the Gebze Corporate Branch in 2007. Serving as Deputy CEO at İşbank since April 2011, Mr. Aydın Süha Önder has been the chairman of the Board of Directors of İş REIT since 2011.

M. Kemal Fettahoğlu

Born in 1967, Kemal Fettahoğlu got his degree in economics from the Middle East Technical University in 1990. Having started his career the same year as an assistant specialist in the Strategic Planning Department at İşbank, Mr. Fettahoğlu pursued graduate studies in finance in London in 1997-1998. He worked as the Finance Manager and Capital Markets and Asset Management Manager at Petrol Ofisi from 2000 through 2003. He assumed the responsibility of unit manager of İşbank's Economic Research, Enterprise Architecture and Branch Network Development divisions. He has been serving as the head of the Bank's Construction and Real Estate Management Division since 26 October 2011, and as the Company's Board member since 2012. Mr. Fettahoğlu also holds a seat on the Board of Directors of İş-Koray.

Kemal Şahin

Kemal Şahin got his degree in business administration from the Middle East Technical University in 1988, and joined İşbank the same year as an assistant inspector on the Board of Inspectors. Following ten years of service as assistant inspector and inspector on İşbank's Board of Inspectors, he was appointed as assistant manager to the Bank's Subsidiaries Division in 1998. He currently serves as a unit manager for Property Development, Healthcare and Food Industry Companies under the Subsidiaries Department at İşbank. Mr. Şahin also holds seats on the Boards of Directors of İş-Koray, İşmer, Bayek, Antgıda, and Mipaş Mümessillik ve Erişim Müşteri Hizmetleri A.Ş., which are some of the subsidiaries covered by the unit he is in charge of. Functioning as a Board member of İş REIT since 2004, Mr. Kemal Şahin is also a member of the Corporate Governance Committee and Committee for Early Detection of Risk.

H. Cemal Karaoğlu

Born in 1965 in İzmir, H. Cemal Karaoğlu got his bachelor's degree in 1987 and his master's degree in 1991 from the Department of Civil Engineering in the Faculty of Engineering at the Middle East Technical University. He started his career under a research program at Imperial College in 1988. He worked as project engineer at Yüksel Proje Uluslararası A.Ş. from 1989 to 1993. He was a board member at Başarı Yatırımlar Sanayi ve Ticaret A.Ş. from 1993 to 2003 and at Yüksel Proje Uluslararası A.Ş. from 2003 to 2008. He functioned as engineer and executive in various fields, including constructional drawings, control services, and investment consultancy. Functioning in the capacity of Deputy Chairman at Yüksel Proje Uluslararası A.Ş. since 2008, he is on the Board of Directors of Başarı Yatırımlar San. ve Ticaret A.Ş. Holding a seat on our Company's Board of Directors since 2010, Mr. Karaoğlu also heads the Committee for Audit and the Committee for Early Detection of Risk.

D. Sevdil Yıldırım

Having received her bachelor's degree in business administration from the Middle East Technical University in 1988, Sevdil Yıldırım got her master's degree in economics from the same university and in business administration from the London Business School. Ms. Yıldırım worked in the Research and Development, Oversight and Enforcement divisions at the Prime Ministry Capital Markets Board from 1988 to 1999. She joined Yapı Kredi Yatırım in March 1999 to set up the International Capital Markets Department, and was promoted to Executive Vice President in 2003. She joined Turkish Yatırım A.Ş. as Assistant General Manager in 2006, transferred to BGC Partners as Assistant General Manager in 2007, and joined Yıldız Holding A.Ş. in 2009 to set up the Corporate Finance and Capital Markets Coordination Department. Having assumed a duty in the incorporation of Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş., a publicly traded subsidiary of Yıldız Holding, Ms. Yıldırım worked as Assistant General Manager and as member of the Investment Committee at this company until February 2012. She also functioned as vice chairman on various councils of the Foreign Economic

Relations Board (in Turkish: DEİK) from 2002 through 2012. She currently serves as an independent board member for TAV Airports and Denizli Cam. Ms. Yıldırım has been a member of the Company's Board since 2012; she also heads the Corporate Governance Committee and is a member of the Committee for Audit.

16. Operating Principles of the Board of Directors

Agendas of the Board meetings are prepared as recommended by the General Manager and with the knowledge of the Chairman of the Board. The Board of Directors carries out its activities within the frame of its publicly disclosed operating principles, and meetings are called by the Chairman or Vice Chairman as and when deemed necessary for the company's business affairs. Board members also have the right to call for a meeting of the Board of Directors according to Article 13 of the company's articles of incorporation.

A Board of Directors Secretariat has been set up at the company during the reporting period. This unit is responsible for and actively involved in organizing Board meetings, preparing and recording reports, documentation, and Board decisions, coordinating communication among Board members, and performing similar functions. The Board of Directors convened 12 times during the period and passed 59 resolutions. All Board members attended all of the Board meetings that were held during the year. All decisions taken by the Board were passed unanimously. No dissenting opinions were expressed in any of the decisions taken during board meetings. Inasmuch as no votes were cast against any of the decisions that were taken, it was not necessary to make note of any opposition to them in meetings' minutes. No board member enjoys any special voting rights and/or has the power to exercise a veto. There was one related party transaction of material nature during the reporting period, which was submitted for the approval of independent Board members. The said transaction involved a counter guarantee in the amount of USD 161.5 million received from İşbank, and creation of a prior lien in the same amount with the counter guarantee in favor of the Bank. The relevant Board decision was taken unanimously with the affirmative votes of the independent Board members.

17. Number, Structures and Independence of the Committees Established Within the Board of Directors

As required both by the Capital Markets Board's Corporate Governance Principles and by the company's Board of Directors Operating Principles, three committees have been created within the Board: a Corporate Governance Committee, a Committee for Early Detection of Risk, and a Committee for Audit. Each of these committees is headed by an independent director, and the heads and members of the Committees are presented below:

Corporate Governance Committee	
Head	Member
D. Sevdil Yıldırım, Independent Member	Kemal Şahin, Member

Committee for Early Detection of Risk	
Head	Member
H. Cemal Karaoğlu, Independent Member	Kemal Şahin, Member

Committee for Audit	
Head	Member
H. Cemal Karaoğlu, Independent Member	D. Sevdil Yıldırım, Independent Member

The Board of Directors consists of five members; therefore, a Board member serves on more than one committee given the existing number of Board members. All due consideration is given to the requirements of Corporate Governance Principles when selecting committee members. During the reporting period and after the conduct of the Company's annual meeting, the duties and responsibilities of Board members were assigned and elections to committee seats were held as required by CMB Communiqué Serial: IV No: 56 on the Determination and Implementation of Corporate Governance Principles. Committees' current operating principles were also reviewed and publicly announced. All committees performed their functions within the framework of their governing principles. Neither a Nominating Committee nor a Remuneration Committee has been set up. The functions of these committees are performed by the Corporate Governance Committee. A Corporate Governance Committee has been set up in compliance with the Capital Markets Board's rules and regulations concerning corporate governance and it has been charged with fulfilling the duties and responsibilities incumbent upon it under CMB's Corporate Governance Principles. This Committee regularly reviews the company's corporate governance practices and it strives to make improvements in them. During the reporting period, this Committee played an active role both in initiating the company's corporate governance rating process and in the actual conduct of that process. Besides its corporate governance duties, this Committee also gives importance to investor relations. At regular intervals, the Committee reviews the company's investor relations activities and strategies and it ensures that the Board of Directors is kept informed about such issues on a regular basis. In addition to these functions, the Committee is also active in such areas as providing coordination among other committees and supporting their activities when necessary. It is a principle of the Corporate Governance Committee to meet at least once a month before the regular monthly meeting of the Board of Directors; however it may also convene more frequently as circumstances require.

As required by CMB Communiqué Serial: IV No:56 on the Determination and Implementation of Corporate Governance Principles, the name of the committee responsible for overseeing the company's risks was changed from "Risk Committee" to "Committee for Early Detection of Risk". Along with this change of name, the Committee's operating principles were also updated. The Committee for Early Detection of Risk plays an active role in identifying risks that are inherent in the company's activities, in quantifying them, in reporting them, and in determining risk management strategies and policies. In addition to these duties, the Committee for Early Detection of Risk has also begun operating within the framework of the risk management and risk detection duties and responsibilities that fall upon the Board of Directors pursuant to Article 378 of the Turkish Commercial Code (Statute 6102). In line with the duties incumbent upon it as specified in its operating principles and in compliance with the principles of applicable capital market laws, regulations, and administrative provisions during the reporting period, the Committee for Audit actively works in such matters as publicly disclosing the company's financial statements, having independent audits conducted, and ensuring that the company's internal control system functions effectively; all other aspects of the independent auditors' activities were also supervised.

18. Risk Management and Internal Control Mechanism

Risk management and internal control systems at the company are organized in accordance with international practices, principles and organizational frame. Risk management and internal control activities are carried out by the Risk Management and Internal Control Unit.

The Risk Management Unit has been functioning at the company since 2005 and reports, in order, to the company's senior management, company Committee for Early Detection of Risk and the Board of Directors in relation to the management of the risks inherent in the company's operations within the frame of the company's Risk Policy and other associated internal guidelines.

The Board of Directors is kept informed about the company's risk exposure by means of a comprehensive "Company Risk Report" that is prepared and submitted every three months. This report includes, among other things, information about the company's business sector, key financial indicators, and the results of the unit's quantification and assessment of the risks that are inherent in the company's activities. Detailed information is provided about business environment risk, a category of operational risk that the company is particularly exposed to. Under article 378 of the Turkish Commercial Code (Statute 6102), which went into effect during the reporting period, an assessment was made of the duties and responsibilities charged to the Board of Directors via the Committee for Early Detection of Risk with regard to risk management and detection. Preparations were started for reporting on risk detection. Maintaining a risk-focus in the planning and conduct of its activities, the Unit works to ensure continual control of high-risk areas and quick resolution of issues. The "Company Risk Catalogue" that covers all of the risks inherent in the company's activities are updated as dictated by changing market and business conditions, new types of risks are defined, potential risks are identified, and risk mitigation measures are proposed. These efforts are intended to enable senior management to take whatever measures are needed to ensure that the company's risks are effectively managed and develop necessary control systems. Internal control activities, on the other hand, are organized to constantly keep under control all financial and operational risks identified in relation to activities. Work flows, job descriptions, authorities and limits related to activities are put into writing, and are constantly reviewed in parallel with the risks. Workflows concerning activities include the necessary controls that are able to respond to risks on the basis of the relevant activity. Functional job segregations on the basis of activities, transaction and approval authorities, post-transaction controls, and other controls specific to the transaction guarantee that activities and transactions are constantly carried out efficiently, accurately, regularly and securely.

19. Strategic Goals of the Company

The company has a diversified portfolio made up of different elements including land, offices, shopping centers, hotels and projects. Within this frame, the company capitalizes on all investment opportunities in and out of Turkey so as to enrich its portfolio, and maintains its target of stable growth. To this end, the company closely watches all changes in trends and preferences that impact the global sector's dynamics.

Mixed-use project concept that covers both residential and commercial units is persisted in the projects that are being developed and are ongoing, thereby rendering the benefit derived on rental activities sustained, while also intending to generate high returns on sales.

The Board of Directors approves the annual budget that brings the targets together in line with a plan so as to incorporate its own revisions and suggestions. All strategic changes that result from the decisions passed during the year and the deviations in estimations are evaluated on a monthly basis, save for in extraordinary cases, and short and long-term investment and funding plans are revised and repositioned according to new developments when necessary.

The company's key strategic goal along this line is to capitalize on the opportunities that will serve to increase its sustained income and profitability on planned investments and to maximize the benefit provided to shareholders.

20. Financial Rights

Pursuant to Corporate Governance Principles, the remuneration principles for the Board members and senior executives are put into writing and presented to the General Assembly. The company's Remuneration Policy is available on the company's website, under "Policies" under the heading "Corporate Governance" in "Investor Relations" section.

The General Assembly determines remunerations of the members of the Board of Directors. The benefits provided to the Board of Directors, Board of Auditors and senior management are publicly disclosed via the Financial Reports disclosed quarterly. In addition, this matter is also addressed in the related section of the Annual Report.

Besides the remuneration decided by the General Assembly, the Board members were not granted rights that would give them financial benefits such as attendance fee, bonus or premium. Stock options or a payment plan based on the company's performance are not used for the remuneration of independent Board members.

The financial benefits provided to the senior management cover salaries and bonuses.

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Financial Statements as of and for the Year Ended 31 December 2012 with Independent Auditors' Report Thereon

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

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INDEPENDENT AUDITORS' REPORT

(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

To the Board of Directors of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi,

We have audited the accompanying financial statements of İş Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") which comprise the statement of financial position as of 31 December 2012, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards promulgated by Capital Markets Board of Turkey. 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards promulgated by Capital Markets Board of Turkey (Note 2).

Istanbul, 22 February 2013

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Orhan Akova, Certified Public Accountant

Partner

Additional paragraph for convenience translation to English:

As explained in Note 2.1, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

	Notes	Audited 31 December 2012	Audited 31 December 2011
ASSETS			
Current assets		**240.045.239**	**134.570.092**
Cash and cash equivalents	*5*	85.194.100	106.690.380
Financial investments	*6*	8.515.936	6.524.603
Trade receivables	*8*	17.567.381	3.184.092
Trade receivables from related parties	*26*	*11.298*	*4.232*
Other trade receivables	*8*	*17.556.083*	*3.179.860*
Inventories	*11*	62.214.847	-
Other receivables	*9*	139.731	154.323
Other current assets	*16*	66.413.244	18.016.694
Non-current assets		**1.151.891.843**	**1.026.451.690**
Investment properties	*10*	1.105.763.367	992.276.289
Inventories	*11*	17.298.517	31.991.939
Tangible assets	*12*	1.252.023	1.049.810
Intangible assets	*13*	274.406	396.574
Financial investments	*6*	179.764	707.099
Trade receivables	*8*	27.068.514	-
Other non-current assets	*16*	31.433	23.000
Deferred tax assets	*24*	23.819	6.979
TOTAL ASSETS		**1.391.937.082**	**1.161.021.782**

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

İŞ GAYRİMENKUL YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

	Notes	Audited 31 December 2012	Audited 31 December 2011
LIABILITIES			
Short-term Liabilities		**107.213.815**	**16.608.411**
Loans and borrowings	*7*	6.523.222	5.926.215
Loans and borrowings from related parties	*26*	*6.203.197*	*5.926.215*
Other financial borrowings		*320.025*	-
Trade payables	*8*	5.482.029	2.932.872
Trade payables to related parties	*26*	*1.151.114*	*1.091.605*
Other trade payables	*8*	*4.330.915*	*1.841.267*
Other payables	*9*	90.077.873	3.060.096
Corporate tax liability	*24*	27.889	46.835
Provisions	*14*	145.830	50.620
Provision for employee benefits	*15*	231.968	187.327
Other short-term liabilities	*16*	4.725.004	4.404.446
Other short-term liabilities to related parties	*26*	*632.870*	*448.738*
Other short-term liabilities	*16*	*4.092.134*	*3.955.708*
Long-term Liabilities		**214.840.643**	**109.941.019**
Loans and borrowings	*7*	129.050.108	47.409.720
Loans and borrowings from related parties	*26*	*39.920.108*	*47.409.720*
Other financial borrowings		*89.130.000*	-
Other payables	*9*	81.817.556	58.495.296
Provision for employee benefits	*15*	768.781	461.945
Other long-term liabilities	*16*	3.204.198	3.574.058
EQUITY		**1.069.882.624**	**1.034.472.352**
Share capital	*17*	600.000.000	600.000.000
Inflation restatement difference on share capital		240.146.090	240.146.090
Share premium		423.981	423.981
Restricted reserves	*17*	16.520.757	13.554.165
Translation reserves		(278)	(2.152)
Retained earnings	*17*	147.383.676	113.396.737
Net profit for the period		65.408.398	66.953.531
TOTAL EQUITY AND LIABILITIES		**1.391.937.082**	**1.161.021.782**

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

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

	Notes	Audited 1 January - 31 December 2012	Audited 1 January - 31 December 2011
Operating Activities			
Sales revenue (net)	*18*	131.927.996	123.492.212
Cost of sales (-)	*18*	(57.826.762)	(45.316.639)
Gross Profit		**74.101.234**	**78.175.573**
General administrative expense (-)	*19*	(9.983.739)	(9.533.953)
Other operating income	*21*	241.893	418.817
Other operating expense (-)	*21*	(65.482)	(39.830)
Operating Profit		**64.293.906**	**69.020.607**
Financial income	*22*	23.947.968	31.873.353
Financial expense (-)	*23*	(22.718.908)	(33.809.743)
Operating Profit before Tax		**65.522.966**	**67.084.217**
Tax expense	*24*	**(114.568)**	**(130.686)**
- Corporate tax charge		(131.408)	(133.072)
- Deferred tax benefit		16.840	2.386
Net Operating Profit for the Period		**65.408.398**	**66.953.531**
Discontinued Operations			
Profit after tax for discontinued operations		-	-
Net Profit for the Period		**65.408.398**	**66.953.531**
Net profit for the period attributable to:			
Non-controlling interests		-	-
Equity holders of the parent		**65.408.398**	**66.953.531**
Basic earnings per share (par value of TL 1)	*25*	**0,1090**	**0,1116**
Diluted earnings per share (par value of TL 1)	*25*	**0,1090**	**0,1116**

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

	Audited 1 January - 31 December 2012	**Audited 1 January- 31 December 2011**
Net profit for the period	**65.408.398**	**66.953.531**
Other comprehensive income	1.874	(2.152)
TOTAL COMPREHENSIVE INCOME	**65.410.272**	**66.951.379**

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

	Notes	Share capital	Inflation restatement difference on share capital	Share premium
Balances at 1 January 2011		450.000.000	240.146.090	423.981
Total comprehensive income				
Net profit for the period		-	-	-
Translation reserve		-	-	-
Total comprehensive income		**-**	**-**	**-**
Capital increase		150.000.000	-	-
Transfer to retained earnings	*17*	-	-	-
Transfer to reserves	*17*	-	-	-
Dividends paid	*17*	-	-	-
Balances at 31 December 2011		**600.000.000**	**240.146.090**	**423.981**
Balances at 1 January 2012		600.000.000	240.146.090	423.981
Total comprehensive income				
Net profit for the period		-	-	-
Translation reserve		-	-	-
Total comprehensive income		**-**	**-**	**-**
Capital increase		-	-	-
Transfer to retained earnings	*17*	-	-	-
Transfer to reserves	*17*	-	-	-
Dividends paid	*17*	-	-	-
Balances at 31 December 2012		**600.000.000**	**240.146.090**	**423.981**

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

	Restricted reserves	Translation reserve	Net profit for the period	Retained earnings	Total
	11.015.848	-	60.918.265	227.516.789	990.020.973
	-	-	66.953.531	-	66.953.531
	-	(2.152)	-	-	(2.152)
	-	**(2.152)**	**66.953.531**	**-**	**66.951.379**
	-	-	-	(150.000.000)	-
	-	-	(60.918.265)	60.918.265	-
	2.538.317	-	-	(2.538.317)	-
	-	-	-	(22.500.000)	(22.500.000)
	13.554.165	**(2.152)**	**66.953.531**	**113.396.737**	**1.034.472.352**
	13.554.165	(2.152)	66.953.531	113.396.737	1.034.472.352
	-	-	65.408.398	-	65.408.398
	-	1.874	-	-	1.874
	-	**1.874**	**65.408.398**	**-**	**65.410.272**
	-	-	-	-	-
	-		(66.953.531)	66.953.531	-
	2.966.592	-	-	(2.966.592)	-
	-	-	-	(30.000.000)	(30.000.000)
	16.520.757	**(278)**	**65.408.398**	**147.383.676**	**1.069.882.624**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)
(Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

	Notes	Audited 1 January - 31 December 2012	Audited 1 January - 31 December 2011
A. Cash flows operating activities			
Net profit for the period		**65.408.398**	**66.953.531**
Depreciation and amortization	*10,12,13*	25.100.282	24.866.046
Provision for employee severance indemnity	*15*	331.679	77.241
Provision for unused vacation	*15*	44.641	100.994
Provisions released in relation to investment properties and other tangible assets	*10*	(7.087.968)	(11.245.495)
Impairment provision on investment properties and other tangible assets	*10*	3.812.255	362.081
Provision for doubtful receivables (net)	*8*	(171.451)	80.502
Current period income tax expense	*24*	131.408	133.072
Deferred tax benefit	*24*	(16.840)	(2.386)
Derivative losses	*23*	527.335	849.221
Interest income	*22*	(6.861.330)	(5.198.772)
Interest expense	*23*	3.626.822	3.192.901
Cash flows provided by operating activities before the changes in working capital		**84.845.231**	**80.168.936**
Increase in trade receivables		(41.280.352)	(1.468.189)
Decrease in other receivables		14.592	198.254
(Increase)/decrease in other current assets		(48.480.469)	(15.796.497)
Changes in inventories	*11*	(44.284.146)	(8.896.870)
Increase in other non-current assets		(8.433)	(17.639)
Increase in trade and other payables		112.889.194	22.546.494
Decrease in other short-term liabilities		92.465	(5.965.737)
Employee benefits paid during the period	*15*	(24.843)	(27.942)
Taxes paid	*24*	(196.911)	(128.961)
Net cash provided by operating activities		**63.566.328**	**70.611.849**
B. Cash flows investing activities			
Proceeds from financial assets		(1.989.459)	4.819.600
Purchases of investment property, tangible assets and intangible assets	*10,12,13*	(138.628.971)	(25.003.319)
Proceeds from sale of investment property, tangible assets and intangible assets	*10,12,13*	-	196.942
Interest received		6.695.443	4.712.963
Net cash used in investing activities		**(133.922.987)**	**(15.273.814)**
C. Cash flows financing activities			
Dividends paid	*17*	(30.000.000)	(22.500.000)
Increase in financial liabilities		81.183.000	2.943.878
Interest paid		(2.572.427)	(2.724.512)
Net cash used in financing activities		**48.610.573**	**(22.280.634)**
Effect of changes in foreign currency rates over cash and cash equivalents		83.919	-
Net (decrease)/increase in cash and cash equivalents		**(21.662.167)**	**33.057.401**
Cash and cash equivalents at the beginning of the period		106.204.571	73.147.170
Cash and cash equivalents at the end of the period	*5*	**84.542.404**	**106.204.571**

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

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1. Organization and operations of the Company

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

The main objective and operations of the Company are to engage in activities regulated by the Capital Markets Board of Turkey ("the CMB") related with the Real Estate Investment Corporations such as; properties, property oriented capital market instruments, real estate projects and investing in capital market instruments. Compliance to the CMB's regulations and related legislation are taken as a basis for the Company's operations, portfolio investment policies and management limitations.

The Company's shares have been traded on the Istanbul Stock Exchange since 1999.

The Company has 54 employees as of 31 December 2012 (47 employees as of 31 December 2011).

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

Nest in Globe B.V. ("Nest in Globe") was established on 7 July 2011 by both 50% equal participations of İş Gayrimenkul Yatırım Ortaklığı A.Ş and Kayı Holding Anonim Şirketi ("Kayı Holding"). The main objective and operations of the jointly controlled entity are to develop, to construct, to manage and to benefit from hotels and other commercial real estate in the Netherlands and abroad. In addition, rendering consultancy and management services, participating in tenders and submitting bids in connection with development, construction and management of hotels and other commercial real estate in the Netherlands and abroad are also the objectives of the Company.

Approval of financial statements:

The financial statements have been approved for issue by the Board of Directors on 22 February 2013. The General Assembly and the legal authorities have the authority to amend the statutory financial statements and these financial statements.

2. Basis of presentation of financial statements

2.1 Basis of presentation

Statement of compliance

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

The accompanying financial statements are prepared in accordance with the accounting and reporting standards promulgated by CMB. The Company prepared its financial statements in accordance with the communiqué Serial: XI, No:29 "Communiqué on Financial Reporting Standards in Capital Markets" ("Communiqué XI-29") promulgated by CMB, which is published at 9 April 2008 in the Official Gazette numbered 26842.

The companies, which reports in accordance with financial reporting standards of CMB, are required to prepare their financial statements in accordance with Communiqué XI-29 which refers to International Accounting Standards ("IAS")/International Financial Reporting Standards ("IFRS"), which were endorsed, by European Union. However, until the issuance of differences by International Accounting Standards Board ("IASB"), within the IAS/IFRS endorsed by European Union and IAS/IFRS issued by International Accounting Standards Board ("IASB"), the accompanying financial statements are prepared in accordance with the International Accounting Standards ("IAS")/International Financial Reporting Standards ("IFRS"), issued by TASB and which are the same as IAS/IFRS.

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Per decree law No: 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article No:1 of the 2499 numbered Law on establishment of TASB has been abrogated and the establishment of Public Oversight, Accounting and Auditing Standards Authority ("the Board") has been decided by the Council of Ministers. In accordance with the additional temporary article No: 1 of the decree law, current regulations will prevail until related standards and regulations will be issued by the Board become effective.

Additional paragraph for convenience translation into English

The differences between the accounting principles promulgated by the CMB, accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

Preparation of financial statements

The accompanying financial statements have been prepared in accordance with the CMB's Communiqué Serial: XI, No: 29 "Capital Markets Financial Reporting Standards" provides principles and standards announced on 17 April 2008 regarding the format of the financial statements and footnotes as of 31 December 2012.

Functional and presentation currency

The financial position and the results of the Company's operations have been expressed in Turkish Lira ("TL") which is the functional currency of the Company and which is the presentation currency of the financial statements. The jointly controlled entity's (Kanyon) functional currency is TL and the jointly controlled entity's (Nest in Globe) functional currency is Euro.

Basis of measurement

The financial statements are prepared on a historical cost basis except for the financial instruments measured at fair value.

The methods used in fair value measurement are mentioned in Note 28.

Preparation of financial statements in Hyperinflationary Periods

The CMB, with its resolution dated 17 March 2005, declared that companies operating in Turkey which prepares their financial statements in accordance with the CMB Financial Reporting Standards (including those adopted IAS/IFRS), would not be subject to the application of inflation accounting effective from 1 January 2005. Accordingly, IAS 29 "Financial Reporting in Hyperinflationary Economies" was not applied since 1 January 2005.

Comparative Information and Restatement of Prior Period Financial Statements

The financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes with respective disclosures for the major differences. Some certain reclassifications has been made on the statement of financial position as of 31 December 2011 in order to maintain consistency and prepare the financial position of the Company in line with the statement of financial position as of 31 December 2012. Incomplete residences relating to Tuzla Project included in investment properties as of 31 December 2011 amounting to TL 31.991.939 are classified to long-term inventories. Advances received amounting to TL 106.338 included in other short-term liabilities as of 31 December 2011, are classified to other payables.

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Basis of consolidation

Jointly controlled entities

Joint ventures are those entities over whose activities the Group has joint control established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The Company reports its interests in jointly controlled entities using proportionate consolidation. The Company's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the financial statements on a line-by-line basis.

Kanyon is established as 50%-50% partnership of İş Gayrimenkul Yatırım Ortaklığı A.Ş. and Eczacıbaşı Holding A.Ş. at 6 October 2004. The Company reports its interests in jointly controlled entities using proportionate consolidation.

Nest in Globe is established as 50%-50% partnership of İş Gayrimenkul Yatırım Ortaklığı A.Ş. and Kayı Holding at 7 July 2011. The Company reports its interests in jointly controlled entities using proportionate consolidation.

Financial statements of the jointly controlled entities are prepared in line with the financial statements of the Company in the same accounting period using uniform accounting policies.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Company's interest in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation and gains and losses from foreign currency transactions are recognized in profit or loss.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. As of 31 December 2012, foreign currency translation losses amounting to TL 278 (31 December 2011: TL 2.152) is the result of the consolidation of Nest in Globe, since the presentation and functional currency of Nest in Globe is Euro.

2.2 Changes in accounting policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in the financial statements. Material changes in accounting policies or material errors (if any) are corrected, retrospectively; restating the prior period financial statements.

2.3 Changes in accounting estimates and errors

The preparation of the financial statements in conformity with Communiqué Serial: XI, No: 29 require management to make judgments, estimates and assumptions that affect the application of accounting policies. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

There are not any accounting estimates that may affect significantly the future periods of the Company.

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2.4 Standards and interpretations those are not yet effective as of 31 December 2012

2.4.1. Standards and interpretations that are effective in 2012

The Company applied all of the relevant and required standards promulgated by the IASB and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") as of 31 December 2012.

2.4.2. Standards and interpretations that are not yet effective as of 31 December 2012

A number of new standards, amendments to standards and interpretations which are not yet effective for the period ended 31 December 2012. Among those new standards, the following are expected to have effect on the financial statements of the Company:

TFRS 9 - Financial instruments, published in the Official Gazette dated 27 April 2010 numbered 27564, is published by International Accounting Standards Board in November 2009 as a part of a wider project that aims to bring new regulations to replace TAS 39 - Financial Instruments: Recognition and Measurement.

Developing a new standard for the financial reporting of financial assets that is principle-based and less complex is aimed by this project. The objective of TFRS 9, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity's future cash flows. With TFRS 9 an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in TAS 39 on impairment of financial assets and hedge accounting continues to apply.

An entity shall apply TFRS 9 for annually years beginning on or after 1 January 2015. An earlier application is permitted. If an entity adopts this TFRS in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated.

IFRS 10 *Consolidated Financial Statements* introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. The standard is effective for annual periods beginning on or after 1 January 2013.

IFRS 11 *Joint Arrangements* supersedes IAS 31 and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers and becomes effective for annual periods beginning on or after 1 January 2013. IFRS 11 *Joint Arrangements* is expected to have a material impact on the presentation of the Company's interests in joint ventures (Note 3). The proportionate consolidation method currently applied to the Company's interests in joint ventures will be prohibited effective from 1 January 2013 and such interests in joint ventures will be accounted through equity method.

IFRS 12 *Disclosure of Interests in Other Entities* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. The standard is effective for annual periods beginning on or after 1 January 2013.

IAS 27 *Separate Financial Statements* (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The standard is effective for annual periods beginning on or after 1 January 2013.

IAS 28 *Investments in Associates and Joint Ventures* (2011) supersedes IAS 28 (2008). IAS 28 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The standard is effective for annual periods beginning on or after 1 January 2013.

Amendments to IAS 19 Employee Benefits includes changes in the accounting of defined benefit plans. The amendments are effective for annual periods beginning on or after 1 January 2013.

The Company evaluates the effects of these standards on the Company's financial condition and performance.

2.5 Summary of significant accounting policies

Significant accounting policies applied for the preparation of the accompanying financial statements are as follows:

2.5.1 Accounting of income and expense

Sales

Sales include rent income, revenue from sale of investment properties and income from expenses made for investment properties invoiced to tenants.

Rent income from investment properties under operation leases

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

Revenue from sale of investment property

Revenue is recognized when the significant risks and rewards of ownership of the investment property are transferred to the buyer and the amount is reliably measured. Revenue is recognized when and only when the Company transfers the significant risks and rewards of ownership of the goods to the buyer, retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue and cost of sales are recognized once the sales contracts of the projects are in line with the above stated criteria.

Other income and expense

Other income and expense are recognised through profit or loss on accrual basis.

Interest income and expense

Interest income is recognized through profit or loss on accrual basis by using the effective interest method.

If borrowing costs are totally related with an investment property in progress, these borrowing costs are included in the cost of mentioned investment property. Other borrowing costs are recognised through profit or loss by using the effective interest rate.

2.5.2 Investment property

The Company's investment properties are those which are held either for rental income or capital appreciation or both and carried at cost less accumulated depreciation and impairment losses in the accompanying financial statements as of the reporting date.

Investment property under construction

Investment property under construction are those which are held either to earn income or for capital appreciation or for both, in the future. The Company accounts for such investment property under construction using the cost model until the date the construction is completed.

All costs directly associated with the purchase and construction of an investment property, and all subsequent capital expenditures for the development qualifying as acquisition costs are capitalised.

Borrowing costs are capitalised if they are directly attributable to the investment property under construction. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use.

The properties under construction for future use as investment property are classified as investment properties starting from 1 January 2009, since the Company adopted improvements to IAS 40 Investment Property as part of the Improvements to IFRS project in May 2008.

2.5.3 Tangible assets

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

Cost of a tangible asset represents all cash outflows directly attributable to purchase of an asset and includes capitalized borrowing costs if any.

If the components of a tangible asset have different useful lives, these components must be recognized separately.

Gains and losses of sale of a tangible asset is determined by offsetting the carrying value with recovered amount and recognized through profit or loss in the other operating income/loss account.

Depreciation

Tangible assets are depreciated principally on a straight-line basis considering estimated useful lives, acquisition and assembly dates. Estimated useful lives are summarized below:

Buildings	50 years
Machinery and equipment	4-5 years
Vehicles	4-5 years
Furniture and fixtures	4-5 years
Leasehold improvements	4-5 years

Subsequent costs

Expenditures incurred to replace a component of tangible assets that is accounted for separately, including major inspection and overhaul costs, are capitalised. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognised in profit or loss as incurred.

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2.5.4 Intangible assets

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

Intangible assets are amortized principally on a straight-line basis considering the estimated useful lives. Related intangible assets are amortized when they are ready to use. The expected useful lives of intangible assets are 5 years.

2.5.5 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If an asset's or cash generating unit's recoverable amount is less than its carrying value the value of this asset or cash generating unit is discounted to recoverable amount. Impairments are recognized through profit or loss.

2.5.6 Inventories

Inventories are measured at the lower of cost or net realizable value. Inventories comprise of construction costs of housing units (completed and in-progress) and the costs of land used for these housing projects. Cost elements included in inventory are purchase costs, conversion costs and other costs necessary to prepare the asset for its intended use. Unit costs of the inventories are valued at the lower of cost or net realisable value. Housing units which are completed and ready for delivery to customers together with work-in progress costs for housing units which will be completed within a year are classified as short term inventories, and which will not be completed within a year are classified as long term inventories in the financial statements.

2.5.7 Financial instruments

The Company has the following financial assets: cash and cash equivalents, financial investments and trade and other receivables; and has the following financial liabilities: loans and borrowings, finance lease liabilities and trade and other payables.

i) Non-derivative financial assets

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

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Held for trading financial assets recognized initially on the trade date by their carrying amount and adjusted to their fair value after initial recognition. Gain and losses of held for trading financial assets are recognized through profit or loss.

Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis. As of 31 December 2012, the Company has no held-to-maturity investments in its portfolio.

Available-for-sale financial assets

Quoted equity investments and quoted certain debt securities held by the Company that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value.

Available-for-sale financial assets are recognized at the commitment date of purchase. Gains and losses resulted from changes at the fair value of these assets are recognized in the "Financial Asset Value Increase Fund" under equity.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income. As of 31 December 2012, the Company has no available for sale investments in its portfolio.

Reverse repurchase agreements

Marketable securities held as part of resale agreement commitments ("reverse repo") are accounted for under cash and cash equivalents in the statement of financial position. The difference between purchase and resale prices is accounted for as interest and amortized during the period of the agreement.

Loans and receivables

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

Cash and cash equivalents

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

ii) Non-derivative financial liabilities

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability. As of 31 December 2012, the Company has no financial liabilities classified as FVTPL.

Other financial liabilities

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

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

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

iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure. In accordance with its treasury policy, the Company engages in swap contracts. If these derivatives do not qualify for hedge accounting and are accounted for as trading instruments, changes in their fair value are accounted in profit or loss.

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit or loss.

2.5.8 Offsetting

Financial assets and liabilities are offset when the Company has a legally enforceable right to set off, and when the Company has the intention of collecting or paying the net amount of related assets and liabilities or when the Company has the right to offset the assets and liabilities simultaneously.

2.5.9 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, such as investment property, are capitalized as part of the cost of that asset.

All other borrowing costs are recorded in the statement of income in the period in which they are incurred.

2.5.10 Earnings per share

Earnings per share is calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (Note 25).

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

2.5.11 Events after the reporting period

Events after the reporting period represent the events that occur against or on behalf of the Company between the reporting date and the date when statement of financial position was authorised for the issue. There are two types of events after the reporting period:

- those that provide evidence of conditions that existed as of the reporting period (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting date).

If there is evidence of such events as of reporting date or if such events occur after reporting date and if adjustments are necessary, the Company's financial statements are adjusted according to the new situation. The Company discloses the post-balance sheet events that are not adjusting events but material.

2.5.12 Provisions, contingent asset and liabilities

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. If the related criteria not met, obligations must be disclosed in the notes to the financial statements.

If there is a probable cash inflow for an economic benefit, contingent asset must be disclosed in the notes to the financial statements. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.5.13 Government incentives

The Company, as a real estate investment trust, is exempt from corporate tax as disclosed in Note 2.5.14.

2.5.14 Taxation

The Company

The income earned from real estate investment trust activities of the Company, having acquired the status of the real estate investment trust, is exempt from Corporate Tax according to Article 5/(1) 4-d of the Corporate Tax Law No: 5520 ("CTL"). Based on Article 15 (3) of the CTL, 15% withholding tax is deducted against the portfolio management income, which is exempt from tax, whether it is distributed or not. The Council of Ministers is authorized to reduce the deduction rates referred to in the Article 15 of the CTL to nil or to increase it up to the corporate tax rate and differentiate the related deduction according to fund and entity types or the nature and distribution of the assets of the portfolio of such funds and entities within the related limits. Accordingly, the effective tax rate for real estate investment trusts is 0% on portfolio management income based on the Council of Ministers decision No: 2009/14594. Based on Article 15 (2) of the CTL, the dividend withholding tax is not applied on such taxed income.

Kanyon

Current tax liability includes the tax payable on the taxable income for the period and the adjustments made to previous periods' tax liabilities, using tax rates enacted at the reporting date.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates based on the laws that have enacted by the reporting date.

Deferred tax liabilities and assets are recognized in the financial statements from the enacted or substantially enacted tax rates to the extent that the temporary differences in the subsequent periods will be reversed. Deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Nest in Globe

Nest in Globe is subject to corporate taxation under the law of the Netherlands.

2.5.15 Employee benefits/Retirement pay provisions

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

The retirement benefit obligation recognized in the financial statements represents the present value of the defined benefit obligation. All actuarial gains and losses have been recognized in the statement of comprehensive income.

2.5.16 Leasing

Financial leasing is a leasing method which most of the risks and rewards transferred to lessee. All other leasing activities are classified as operational leasing.

The Company, as lessor in the operational lease transactions

Operational lease income is recognized in the statement of comprehensive income on a straight-line basis for the whole lease period in the agreement.

The Company, as lessee in the operational lease transactions

Operational lease expense is recognized in the statement of comprehensive income on a straight-line basis for the whole lease period in the agreement. Start-up costs for the realization and optimization of the operational lease agreement are added to the cost of the leased asset and amortized through the leased time on a straight line basis method.

The Company, as lessee in the financial lease transactions

Tangible assets acquired by financial leasing are recognized both as an asset and liability in the statement of financial position of the Company. The value of these assets is determined as lower of fair value or present value of future lease payments. Financial costs arising from leasing transactions are distributed in a fixed rate through the lease agreement period.

2.5.17 Statement of cash flows

The Company presents statement of cash flows as an integral part of other financial statements to inform the users of financial statements about the changes in its net assets, its financial structure and its ability to manage the amount and timing of its cash flows under new conditions. Cash and cash equivalents is comprised of cash, receivables from reverse repos and time deposits with maturity shorter than three months.

2.5.18 Share capital and dividends

Common shares are classified as equity. Expenses directly attributable to the issuance of common shares and share options are recognized in equity with net of tax amounts. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.5.19 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.5.20 Related parties

For the purpose of the accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties. Shareholders and the Company's management are also included in the related parties. Related party transactions include the transfer of the assets and liabilities between institutions with or without a charge.

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2.5.21 Restrictions on the investment portfolio of real estate investment

Information given in Note 28, "Compliance control of the portfolio restrictions", are summarised derived from the financial statements prepared in accordance with the Article 17 of "Communiqué Serial: XI, No: 29 Financial Reporting in Capital Markets" as promulgated by the CMB and also within the framework of compliance control of the portfolio restrictions clause of Communiqué Serial: VI, No: 11, "Communiqué on Principles Regarding Real Estate Investment Companies". In addition since the information given in Note 28 comprise unconsolidated data, such information may not match with the information disclosed in the financial statements.

3. Jointly controlled entities

Joint ventures are accounted for using the proportionate consolidation method in the Company's financial statements. Proportionate consolidation method principally has similar procedures as the line by line consolidation method as the financial statements include the Company's proportionate share of the joint ventures' assets, liabilities, revenues and expenses with items of a similar nature on a line-by-line basis. Financial information of the joint ventures presented below refers to unconsolidated financial statement information of the joint ventures.

The summarized financial statements information of the jointly control entities under the proportionate consolidation method are listed below:

Kanyon	**31 December 2012**	**31 December 2011**
Current assets	5.703.296	5.619.468
Non-current assets	1.842.762	1.620.514
Short-term liabilities	(4.640.884)	(4.202.502)
Long-term liabilities	(428.728)	(424.738)
Net assets	**2.476.446**	**2.612.742**

Kanyon	**1 January - 31 December 2012**	**1 January - 31 December 2011**
Income for the period	56.839.444	51.911.398
Expense for the period (-)	(55.975.748)	(50.893.348)

Nest in Globe	**31 December 2012**	**31 December 2011**
Current assets	11.546	18.406
Non-current assets	-	-
Short-term liabilities	(395.520)	(255.746)
Long-term liabilities	-	-
Net assets	**(383.974)**	**(237.340)**

Nest in Globe	**1 January- 31 December 2012**	**7 July - 31 December 2011**
Income for the period	-	-
Expense for the period (-)	(150.382)	(274.558)

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4. Segment reporting

Each segment of the Company is managed by the Company's management on project basis. Allocation of the resources to the segments is also managed on project basis.

	Ankara İş Kule Building	Istanbul İş Kuleleri Complex	Seven Seas Hotel	Maslak Petrol Ofisi Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building	İş Bankası Antalya Merkez Building
31 December 2012								
Revenue								
Rent Income	7.863.390	34.939.517	4.832.993	3.682.308	482.794	3.272.363	2.755.729	1.378.381
Income from the right of construction	-	-	-	-	-	-	-	-
Tenant contribution and service income	-	564.247	-	-	-	-	-	-
Other Income	-	19.560	-	-	-	-	-	-
Total Revenue	**7.863.390**	**35.523.324**	**4.832.993**	**3.682.308**	**482.794**	**3.272.363**	**2.755.729**	**1.378.381**
Depreciation charges	3.348.131	6.954.582	2.573.453	1.151.950	321.537	380.000	326.124	167.166
Insurance expense	52.267	849.966	104.186	38.880	22.463	29.489	13.853	7.628
Administrative expense	-	627.531	-	-	695.019	-	-	-
Tax, duty and other charges	211.791	780.672	1.114.976	123.276	11.015	19.364	39.266	23.436
Impairment on investment properties	-	-	-	-	959.545	-	-	-
Reversal of impairment on investment properties	(4.163.978)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Cost of Sales	**(551.789)**	**9.212.751**	**3.792.615**	**1.314.106**	**2.009.579**	**428.853**	**379.243**	**198.230**
Gross profit	**8.415.179**	**26.310.573**	**1.040.378**	**2.368.202**	**(1.526.785)**	**2.843.510**	**2.376.486**	**1.180.151**
Capital investments	**184.153**	**144.038**	**10.402**	**83**	**381.082**	**-**	**69.980**	**-**

	Ankara İş Kule Building	Istanbul İş Kuleleri Complex	Seven Seas Hotel	Maslak Petrol Ofisi Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building	İş Bankası Antalya Merkez Building
31 December 2011								
Revenue								
Rent Income	7.240.478	30.768.448	7.138.683	3.385.277	497.163	3.008.240	2.533.305	1.267.127
Income from the right of construction	-	-	-	-	-	-	-	-
Tenant contribution and service income	-	603.929	-	-	-	-	-	-
Other Income	-	9.963	-	-	-	-	-	-
Total Revenue	**7.240.478**	**31.382.340**	**7.138.683**	**3.385.277**	**497.163**	**3.008.240**	**2.533.305**	**1.267.127**
Depreciation charges	3.403.916	6.783.316	2.616.899	1.142.694	151.476	380.000	324.800	167.166
Insurance expense	43.792	883.210	80.204	53.080	18.413	35.082	16.269	13.664
Administrative expense	-	549.466	-	-	477.175	-	-	-
Tax, duty and other charges	192.089	704.197	720.762	111.908	18.467	17.562	35.614	21.256
Impairment on investment properties	-	-	-	-	-	-	-	-
Reversal of impairment on investment properties	(4.285.258)	-	-	(626.785)	(748.209)	-	-	-
Other	-	-	-	-	-	-	-	-
Cost of Sales	**(645.461)**	**8.920.189**	**3.417.865**	**680.897**	**(82.678)**	**432.644**	**376.683**	**202.086**
Gross profit	**7.885.939**	**22.462.151**	**3.720.818**	**2.704.380**	**579.841**	**2.575.596**	**2.156.622**	**1.065.041**
Capital investments	**118.658**	**133.303**	**155.489**	**141.276**	**-**	**-**	**-**	**-**

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	Kanyon Shopping Mall	**Real Hipermarket Istanbul Esenyurt**	**Istanbul Esenyurt (Marmarapark)**	**İş Bankası Güneşli**	**İş Bankası Sirkeci**	**Lykia Lodge Kapadokya Hotel**	**Antalya Kemer Imperial Hotel**	**Kanyon Yönetim İşl. Ltd. Şti**	**Nest in Globe**	**Other real estate**	**Eliminations**	**Total**
	23.444.280	4.547.648	-	4.603.013	2.681.962	1.554.705	4.027.494	-	-	-	(2.197.807)	97.868.770
	-	-	8.967.505	-	-	-	-	-	-	-	-	8.967.505
	122.858	-	-	-	-	-	-	28.263.323	-	-	(3.979.547)	24.970.881
	47.280	-	-	-	-	-	-	-	-	54.000	-	120.840
	23.614.418	**4.547.648**	**8.967.505**	**4.603.013**	**2.681.962**	**1.554.705**	**4.027.494**	**28.263.323**	**-**	**54.000**	**(6.177.354)**	**131.927.996**
	2.845.938	687.420	2.460.073	825.220	462.150	717.552	1.253.903	-	-	-	-	24.475.199
	417.462	186.027	-	49.676	43.142	25.945	72.183	94.889	-	-	-	2.008.056
	9.848.508	-	-	-	-	-	-	25.505.766	-	-	(6.460.329)	30.216.495
	826.846	544.832	235.576	201.302	33.518	21.935	79.021	133.138	-	-	-	4.399.964
	-	-	-	-	-	-	-	-	-	2.852.710	-	3.812.255
	-	-	(2.427.014)	-	-	-	-	-	-	(496.976)	-	(7.087.968)
	-	-	-	-	-	2.761	-	-	-	-	-	2.761
	13.938.754	**1.418.279**	**268.635**	**1.076.198**	**538.810**	**768.193**	**1.405.107**	**25.733.793**	**-**	**2.355.734**	**(6.460.329)**	**57.826.762**
	9.675.664	**3.129.369**	**8.698.870**	**3.526.815**	**2.143.152**	**786.512**	**2.622.387**	**2.529.530**	**-**	**(2.301.734)**	**282.975**	**74.101.234**
	1.965.455	**-**	**-**	**13.873**	**-**	**-**	**550.627**	**-**	**-**	**148.665.388**	**-**	**151.985.081**

	Kanyon Shopping Mall	**Real Hipermarket Istanbul Esenyurt**	**İş Bankası Güneşli**	**İş Bankası Sirkeci**	**Lykia Lodge Kapadokya Hotel**	**Antalya Kemer Imperial Hotel**	**Kanyon Yönetim İşl. Ltd. Şti**	**Nest in Globe**	**Other real estate**	**Eliminations**	**Total**
	21.491.865	4.145.098	4.152.267	2.426.518	1.359.407	4.072.265	-	-	-	(2.130.168)	91.355.973
	-	9.256.679	-	-	-	-	-	-	-	-	9.256.679
	181.269	-	-	-	-	-	25.642.912	-	-	(3.701.259)	22.726.851
	49.888	-	-	-	-	-	92.858	-	-	-	152.709
	21.723.022	**13.401.777**	**4.152.267**	**2.426.518**	**1.359.407**	**4.072.265**	**25.735.770**	**-**	**-**	**(5.831.427)**	**123.492.212**
	2.721.074	3.147.493	657.629	726.750	657.474	1.216.171	-	-	-	-	24.096.858
	398.515	213.190	71.697	28.188	18.992	64.536	24.921	-	11.400	-	1.975.153
	7.252.020	-	-	-	-	-	23.481.327	-	-	(5.828.105)	25.931.883
	753.471	755.336	182.575	30.399	22.003	39.735	56.519	-	-	-	3.661.893
	-	-	-	-	-	-	-	-	362.081	-	362.081
	-	(2.427.014)	(1.858.152)	-	(68.458)	-	-	-	(1.231.619)	-	(11.245.495)
	-	-	-	-	-	-	-	-	534.266	-	534.266
	11.125.080	**1.689.005**	**(946.251)**	**785.337**	**630.011**	**1.320.442**	**23.562.767**	**-**	**(323.872)**	**(5.828.105)**	**45.316.639**
	10.597.942	**11.712.772**	**5.098.518**	**1.641.181**	**729.396**	**2.751.823**	**2.173.003**	**-**	**323.872**	**(3.322)**	**78.175.573**
	2.849.121	**-**	**3.450**	**-**	**3.945.999**	**1.131.394**	**-**	**-**	**24.740.526**	**-**	**33.219.216**

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Reconciliation of income, assets and liabilities

Sales revenue	**31 December 2012**	**31 December 2011**
Segment revenue	138.105.350	129.323.639
Eliminations	(6.177.354)	(5.831.427)
Total revenue	**131.927.996**	**123.492.212**

Cost of sales	**31 December 2012**	**31 December 2011**
Segment costs	64.287.091	51.144.744
Eliminations	(6.460.329)	(5.828.105)
Total cost of sales	**57.826.762**	**45.316.639**

Assets	**31 December 2012**	**31 December 2011**
Segment assets	1.185.276.731	1.024.268.228
Other assets	44.635.895	3.184.092
Non-segment related assets	162.024.456	133.569.462
Total assets	**1.391.937.082**	**1.161.021.782**

Liabilities	**31 December 2012**	**31 December 2011**
Segment liabilities	320.879.990	125.802.703
Other liabilities	1.174.468	746.727
Total liabilities	**322.054.458**	**126.549.430**

5. Cash and cash equivalents

	31 December 2012	**31 December 2011**
Cash	9.871	7.242
Demand deposits	534.847	319.958
Time deposits	83.195.953	101.561.472
Mutual funds	1.344.217	1.225.699
Receivables from reverse repos	98.410	3.217.110
Other cash equivalents (*)	10.802	358.899
Total cash and cash equivalents in the statement of financial position	**85.194.100**	**106.690.380**
Interest accrued on cash and cash equivalents	(651.696)	(485.809)
Total cash and cash equivalents in the statement of cash flows	**84.542.404**	**106.204.571**

(*) As of 31 December 2012, other cash equivalents of the Company comprise credit card payments related to the Çınarlı Bahçe and Ege Perla projects of the Company.

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Time deposits:			31 December 2012
Currency	Interest rate (%)	Maturity	
TL	8,05-8,45	January-March 2013	41.884.424
US Dollar	3,00-3,20	January 2013	39.584.498
Euro	2,95	January 2013	1.727.031
			83.195.953

Time deposits:			31 December 2011
Currency	Interest rate (%)	Maturity	
TL	9,50-10,50	January-February 2012	40.588.788
US Dollar	4,25-4,70	January-February 2012	14.595.589
Euro	4,50-4,70	January-February 2012	46.377.095
			101.561.472

	31 December 2012		31 December 2011	
	Cost	Fair value	Cost	Fair value
Mutual funds	1.338.341	1.344.217	1.222.759	1.225.699
	1.338.341	**1.344.217**	**1.222.759**	**1.225.699**

Receivables from reverse repos			31 December 2012
Currency	Interest rate (%)	Maturity	
TL	5,04	January 2013	98.410
			98.410

Receivables from reverse repos			31 December 2011
Currency	Interest rate (%)	Maturity	
TL	10,34	January 2012	3.217.110
			3.217.110

6 Financial investments

	31 December 2012	31 December 2011
Short-term financial investments		
Financial assets at fair value through profit or loss	8.515.936	6.524.603
	8.515.936	**6.524.603**

	31 December 2012	31 December 2011
Long-term financial investments		
Derivative assets held for trading (Note 26)	179.764	707.099
	179.764	**707.099**

The financial investments are held for trading and measured at fair value. The fair value is derived using the highest bid price for the respective financial asset in the Istanbul Stock Exchange as of 31 December 2012 or, in the absence of a quoted price at that date, the most recent transaction price, in the absence of these, asset is carried at cost.

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	31 December 2012		
Financial assets at fair value through profit or loss	**Cost**	**Fair value**	**Carrying value**
Financial assets held for trading			
Private sector bonds	809.989	824.717	824.717
Government bonds	7.394.119	7.565.939	7.565.939
Quoted share certificates	126.280	125.280	125.280
	8.330.388	**8.515.936**	**8.515.936**

	31 December 2011		
Financial assets at fair value through profit or loss	**Cost**	**Fair value**	**Carrying value**
Financial assets held for trading			
Private sector bonds	5.630.733	5.813.317	5.813.317
Government bonds	712.631	711.286	711.286
	6.343.364	**6.524.603**	**6.524.603**

Interest rates of government bonds held-for-trading at 31 December 2012 are in-between 6,12% - 7,69% (31 December 2011: between 3,45% - 11,88%).

7 Loans and borrowings

The details of financial borrowings as of 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012	**31 December 2011**
Short-term loans and borrowings:		
Short-term portion of long-term borrowings	6.022.898	5.926.215
Short-term bank borrowings	500.324	-
	6.523.222	**5.926.215**
Long-term loans and borrowings:		
Long-term bank borrowings	129.050.108	47.409.720
	129.050.108	**47.409.720**
Total loans and borrowings	**135.573.330**	**53.335.935**

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The details of loans and borrowings as of 31 December 2012 and 31 December 2011 is as follows:

			31 December 2012	
Currency	**Interest rate (%)**	**Original amount**	**Short-term (TL)**	**Long-term (TL)**
Euro	Euribor+3,50	19.400.000	5.702.873	39.920.108
USD	Libor + 2,50	50.179.527	320.025	89.130.000
TL	7,75	500.324	500.324	-
			6.523.222	**129.050.108**

			31 December 2011	
Currency	**Interest rate (%)**	**Original amount**	**Short-term (TL)**	**Long-term (TL)**
Euro	Euribor+3,50	21.825.000	5.926.215	47.409.720
			5.926.215	**47.409.720**

Loans of the Company are used from a related party, Türkiye İş Bankası (Note 26) and also from QInvest LLC " QInvest" through the consultation of Qatar Islamic Bank ("QIB"). The Company has not given any collateral for the loans used from İş Bankası. The Company received a counter guarantee amounting to USD 160 million from Türkiye İş Bankası to constitute financing guaranty provided through the QIB in consultation of "QInvest". Within the scope of the allocation of the counter guarantee, 1st degree mortgage amounting USD 161,5 million is instituted in favour of the Bank in July.

8. Trade receivables and payables

Short-term trade receivables and payables

	31 December 2012	31 December 2011
Trade receivables		
Receivables from customers	4.389.612	2.928.567
Notes receivable (*)	13.520.840	65.642
Rediscount of notes receivables (-)	(369.261)	-
Due from related parties (Note 26)	11.298	4.232
Doubtful receivables	218.992	563.998
Provision for doubtful receivables (-)	(216.354)	(387.805)
Other	12.254	9.458
	17.567.381	**3.184.092**
Trade payables		
Payables to suppliers	4.330.915	1.841.267
Due to related parties (Note 26)	1.151.114	1.091.605
	5.482.029	**2.932.872**

Long-term trade receivables

	31 December 2012	31 December 2011
Trade receivables:		
Notes receivable (*)	27.562.219	-
Rediscount of Notes Receivables (-)	(493.705)	-
	27.068.514	**-**

(*) Composed of notes receivable from customers relating to Çınarlı Bahçe Tuzla project and Ege Perla Project.

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As of 31 December 2012, provision for doubtful trade receivables is TL 216.354 (31 December 2011: TL 387.805). Provision for doubtful receivables is determined based on the historical collection performance.

Movement of provision for doubtful receivables for the year is as follows:

	31 December 2012	31 December 2011
Opening balance, 1 January	(387.805)	(307.303)
Charge for the period	(104.913)	(282.243)
Provisions utilized	276.364	201.741
Closing balance	**(216.354)**	**(387.805)**

The nature and level of risks for trade receivables and payables are disclosed in Note 27.

9. Other receivables and payables

	31 December 2012	31 December 2011
Other receivables:		
Other short-term receivables	139.731	154.323
	139.731	**154.323**
Other payables - short-term		
Advances received (*)	84.890.158	106.338
Deposits received	5.049.060	2.830.609
Other short-term payables	138.655	123.149
	90.077.873	**3.060.096**
Other payables - long-term		
Advances received (*)	45.694.814	22.355.715
Other long-term payables (**)	35.990.000	36.000.000
Deposits received	132.742	139.581
	81.817.556	**58.495.296**

(*) The balance substantially comprises of the Company's deposits received in return for the sales of the apartments within the Çınarlı Bahçe Tuzla Project and Ege Perla Izmir Project of the Company located in Tuzla and Izmir (Note 11).

(**) The TL 35.990.000 (31 December 2011: TL 36.000.000), is the amount to be paid to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi in relation to the purchase of the land registered in Kartal District Section 53, block 2274, lots 395,397,398,399 and 408 and block 2846, lot 1 and block 2847 lot 1. The consideration will be paid to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi via the proceeds on the sale of houses as part of a revenue sharing agreement based on the project development to be performed on the acquired land.

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10. Investment property

As at 31 December 2012 and 31 December 2011, the details of investment properties are as follows:

	31 December 2012	31 December 2011
Investment property under operating lease	810.328.532	825.852.591
Investment property under construction and other	295.434.835	166.423.698
Total	**1.105.763.367**	**992.276.289**

	31 December 2012		31 December 2011	
	Net book value	**Fair value**	**Net book value**	**Fair Value**
Investment property				
Ankara İş Kule Building	98.000.000	98.000.000	97.000.000	97.000.000
Istanbul İş Kuleleri Complex	257.484.746	495.000.000	264.295.290	450.000.000
Seven Seas Hotel	57.766.813	68.500.000	60.329.864	75.950.000
Maslak Petrol Ofisi Building	43.473.500	52.000.000	44.625.367	49.000.000
Mallmarine Shopping Mall	10.500.000	10.500.000	11.400.000	11.400.000
İş Bankası Ankara Merkez Building	15.928.333	24.900.000	16.308.333	24.300.000
İş Bankası Ankara Kızılay Building	13.683.189	21.750.000	13.939.333	21.300.000
İş Bankası Antalya Merkez Building	6.803.467	13.650.000	6.970.633	13.650.000
Kanyon Shopping Mall	103.858.483	346.000.000	104.738.966	315.000.000
Real Hipermarket Building	43.763.791	79.000.000	44.451.211	72.500.000
Istanbul Esenyurt (Marmarapark)	49.752.228	92.000.000	49.785.287	79.250.000
İş Bankası Güneşli Building	35.392.626	41.000.000	36.203.973	39.000.000
İş Bankası Sirkeci Building	20.662.538	30.000.000	21.124.688	27.600.000
Lykia Lodge Kapadokya Hotel	16.639.430	18.750.000	17.356.983	18.250.000
Antalya Kemer Imperial Hotel	36.619.388	43.815.000	37.322.663	44.450.000
Üsküdar Project	21.000.000	21.000.000	20.200.000	20.200.000
Izmir Ege Perla Project (*)	19.508.200	31.080.965	22.745.479	46.000.000
Kartal Project	38.504.066	56.598.000	38.153.577	52.423.000
Tuzla Çınarlı Bahçe Project (**)	4.357.842	5.927.114	2.508.158	2.920.057
Tuzla Technology and Operations Center Project	62.554.341	90.000.000	45.037.381	76.500.000
Tuzla Karma Project	32.927.338	54.000.000	21.633.882	34.470.000
Taksim Building	20.493.048	26.370.000	15.155.221	21.350.000
Levent Land	1.090.000	1.090.000	990.000	990.000
Ataşehir Finance Center	95.000.000	95.000.000	-	-
Total	**1.105.763.367**	**1.815.931.079**	**992.276.289**	**1.593.503.057**

(*) As of October 2011, the licence works for the construction of work for Çınarlı Bahçe Project located in Tuzla has been completed and relevant licence has been obtained from Municipality of Tuzla Town.
(*) As of September 2012, the licence works for the construction of work for Ege Perla Project located in Izmir has been completed and relevant licence has been obtained from Municipality of Konak Town.

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	Opening balance 1 January 2012	**Purchases**	**Disposals**	**Transfers**	**Impairment/ reversal of impairment**	**Closing balance 31 December 2012**
Cost						
Ankara İş Kule Building	138.314.015	184.153	-	-	4.163.978	142.662.146
Istanbul İş Kuleleri Complex	340.256.988	144.038	-	-	-	340.401.026
Seven Seas Hotel	103.877.228	10.402	-	-	-	103.887.630
Maslak Petrol Ofisi Building	56.653.334	83	-	-	-	56.653.417
Mallmarine Shopping Mall	14.619.099	381.082	-	-	(959.545)	14.040.636
İş Bankası Ankara Merkez Building	19.000.000	-	-	-	-	19.000.000
İş Bankası Ankara Kızılay Building	16.240.000	69.980	-	-	-	16.309.980
İş Bankası Antalya Merkez Building	8.126.612	-	-	-	-	8.126.612
Kanyon Shopping Mall	119.052.778	1.965.455	-	-	-	121.018.233
Real Hipermarket Building	47.479.607	-	-	-	-	47.479.607
Istanbul Esenyurt (Marmarapark)	59.521.136	-	-	-	2.427.014	61.948.150
İş Bankası Güneşli Building	39.024.359	13.873	-	-	-	39.038.232
İş Bankası Sirkeci Building	23.107.500	-	-	-	-	23.107.500
Lykia Lodge Kapadokya Hotel	18.136.363	-	-	-	-	18.136.363
Antalya Kemer Imperial Hotel	38.773.624	550.627	-	-	-	39.324.251
Üsküdar Project	20.200.000	395.828	-	-	404.172	21.000.000
Izmir Project	22.745.479	14.061.238	-	(17.298.517)	-	19.508.200
Kartal Project	38.153.577	350.489	-	-	-	38.504.066
Tuzla Çınarlı Bahçe Project	2.508.158	1.849.684	-	-	-	4.357.842
Tuzla Technology and Operations Center Project	45.037.382	17.516.960	-	-	-	62.554.341
Tuzla Karma Project	21.633.881	11.293.456	-	-	-	32.927.338
Taksim Building	15.155.221	5.337.827	-	-	-	20.493.048
Levent Land	990.000	7.196	-	-	92.804	1.090.000
Ataşehir Finance Center	-	97.852.710	-	-	(2.852.710)	95.000.000
Total	**1.208.606.341**	**151.985.081**	**-**	**(17.298.517)**	**3.275.713**	**1.346.568.618**

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	Opening Balance 1 January 2012	Charge for the period	Disposals	Closing balance 31 December 2012
Accumulated Depreciation				
Ankara İş Kule Building	41.314.015	3.348.131	-	44.662.146
Istanbul İş Kuleleri Complex	75.961.698	6.954.582	-	82.916.280
Seven Seas Hotel	43.547.364	2.573.453	-	46.120.817
Maslak Petrol Ofisi Building	12.027.967	1.151.950	-	13.179.917
Mallmarine Shopping Mall	3.219.099	321.537	-	3.540.636
İş Bankası Ankara Merkez Building	2.691.667	380.000	-	3.071.667
İş Bankası Ankara Kızılay Building	2.300.667	326.124	-	2.626.791
İş Bankası Antalya Merkez Building	1.155.979	167.166	-	1.323.145
Kanyon Shopping Mall	14.313.812	2.845.938	-	17.159.750
Real Hipermarket Building	3.028.396	687.420	-	3.715.816
Istanbul Esenyurt (Marmarapark)	9.735.849	2.460.073	-	12.195.922
İş Bankası Güneşli Building	2.820.386	825.220	-	3.645.606
İş Bankası Sirkeci Building	1.982.812	462.150	-	2.444.962
Lykia Lodge Kapadokya Hotel	779.381	717.552	-	1.496.933
Antalya Kemer Imperial Hotel	1.450.960	1.253.903	-	2.704.863
Total	**216.330.052**	**24.475.199**	**-**	**240.805.251**
Net Carrying Value	**992.276.289**	**-**	**-**	**1.105.763.367**

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	Opening balance 1 January 2011	Purchases	Disposals	Transfers	Impairment/ reversal of impairment	Closing balance 31 December 2011
Cost						
Ankara İş Kule Building	133.910.099	118.658	-		4.285.258	138.314.015
Istanbul İş Kuleleri Complex	340.123.685	133.303	-		-	340.256.988
Seven Seas Hotel	103.721.739	155.489	-		-	103.877.228
Maslak Petrol Ofisi Building	55.885.273	141.276	-		626.785	56.653.334
Mallmarine Shopping Mall	14.067.623	-	(196.733)		748.209	14.619.099
İş Bankası Ankara Merkez Building	19.000.000	-	-		-	19.000.000
İş Bankası Ankara Kızılay Building	16.240.000	-	-		-	16.240.000
İş Bankası Antalya Merkez Building	8.126.612	-	-		-	8.126.612
Kanyon Shopping Mall	116.203.657	2.849.121	-		-	119.052.778
Real Hipermarket Building	47.479.607	-	-		-	47.479.607
Istanbul Esenyurt (Marmarapark)	57.094.122	-	-		2.427.014	59.521.136
İş Bankası Güneşli Building	37.162.757	3.450	-		1.858.152	39.024.359
İş Bankası Sirkeci Building	23.107.500	-	-		-	23.107.500
Lykia Lodge Kapadokya Hotel	14.121.907	3.945.998	-		68.458	18.136.363
Antalya Kemer Imperial Hotel	37.642.229	1.131.395	-		-	38.773.624
Üsküdar Project	20.000.000	562.081	-		(362.081)	20.200.000
Izmir Project	21.749.030	996.449	-		-	22.745.479
Kartal Project	37.435.549	718.028	-		-	38.153.577
Tuzla Çınarlı Bahçe Project	25.270.000	8.896.870	-	(31.991.939)	333.227	2.508.158
Tuzla Technology and Operations Center Project	37.000.000	8.018.003			19.379	45.037.382
Tuzla Karma Project	16.641.606	4.145.036	-		847.239	21.633.881
Taksim Building	13.757.388	1.397.833	-		-	15.155.221
Levent Land	952.000	6.226	-		31.774	990.000
Total	**1.196.692.383**	**33.219.216**	**(196.733)**	**(31.991.939)**	**10.883.414**	**1.208.606.341**

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	Opening balance 1 January 2011	Charge for the period	Disposals	Closing balance 31 December 2011
Accumulated Depreciation				
Ankara İş Kule Building	37.910.099	3.403.916	-	41.314.015
Istanbul İş Kuleleri Complex	69.178.382	6.783.316	-	75.961.698
Seven Seas Hotel	40.930.465	2.616.899	-	43.547.364
Maslak Petrol Ofisi Building	10.885.273	1.142.694	-	12.027.967
Mallmarine Shopping Mall	3.067.623	318.183	(166.707)	3.219.099
İş Bankası Ankara Merkez Building	2.311.667	380.000	-	2.691.667
İş Bankası Ankara Kızılay Building	1.975.867	324.800	-	2.300.667
İş Bankası Antalya Merkez Building	988.813	167.166	-	1.155.979
Kanyon Shopping Mall	11.592.738	2.721.074	-	14.313.812
Real Hipermarket Building	2.340.976	687.420	-	3.028.396
Istanbul Esenyurt (Marmarapark)	7.275.776	2.460.073	-	9.735.849
İş Bankası Güneşli Building	2.162.757	657.629	-	2.820.386
İş Bankası Sirkeci Building	1.256.062	726.750	-	1.982.812
Lykia Lodge Kapadokya Hotel	121.907	657.474	-	779.381
Antalya Kemer Imperial Hotel	234.789	1.216.171	-	1.450.960
Total	**192.233.194**	**24.263.565**	**(166.707)**	**216.330.052**
Net Book Value	**1.004.459.189**	**-**	**-**	**992.276.289**

The fair values of the Company's investment properties at 31 December 2012 have been arrived at on the basis of valuations carried out as of December 2012 by two independent appraiser firms. Appraisal firms are accredited independent firms licensed by the Capital Markets Board of Turkey, and have appropriate qualifications and recent experience in appraising properties in the relevant locations. Appraisal studies are in compliance with International Valuation Standards and are arrived at by reference to market evidence of transaction prices for similar properties or reduction of future cash flows.

As of the reporting date, there are no restrictions on the sale of investment properties and no liabilities incurred from agreements related to the purchase, construction, development and maintenance. As of the reporting date, the Company has mortgage on its investment properties held amounting to USD 161,5 million.

During the period, the property rental income earned by the Company from its investment properties amounted to TL 97.868.770 (31 December 2011: TL 91.355.973). Direct operating expenses arising on the investment properties in the current period amounted to TL 38.553.298 (31 December 2011: TL 27.581.977).

Investment property purchases

The Company purchased a 9.590,36 m^2 surface land amounting to TL 93.220.339 + VAT and located in Istanbul, Ümraniye town, Küçükbakkalköy district, F22D23D4C map, 3322 plot, 1 parcel within the area named Istanbul Finance Centre totally owned by Varyap Varlıbaşlar Yapı Sanayi Turizm Yatırımları Ticaret ve Elektrik Üretim A.Ş. on 17 July 2012.

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11. Inventories

Short-term inventories	**31 December 2012**	**31 December2011**
Non-completed residential units		
Çınarlı Bahçe Tuzla residences (*)	62.214.847	-
	62.214.847	**-**

Long-term inventories	**31 December 2012**	**31 December 2011**
Non-completed residential units		
Izmir Ege Perla (**)	17.298.517	-
Çınarlı Bahçe Tuzla residences (*)	-	31.991.939
	17.298.517	**31.991.939**

(*) The Company has started the Çınarlı Bahçe Tuzla project registered in Istanbul, Tuzla District on a plot total 41.000 m^2 area in the last quarter of 2011. The project consists of 7 blocks with 476 residences, a grocery and a kindergarten, and pre-sales of project has started on October 2011. As of 31 December 2012, preliminary sales contracts have been signed for total 407 residences and the Company received advances amounting to TL 84.723.546. The expected completion date of the project is August 2013.

(**) The Company has started the Ege Perla Izmir project registered in Izmir, Konak District on a plot total 18.392 m^2 area in the third quarter of 2012. The project consists of 2 blocks with 111 residences, 65 offices and one shopping mall, and pre-sales of project has started on October 2012. As of 31 December 2012, preliminary sales contracts have been signed for total 62 residences and the Company received advance amounting to TL 45.694.816 TL (Note 9). The expected completion date of the project is December 2015.

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12. Tangible assets

	Machinery and equipment	Vehicles	Fixtures	Total
Cost				
Opening balance as of 1 January 2012	772.457	269.976	1.241.662	2.284.095
Purchases	212.355	-	315.812	528.167
Disposals	-	-	-	-
Closing balance as of 31 December 2012	**984.812**	**269.976**	**1.557.474**	**2.812.262**
Accumulated Depreciation				
Opening balance as of 1 January 2012	257.086	122.736	854.463	1.234.285
Current year charge	106.592	47.243	172.119	325.954
Transfers	-	-	-	-
Closing balance as of 31 December 2012	**363.678**	**169.979**	**1.026.582**	**1.560.239**
Net book value as of 1 January 2012	**515.371**	**147.240**	**387.199**	**1.049.810**
Net book value as of 31 December 2012	**621.134**	**99.997**	**530.892**	**1.252.023**
Cost				
Opening balance as of 1 January 2011	482.947	162.497	1.164.331	1.809.775
Purchases	289.510	107.479	77.540	474.529
Disposal	-	-	(209)	(209)
Closing balance as of 31 December 2011	**772.457**	**269.976**	**1.241.662**	**2.284.095**
Accumulated Depreciation				
Opening balance as of 1 January 2011	179.055	70.415	677.684	927.154
Current year charge	78.031	52.321	176.988	307.340
Disposal	-	-	(209)	(209)
Closing balance as of 31 December 2011	**257.086**	**122.736**	**854.463**	**1.234.285**
Net book value as of 1 January 2011	**303.892**	**92.082**	**486.647**	**882.621**
Net book value as of 31 December 2011	**515.371**	**147.240**	**387.199**	**1.049.810**

As of 31 December 2012 and 31 December 2011, there is no pledge on tangible assets.

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13. Intangible assets

	Computer programs	Total
Cost		
Opening balance as of 1 January 2012	1.809.611	1.809.611
Purchases	176.961	176.961
Closing balance as of 31 December 2012	**1.986.572**	**1.986.572**
Accumulated Depreciation		
Opening balance as of 1 January 2012	1.413.037	1.413.037
Current year charge	299.129	299.129
Closing balance as of 31 December 2012	**1.712.166**	**1.712.166**
Net book value as of 1 January 2012	**396.574**	**396.574**
Net book value as of 31 December 2012	**274.406**	**274.406**

	Computer programs	Total
Cost		
Opening balance as of 1 January 2011	1.603.167	1.603.167
Purchases	206.444	206.444
Closing balance as of 31 December 2011	**1.809.611**	**1.809.611**
Accumulated Depreciation		
Opening balance as of 1 January 2011	950.980	950.980
Current year charge	462.057	462.057
Closing balance as of 31 December 2011	**1.413.037**	**1.413.037**
Net book value as of 1 January 2011	**652.187**	**652.187**
Net book value as of 31 December 2011	**396.574**	**396.574**

As of 31 December 2012 and 31 December 2011, the Company does not have any internally generated intangible assets.

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14. Provisions, contingent assets and liabilities

	31 December 2012	31 December 2011
Provisions	145.830	50.620
	145.830	**50.620**

	31 December 2012	31 December 2011
Letters of guarantee received (*)	55.848.070	53.245.705
	55.848.070	**53.245.705**

(*) Letters of guarantee consist of the letters received from the tenants and suppliers of the Company.

Details of collaterals, pledges and mortgages ("CPM") given by the Company as of 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012	31 December 2011
A. CPM given for companies own legal personality (*)	384.486.309	273.761
B. CPM given in behalf of fully consolidated companies	-	-
C. CPM given for continuation of its economic activities on behalf of third parties (**)	11.895.787	-
D. Total amount of other CPM's	-	-
- Total amount of CPM's given on behalf of majority shareholder	-	-
- Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	-	-
- Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
Total	**396.382.096**	**273.761**

(*) CPM given for companies own legal personality of the Company consists of letter of guarantees amounting to TL 336.009 and USD 54.000.000 and mortgage amounting to USD 161.500.000. As of 31 December 2012, the Company has 1st degree mortgage on its investment properties held amounting to USD 161.500.000 in favour of Türkiye İş Bankası. The Company received a counter guarantee amounting to USD 160 million from Türkiye İş Bankası to constitute financing guaranty provided.

In this context, 1st degree mortgage was constituted in favour of Türkiye İş Bankası A.Ş. from investment properties portfolio of the Company, İş Bankası Ankara Kızılay Building amounting to USD 11.000.000, İş Bankası Sirkeci Building amounting to USD 14.500.000, Kule-2 and Kule Çarşı amounting to USD 136.000.000. The company funds itself amounting to USD 50.000.000 through the use of related counter guarantee limit amounting to USD 54.000.000.

(**) Represents the cost of guarantors given to the related banks in return for the loan amount in case the buyers of the Company's ongoing residential and office projects use mortgage/business loan from contracted banks.

In this respect, as of 31 December 2012, the ratio of CPM given by the Company to the Company's shareholders' equity is 1,1%.

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Operational leasing

The Company, as the lessor in the operational leasing transactions

The Company signed operational lease agreements as lessor for the investment properties in its portfolio with tenants which are shopping mall tenants, hotel operators and other third parties. The future minimum lease receivables as of 31 December 2012 and 31 December 2011 are as follows:

	31 December 2012	31 December 2011
Less than 1 year	106.635.643	106.968.247
Between 1-5 years	250.901.376	279.241.004
More than 5 years	581.648.272	649.821.209
	939.185.291	**1.036.030.460**

15. Provision for employee benefits

	31 December 2012	31 December 2011
Short-term employee benefits		
Unused vacation provisions	231.968	187.327
	231.968	**187.327**
Long-term employee benefits		
Severance pay indemnity	768.781	461.945
	768.781	**461.945**

Under Turkish Labour Law, the Company is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay who retired by gaining right to receive according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered with 60th article that has been changed. Some transitional provisions related to the pre-retirement service term were excluded from the law since the related law was changed as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of 3.033,98 TL for each period of service as of 31 December 2012 (31 December 2011: 2.731,85 TL).

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 December 2012, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting dates have been calculated assuming an annual inflation rate of 5,00% and a discount rate of 7,73%, resulting in a real discount rate of approximately 2,60% (31 December 2011: 5,00% inflation rate, 8,96% discount rate, 3,77% real discount rate). The anticipated rate of for features is considered. As the maximum liability is revised semi annually, the maximum amount of TRY 3.033,98 effective from 31 December 2012 has been taken into consideration in calculation of provision from employment termination benefits.

The Company recognizes the actuarial differences through profit or loss.

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	1 January-31 December 2012	1 January-31 December 2011
Opening balance at 1 January	461.945	412.646
Service cost	108.158	28.977
Interest cost	37.707	50.705
Payments	(24.843)	(27.942)
Actuarial difference	185.814	(2.441)
Closing balance at the period end	**768.781**	**461.945**

16. Other assets and liabilities

Other current assets	31 December 2012	31 December 2011
Job advances (*)	46.333.384	16.252.896
Deferred VAT (**)	16.706.169	-
Income accruals	1.675.973	-
Prepaid expenses	1.373.097	1.442.602
Prepaid taxes and dues payable	31.846	8.419
Other	292.775	312.777
	66.413.244	**18.016.694**

Other non-current assets	31 December 2012	31 December 2011
Deposits and guarantees given	21.085	20.010
Prepaid expenses	10.348	2.990
	31.433	**23.000**

Other short-term liabilities	31 December 2012	31 December 2011
Taxes and dues payable	3.539.073	853.844
Due to related parties (Note 26)	632.870	448.738
Deferred revenue (***)	553.061	3.101.864
	4.725.004	**4.404.446**

Other long-term liabilities	31 December 2012	31 December 2011
Deferred revenue (***)	3.204.198	3.574.058
	3.204.198	**3.574.058**

(*) The Company signed an agreement with Koray İnşaat Sanayi ve Ticaret A.Ş. for the construction work of Tuzla Technology and Operation Center located in map G22B17A1C, parcel 1 and 2.As of 31 December 2012. Job advances paid to Koray İnşaat Sanayi A.Ş. under the agreement terms is TL 36.008.520 (31 December 2011: None). The Company signed an agreement with Mesa Mesken Sanayi A.Ş. for the construction work of Çınarlı Bahçe Tuzla project located in map 20, parcel 1329. As of 31 December 2012, job advances paid to Mesa Mesken Sanayi A.Ş. under the agreement terms is TL 8.040.211 (31 December 2011: 14.989.069).

(**) The Company paid VAT amounting to TL 16.779.661 for Ataşehir Finance Center land purchased at 17 July 2012.

(***) Consists of the contribution received from Real Hipermarketler Zinciri A.Ş. in relation to the Real Project and other rental payments received for future periods.

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17. Equity

Share capital

The composition of the paid-in share capital as of 31 December 2012 and 31 December 2011 is as follows:

	31 December 2012		31 December 2011	
İş Gayrimenkul Yat. Ort. A.Ş.	**(%)**		**(%)**	
İş Bankası	42,23	253.409.693	42,23	253.409.693
Anadolu Hayat Emeklilik A.Ş.	7,11	42.650.356	7,11	42.650.356
Anadolu Anonim Türk Sigorta A.Ş.	4,77	28.636.488	4,77	28.636.488
İş Net Elektronik Hizm. A.Ş.	1,33	7.953.899	1,33	7.953.899
Other	2,60	15.579.792	2,60	15.579.794
Publicly traded	41,96	251.769.772	41,96	251.769.770
Historic share capital	**100,00**	**600.000.000**	**100,00**	**600.000.000**
Kanyon Yön. İşl. Paz. Ltd. Şti				
The Company	50,00	50.000	50,00	50.000
Eczacıbaşı Holding	50,00	50.000	50,00	50.000
Historic share capital	**100,00**	**100.000**	**100,00**	**100.000**
Nest in Globe				
The Company	50,00	20.761	50,00	20.761
Kayı Holding	50,00	20.761	50,00	20.761
Historic share capital	**100,00**	**41.522**	**100,00**	**41.522**

The Company has increased its share capital to TL 600 million by TL 150 million from retained earnings with Board of Directors decision dated 11 April 2011. The total number of ordinary shares consists of 600.000.000 shares with a par value of TL 1 per share. All of the shares are issued to name and TL 857.142,85 of the total amount is Group A and TL 599.142.857,15 of the total amount is Group B shares. Group A shareholders have the privilege to nominate candidates during the Board of Directors member elections. One member of Board of Directors is selected among the candidates nominated by Group B shareholders while the rest is selected among the candidates nominated by Group A shareholders. There is no other privilege given to the Group A shares.

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

The total number of ordinary shares of Nest in Globe consists of 90.000 shares with a par value of Euro 1 per share and paid-in-capital of Nest in Globe is amounted to Euro 18.000. 45.000 shares are Group A shares pertaining to Kayı Holding A.Ş. The other 45.000 are Group B shares belonging to İş Gayrimenkul Yatırım Ortaklığı A.Ş. The capital amounting to Euro 9.000 (TL 20.761) in Nest in Globe that belongs to the Company has been eliminated from the accompanying financial statements during investment-capital elimination. In addition, the Company has given Euro 80.000 (TL 194.192) as capital advance to Nest in Globe as of the reporting date.

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Adjustment to share capital

Adjustment to share capital amount is TL 240.146.090 as of 31 December 2012 and 31 December 2011. Adjustment to share capital represents the restatement effect of the cash contributions to share capital equivalent to purchasing power of TL.

Share premium

As of 31 December 2012, share premiums amounting TL 423.981 represent excess amount of selling price and nominal value for each share during initial public offering of the Company's shares (31 December 2011: TL 423.981).

Restricted reserves

	31 December 2012	31 December 2011
Legal reserves	16.520.757	13.554.165
	16.520.757	**13.554.165**

Legal reserves consist of first and second legal reserves. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the paid-in share capital. The second legal reserve is calculated as the 10% of dividend distributions, in excess of 5 percent of paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital.

Retained earnings

	31 December 2012	31 December 2011
Retained earnings	147.383.676	113.396.737
	147.383.676	**113.396.737**

Dividend distribution

For the period ended 31 December 2012, 2011 net distributable profit amounting to TL 30.000.000 after first legal reserve and second legal reserve has been committed to be distributed on a cash basis, and dividend of shares traded on Istanbul Stock Exchange has been distributed on 29 March 2012, the other dividend of shares that are not traded on Istanbul Stock Exchange has been distributed on 2 April 2012.

In accordance with the announcement of the CMB's Serial: IV, No: 27 for corporations traded at stock exchange market, that will distribute dividends, in relation to the resolutions in their general meeting the dividends may be in cash, may be free by adding the profit into equity, or may be partially from both, it is also permitted not to distribute determined first party dividends falling below 5% of the paid-in capital of the company but, corporations that increased capital before distributing the previous year's dividends and as a result their shares are separated as "old" and "new" are obliged to distribute 1st party dividends in cash.

In this content, profit distribution amount calculated with the CMB's minimum compulsory profit distribution regulations on net distributable profit amount according to CMB regulations will be distributed if the amount is sufficient, if not statutory net distributable profit amount will be distributed. Dividend distribution will not be performed if there is loss in the financial statements prepared in accordance with the CMB regulations or in the statutory financial statements.

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In the Ordinary General Shareholders' Meeting held on 28 March 2012, the distribution of 2011 net profit was determined as follows:

	Amount
First legal reserve (TCC 466/1) 5%	2.916.592
Dividend	30.000.000
Second legal reserve (TCC 466/2)	-
Transferred to retained earnings	34.036.939
Total	**66.953.531**

Foreign currency translation differences

Foreign currency translation differences is due to the translation of equity items of Nest in Globe into TL.

18. Sales and cost of sales

Revenue	**1 January-31 December 2012**	**1 January-31 December 2011**
Rent income	97.868.770	91.355.973
Tenant contribution and service income	24.970.881	22.726.851
Income from the right of construction	8.967.505	9.256.679
Other revenue	120.840	152.709
	131.927.996	**123.492.212**

Cost of sales	**1 January-31 December 2012**	**1 January-31 December 2011**
Administrative expenses	(30.216.495)	(25.931.883)
Depreciation charges	(24.475.199)	(24.096.858)
Taxes and dues	(4.399.964)	(3.661.893)
Impairment on investment properties	(3.812.256)	(362.081)
Insurance expenses	(2.008.056)	(1.975.153)
Reversal of impairment on investment properties	7.087.967	11.245.495
Other	(2.759)	(534.266)
	(57.826.762)	**(45.316.639)**

19. General administrative expenses

	1 January-31 December 2012	**1 January-31 December 2011**
Personnel expenses	(5.530.650)	(4.524.397)
Outsourced service expenses	(3.462.154)	(3.675.353)
Depreciation and amortization	(625.083)	(769.188)
Taxes and duties	(149.685)	(120.763)
Other	(216.167)	(444.252)
	(9.983.739)	**(9.533.953)**

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20. Expenses by nature

Personnel expenses	1 January- 31 December 2012	1 January- 31 December 2011
General administrative expenses	(5.530.650)	(4.524.397)
Cost of sales	(513.421)	(313.630)
	(6.044.071)	**(4.838.027)**

Depreciation and amortization	1 January- 31 December 2012	1 January- 31 December 2011
Cost of sales	(24.475.199)	(24.096.858)
General administrative expenses	(625.083)	(769.188)
	(25.100.282)	**(24.866.046)**

21. Other operating income/expense

Details of other operating income for the years ended 31 December 2012 and 2011 are as follows:

Other operating income	1 January- 31 December 2012	1 January- 31 December 2011
Gain on sale of fixed assets	177.759	216.732
Damage compensation income	49.661	65.004
Other	14.473	137.081
	241.893	**418.817**

For the year ended 31 December 2012, other operating expenses amount to TL 65.482 (31 December 2011: TL 39.830).

22. Finance income

	1 January- 31 December 2012	1 January- 31 December 2011
Foreign exchange gains	16.213.482	26.005.634
Interest income on bank deposits	5.945.061	4.877.073
Sale of marketable securities	873.156	668.947
Gain on interest income from government bonds and treasury bills	852.203	276.391
Interest income from reverse repos	64.066	45.308
	23.947.968	**31.873.353**

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23. Finance expense

	1 January- 31 December 2012	1 January- 31 December 2011
Foreign exchange losses	(18.499.005)	(29.508.549)
Interest expense on loans and borrowings	(2.559.563)	(3.192.901)
Other interest expense	(1.067.259)	-
Derivative losses	(527.335)	(849.221)
Loss on sale of marketable securities	(65.746)	(259.072)
	(22.718.908)	**(33.809.743)**

24. Tax asset and liabilities

	31 December 2012	31 December 2011
Tax provision:		
Previous period tax	46.835	21.362
Corporate tax provision	131.130	133.072
Prepaid taxes and surcharges	(150.076)	(107.599)
	27.889	**46.835**

Tax expense:	1 January- 31 December 2012	1 January - 31 December 2011
Corporate tax provision	131.408	133.072
Deferred tax benefit	(16.840)	(2.386)
	114.568	**130.686**

Deferred tax assets/(liabilities):	31 December 2012	31 December 2011
Difference between tax base and carrying amount of tangible and intangible assets	(24.633)	(22.169)
Provision for employee termination benefits	16.324	14.558
Provision for unused vacation	22.030	13.453
Other	10.098	1.137
Deferred tax assets, net	**23.819**	**6.979**

The income earned from real estate investment trust activities of the Company, having acquired the status of the real estate investment trust, is exempt from Corporate Tax according to Article 5/(1) 4-d of the Corporate Tax Law No: 5520 ("CTL"). Based on Article 15 (3) of the CTL, 15% withholding tax is deducted against the portfolio management income, which is exempt from tax, whether it is distributed or not. The Council of Ministers is authorized to reduce the deduction rates referred to in the Article 15 of the CTL to nil or to increase it up to the corporate tax rate and differentiate the related deduction according to fund and entity types or the nature and distribution of the assets of the portfolio of such funds and entities within the related limits. Accordingly, the effective tax rate for real estate investment trusts is 0% on portfolio management income based on the Council of Ministers decision No: 2009/14594. Based on Article 15 (2) of the CTL, the dividend withholding tax is not applied on such taxed income.

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Although the Company has no tax liability due to its real estate investment trust status, the tax liability of the Company's jointly controlled entities has been presented as tax provision in the accompanying financial statements.

	1 January - 31 December 2012	**1 January - 31 December 2011**
Tax reconciliation:		
The Company's share on profit before tax of the joint ventures	**546.416**	**639.713**
Tax at the effective rate 20% (2011: 20%)	109.283	127.943
- Tax effect of non-deductible expenses	15.777	2.743
- Tax exempt income	(11.658)	-
- Prior period tax adjustment	1.166	-
Tax charge	**114.568**	**130.686**

25. Earnings per share

	1 January - 31 December 2012	**1 January - 31 December 2011**
Number of shares in circulation during the period	600.000.000	600.000.000
Bonus shares	-	-
Number of shares in circulation as of 31 December (total)	600.000.000	600.000.000
Weighted average number of shares in circulation	600.000.000	600.000.000
Net profit attributable to the equity holders of the parent	65.408.398	66.953.531
Earnings per share	**0,1090**	**0,1116**
Diluted earnings per share	**0,1090**	**0,1116**

26. Related party disclosures

Related parties of the Company are direct or indirect subsidiaries of Türkiye İş Bankası and the directors and personnel of the Company.

Receivables from related parties are mainly due to sales transactions and the average payment term is one month. By nature no interest is calculated on these receivables and no guarantees have been received.

Payables due to related parties are mainly due to purchase transactions and the average credit payment term is one month. No interest is calculated on these payables.

Details of related party balances are as follows:

Balances at T. İş Bankası A.Ş.	**31 December 2012**	**31 December 2011**
Demand deposits	526.036	307.891
Time deposits	83.195.953	101.561.472
Receivables from reverse repo transactions	98.410	3.217.110
B type mutual funds	1.344.217	1.225.699
	85.164.616	**106.312.172**

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The Company has letters of guarantee amounting TL 336.009 TL and USD 54.000.000 (31 December 2011: TL 273.761) from T. İş Bankası A.Ş. In addition, 1st degree mortgage is instituted by the Company in favour Türkiye İş Bankası A.Ş. amounting to USD 161.500.000 on some investment properties.

	31 December 2012		
	Trade receivables	Trade payables	Other liabilities
	Short-term	Short-term	Short-term
Balances with related parties			
Kanyon Yönetim İşl. Paz. Ltd. Şti.	-	320.433	286.543
Türkiye Şişe ve Cam Fab. A.Ş.	-	-	73.206
Paşabahçe Cam San. Ve Tic. A.Ş.	-	-	49.103
Anadolu Anonim Türk Sigorta A.Ş.	-	633.995	40.567
Avea İletişim Hizmetleri A.Ş.	2.574	3.554	37.473
Trakya Cam Sanayii A.Ş.	-	-	29.816
Anadolu Hayat Emeklilik A.Ş.	-	-	29.238
İş Yatırım Menkul Değerler A.Ş.	-	-	24.767
Anadolu Cam Sanayii A.Ş.	-	-	21.832
Soda Sanayii A.Ş.	-	-	18.879
Camiş Madencilik A.Ş.	-	-	7.821
İş Merkezleri Yönetim ve İşletim A.Ş.	-	174.793	7.309
Camiş Elektrik Üretim	-	-	2.953
Paşabahçe Mağazaları	2.970	-	1.734
Şişecam Sigorta Hizmetleri A.Ş.	-	-	1.629
İş Finansal Kiralama A.Ş.	2.815	-	-
T. İş Bankası A.Ş.	-	3.421	-
İş Yatırım Ortaklığı A.Ş.	245	-	-
İş Portföy Yönetimi A.Ş.	2.694	484	-
İş Net Elektronik Hizmetler A.Ş.	-	3.461	-
Payables to shareholders (dividend)	-	431	-
Other	-	10.542	-
	11.298	**1.151.114**	**632.870**

	31 December 2012	
	Loans and borrowings	
Balances with related parties	**Short-term**	**Long-term**
T. İş Bankası A.Ş.	6.203.197	39.920.108
Transactions with related parties		**Interest expense on loans**
T. İş Bankası A.Ş.		2.559.563

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As of 31 December 2012, the Company's financial assets at fair value through profit or loss include private sector bonds belonging to related parties comprising the following:

Balances with related parties	**31 December 2012**		**31 December 2011**	
	Nominal value	**Fair value**	**Nominal value**	**Fair value**
T. İş Bankası A.Ş.	2.040.000	2.035.114	3.467.000	3.384.139
İş Finansal Kiralama A.Ş.	180.000	181.504	-	-
Total	**2.220.000**	**2.216.618**	**3.467.000**	**3.384.139**

	31 December 2011		
	Trade receivables	**Trade payables**	**Other liabilities**
	Short-term	**Short-term**	**Short-term**
Balances with related parties			
Türkiye Şişe ve Cam Fab. A.Ş.	-	-	79.294
Paşabahçe Cam San. Ve Tic. A.Ş.	-	-	53.860
T. İş Bankası A.Ş.	469	-	48.384
Anadolu Anonim Türk Sigorta A.Ş.	-	702.256	43.996
Avea İletişim Hizmetleri A.Ş.	804	3.640	40.881
Trakya Cam Sanayi A.Ş.	-	-	32.336
Anadolu Hayat Emeklilik A.Ş.	-	-	31.710
İş Yatırım Menkul Değerler A.Ş.	-	-	25.110
Anadolu Cam Sanayi A.Ş.	-	-	23.678
Soda Sanayi A.Ş.	-	-	20.475
İş Finansal Kiralama A.Ş.	-	-	13.169
İş Portföy Yönetimi A.Ş.	-	-	9.616
Camiş Madencilik A.Ş.	-	-	8.482
İş Merkezleri Yönetim ve İşletim A.Ş.	305	57.679	7.927
Camiş Elektrik Üretim A.Ş.	-	-	3.203
İş Girişim Sermayesi Yat. Ort. A.Ş.	-	-	1.980
Paşabahçe Mağazaları A.Ş.	2.654	-	1.880
Şişecam Sigorta Hizmetleri A.Ş.	-	-	1.767
İş Yatırım Ortaklığı A.Ş.	-	-	990
Kanyon Yön. İşl. Ve Paz. Ltd. Şti.	-	264.800	-
İş Net Elektronik Hizmetler A.Ş.	-	8.853	-
Payables to shareholders (dividend)	-	332	-
Other	-	54.045	-
	4.232	**1.091.605**	**448.738**

	31 December 2011	
	Loans and borrowings	
Balances with related parties	**Short-term**	**Long-term**
T. İş Bankası A.Ş.	5.926.215	47.409.720

	31 December 2011
Transactions with related parties	**Interest expense on loans**
T. İş Bankası A.Ş.	3.192.901

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As of 31 December 2012, the Company entered into interest option derivative transaction with İş Bankası and TL 179.764 (31 December 2011: TL 849.221) derivative transaction accrual is recognised in the Company's statement of financial position and also TL 527.335 (31 December 2011: TL 707.099) derivative trading loss is recognised in the Company's income statement for this transaction.

In addition, the Company paid commission amounting to USD 189.000+BITT to Türkiye İş Bankası for the letter of guarantees amounting to USD 54.000.000.

	1 January - 31 December 2012				
Transactions with related parties	**Purchases (*)**	**Interest received**	**Rent income**	**Other income**	**Other expense**
Türkiye İş Bankası A.Ş.	-	6.272.049	15.777.135	-	22.091
T. Şişe ve Cam Fabrikaları A.Ş.	-	-	5.097.984	103.696	-
Anadolu Anonim Türk Sigorta A.Ş.	2.032.765	-	3.567.438	76.943	-
Paşabahçe Cam San. Ve Tic. A.Ş.	4.297	-	3.421.029	69.621	-
İş Yatırım Menkul Değerler A.Ş.	-	-	3.123.076	33.366	2.958
Anadolu Hayat Emeklilik A.Ş.	110.458	-	2.497.168	41.456	-
Trakya Cam Sanayi A.Ş.	-	-	2.073.042	42.275	-
Anadolu Cam Sanayi A.Ş.	-	-	1.518.537	30.956	-
Soda Sanayi A.Ş.	-	-	1.312.779	26.768	-
İş Finansal Kiralama A.Ş.	-	8.784	1.107.987	17.184	-
İş Merkezleri Yönetim ve İşletim A.Ş.	1.879.345	-	734.905	10.364	315.456
İş Portföy Yönetimi A.Ş.	-	-	732.765	12.546	21.878
Camiş Madencilik A.Ş.	-	-	544.268	11.089	-
Paşabahçe Mağazacılık A.Ş.	7.154	-	531.624	2.458	100.000
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	298.859	5.897	-
Camiş Elektrik Üretim A.Ş.	-	-	205.243	4.187	-
Şişecam Sigorta Hizmetleri A.Ş.	-	-	113.351	2.310	-
İş Yatırım Ortaklığı A.Ş.	-	-	94.915	1.292	-
Avea İletişim Hizmetleri A.Ş.	34.077	-	63.254	-	-
İş Net Elektronik Hizmetler A.Ş.	108.246	-	8.631	-	55.140
Softtech Yazılım Teknolojileri	70.000	-	-	-	177.159
	4.246.342	**6.280.833**	**42.823.990**	**492.408**	**694.682**

(*) Anadolu Anonim Türk Sigorta A.Ş. balance is related to the insurance of investment properties. İş Merkezleri Yönetim ve İşletim A.Ş. balances are related to operational charges of İş Kuleleri and Mallmarine Shopping Mall.

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	1 January - 31 December 2011				
Transactions with related parties	**Purchases (*)**	**Interest received**	**Rent income**	**Other income**	**Other expenses**
T. İş Bankası A.Ş.	-	4.910.230	14.339.432	367.552	13.132
T.Şişe ve Cam Fabrikaları A.Ş.	-	-	4.571.765	112.467	-
Anadolu Anonim Türk Sigorta A.Ş.	2.050.293	-	3.286.406	67.375	-
Paşabahçe Cam San. Ve Tic. A.Ş.	1.463	-	3.066.743	75.532	-
İş Yatırım Menkul Değerler A.Ş.	-	-	2.494.789	35.615	9.705
Anadolu Hayat Emeklilik A.Ş.	44.424	-	2.292.533	41.153	-
Trakya Cam Sanayi A.Ş.	-	-	1.857.958	45.864	-
Anadolu Cam Sanayi A.Ş.	-	-	1.360.984	33.584	-
Soda Sanayi A.Ş.	-	-	1.176.574	29.041	-
İş Finansal Kiralama A.Ş.	-	-	1.004.556	17.090	-
İş Merkezleri Yönetim ve İşletim A.Ş.	1.543.112	-	628.615	12.741	
İş Portföy Yönetimi A.Ş.	-	-	600.617	10.732	24.119
Paşabahçe Mağazacılık A.Ş.	-	-	491.867	2.668	-
Camiş Madencilik A.Ş.	-	-	487.799	12.030	-
Camiş Elektrik Üretim A.Ş.	-	-	183.949	4.543	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	151.130	2.808	-
Şişecam Sigorta Hizmetleri A.Ş.	-	-	101.591	2.506	46.449
İş Yatırım Ortaklığı A.Ş.	-	-	75.385	1.404	-
İş Faktoring A.Ş.	-	-	59.441	2.590	1.850
Avea İletişim Hizmetleri A.Ş.	37.020	-	38.965	-	-
İş Net Elektronik Hizmetler A.Ş.	18.345	-	7.363	-	89.553
Softtech Yazılım Teknolojileri A.Ş.	43.200	-	-	-	-
	3.737.857	**4.910.230**	**38.278.462**	**877.295**	**184.808**

(*) Anadolu Anonim Türk Sigorta A.Ş. balance is related to the insurance of investment properties. İş Merkezleri Yönetim ve İşletim A.Ş. balances are related to operational charges of İş Kuleleri and Mallmarine Shopping Mall.

Benefits provided to key management personnel:

Benefits provided to board of directors, general manager and assistant general managers are as follows:

	1 January- 31 December 2012	**1 January- 31 December 2011**
Salaries and other short term benefits	1.933.000	1.673.752
Employee termination benefits	100.712	82.441
	2.033.712	**1.756.193**

27. Nature and level of risks arising from financial instruments

a) Capital risk management

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

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

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

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b) Financial risk factors

The risks of the Company, resulting from operations, include market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management program generally seeks to minimize the effects of uncertainty in financial markets on the financial performance of the Company.

Risk management is implemented according to the policies approved by the Board of Directors. According to the policy, once a risk is identified, it has been evaluated by each operating unit which is responsible to coordinate the work to minimize the exposure to that risk. The Board of Directors is in charge of forming written procedures in order to manage the foreign currency risk, interest risk, credit risk, and use of derivative and non-derivative financial instruments and the assessment of excess liquidity.

b.1) Credit risk management

Exposure to maximum credit risk as of reporting date	**Receivables**							
	Trade receivables		**Other Receivables**					
31 December 2012	**Related parties**	**Other parties**	**Related parties**	**Other parties**	**Bank deposits**	**Financial investments (***)**	**Derivative instruments**	**Other (****)**
Maximum net credit risk as of the reporting date (*)	11.298	17.556.083	-	139.731	83.730.800	8.390.656	179.764	1.453.429
- The part of maximum risk under guarantee with collateral etc. (**)	-	2.912.387	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	11.298	16.536.771	-	139.731	83.730.800	8.390.656	179.764	1.453.429
B. Net book value of financial assets that are renegotiated, otherwise accepted as past due or impaired	-	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	1.016.674	-	-	-	-	-	-
- The part under guarantee with collateral etc	-	770.183	-	-	-	-	-	-
		-						
D. Net book value of impaired assets	-	2.638	-	-	-	-	-	-
- Past due (gross carrying amount)	-	218.992	-	-	-	-	-	-
- Impairment (-)	-	(216.354)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc	-	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk								

(*) Items such as guarantees received which increase the credibility are not included in the determination of the balance.
(**) Collaterals consist of notes, cheques and mortgages.
(***) Since share certificates are not exposed to credit risk, share certificates are not included in financial investments.
(****) Cash and cash equivalents, consisting of mutual funds, government bonds, receivables from reverse repo and other liquid assets with less than 3 months maturity, are included.

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Exposure to maximum credit risk as of reporting date	**Receivables**							
	Trade receivables		**Other Receivables**					
31 December 2011	**Related parties**	**Other parties**	**Related parties**	**Other parties**	**Bank deposits**	**Financial investments**	**Derivative instruments**	**Other (***)**
Maximum net credit risk as of the reporting date (*)	4.232	3.179.860	-	154.323	101.881.430	6.524.603	707.099	4.801.708
- The part of maximum risk under guarantee with collateral etc. (**)	-	762.539	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	4.232	2.798.751	-	154.323	101.881.430	6.524.603	707.099	4.801.708
B. Net book value of financial assets that are renegotiated, otherwise accepted as past due or impaired	-	-	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	204.916						
- The part under guarantee with collateral etc	-	165.301	-	-	-	-	-	-
D. Net book value of impaired assets	-	176.193	-	-	-	-	-	-
- Past due (gross carrying amount)	-	563.998	-	-	-	-	-	-
- Impairment (-)	-	(387.805)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc	-	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk								

(*) Items such as guarantees received which increase the credibility are not included in the determination of the balance.
(**) Collaterals consist of notes, cheques and mortgages.
(***) Cash and cash equivalents, consisting of mutual funds, government bonds, receivables from reverse repo and other liquid assets with less than 3 months maturity, are included.

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Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure to credit risks is monitored on a continuous basis.

The aging of the overdue receivables are as follows:

	Receivables		
31 December 2012	**Trade Receivables**	**Other Receivables**	**Total**
Past due 1-30 days	936.582	-	936.582
Past due 1-3 months	62.849	-	62.849
Past due 3-12 months	17.243	-	17.243
Past due 1-5 years	-	-	-
Total overdue receivables	**1.016.674**	-	**1.016.674**
Total collateralized portion	**770.183**	-	**770.183**

	Receivables		
31 December 2011	**Trade Receivables**	**Other Receivables**	**Total**
Past due 1-30 days	141.071	-	141.071
Past due 1-3 months	57.185	-	57.185
Past due 3-12 months	6.660	-	6.660
Past due 1-5 years	-	-	-
Total overdue receivables	**204.916**	**-**	**204.916**
Total collateralized portion	**165.301**	**-**	**165.301**

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

Collaterals that are past due but not impaired

	31 December 2012		**31 December 2011**	
	Nominal Value	**Nominal Value**	**Nominal Value**	**Fair Value**
Letters of guarantee	749.800	749.800	155.321	155.321
Cash collaterals	20.383	20.383	9.980	9.980
	770.183	**770.183**	**165.301**	**165.301**

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b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. On the other hand, derivative financial liabilities are presented based on their gross cash inflows and outflows which have not been discounted. Derivative instruments are settled and realized on a net basis based on their respective gross cash inflows and outflows which have not been discounted. When the receivables and payables are not fixed, the amount disclosed is calculated via an interest rate derived from yield curves as of the reporting date.

31 December 2012

Contractual maturities	Carrying Value	Total cash outflows according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative Financial liabilities						
Trade payables	5.482.029	5.482.029	5.482.029	-	-	-
Loans and borrowings	135.573.330	146.877.752	1.125.785	9.300.008	118.548.707	18.403.790
Total liabilities	**141.055.359**	**152.359.781**	**6.607.814**	**9.300.008**	**118.548.707**	**18.403.790**

31 December 2011

Contractual maturities	Carrying Value	Total cash outflows according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative Financial liabilities						
Trade payables	2.932.872	2.932.872	2.932.872	-	-	-
Loans and borrowings	53.335.935	66.014.537	-	8.472.574	31.020.921	26.521.042
Total liabilities	**56.268.807**	**68.947.409**	**2.932.872**	**8.472.574**	**31.020.921**	**26.521.042**

The Company makes payments at contractual maturities.

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b.3) Market risk management

b.3.1) Foreign currency risk management

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

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

Foreign currency transactions lead to currency risks.

The exchange rates applied as of 31 December 2012 and 31 December 2011 are as follows:

	US Dollar	Euro
31 December 2012	1,7826	2,3517
31 December 2011	1,8889	2,4438

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The foreign currency denominated monetary and non-monetary assets and liabilities of the Company as of the reporting date are as follows:

31 December 2012

	TL Equivalent (Functional currency)	US Dollar	Euro	GBP
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets	41.832.018	22.242.088	928.282	80
2b. Non Monetary Financial Assets	-	-	-	-
3. Other	73.901.018	41.456.871	-	-
4. CURRENT ASSETS	**115.733.036**	**63.698.959**	**928.282**	**80**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON CURRENT ASSETS	**-**	**-**	**-**	**-**
9. TOTAL ASSETS	**115.733.036**	**63.698.959**	**928.282**	**80**
10. Trade Payables	637.002	333.221	18.048	195
11. Financial Liabilities	6.022.898	179.527	2.425.000	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non Monetary Liabilities	5.317.637	139.935	2.155.117	-
13. CURRENT LIABILITIES	**11.977.537**	**652.683**	**4.598.165**	**195**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	129.050.108	50.000.000	16.975.000	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non Monetary Liabilities	48.758.545	25.627.719	1.307.383	-
17. NON CURRENT LIABILITIES	**177.808.653**	**75.627.719**	**18.282.383**	**-**
18. TOTAL LIABILITIES	**189.786.190**	**76.280.402**	**22.880.548**	**195**
19. Net asset/liability position of Off balance sheet derivatives (19a-19b)	-	-	-	-
19.a Off-balance sheet foreign currency derivative Assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative Liabilities	-	-	-	-
20. Net foreign currency asset/liability position	(74.053.154)	(12.581.443)	(21.952.266)	(115)
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(93.877.990)	(28.270.660)	(18.489.766)	(115)
22. Fair Value of foreign currency hedged Financial assets	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
				-
24. Hedged foreign currency liabilities	-	-	-	-

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31 December 2011

	TL Equivalent (Functional currency)	**US Dollar**	**Euro**	**GBP**
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets	61.174.307	7.833.324	18.977.797	-
2b. Non Monetary Financial Assets	-	-	-	-
3. Other	249.538	124.960	5.525	-
4. CURRENT ASSETS	**61.423.845**	**7.958.284**	**18.983.322**	**-**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON CURRENT ASSETS	**-**	**-**	**-**	**-**
9. TOTAL ASSETS	**61.423.845**	**7.958.284**	**18.983.322**	-
				-
10. Trade Payables	776.829	372.387	30.046	-
11. Financial Liabilities	5.926.215	-	2.425.000	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non Monetary Liabilities	5.166.375	1.311.978	1.100.000	-
13. CURRENT LIABILITIES	**11.869.419**	**1.684.365**	**3.555.046**	**-**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	47.409.720	-	19.400.000	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non Monetary Liabilities	3.574.058	**-**	1.462.500	-
17. NON CURRENT LIABILITIES	**50.983.778**	-	**20.862.500**	**-**
18. TOTAL LIABILITIES	**62.853.197**	**1.684.365**	**24.417.546**	**-**
19. Net asset/liability position of Off balance sheet derivatives (19a-19b)	-	-	-	-
19.a Off-balance sheet foreign currency derivative Assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative	-	-	-	-
Liabilities	-	-	-	-
20. Net foreign currency asset/liability position	(1.429.352)	6.273.919	(5.434.224)	-
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	7.061.543	7.460.937	(2.877.249)	-
22. Fair Value of foreign currency hedged Financial assets	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-

Foreign currency sensitivity

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The Company is mainly exposed to foreign currency risk on Euro and US Dollar.

The following table details the Company's sensitivity to 10% increase in the currency of Euro and US Dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The positive amount indicates the increase in profit/loss and equity.

31 December 2012

	Appreciation of foreign currency	**Devaluation of foreign currency**
If US Dollar changes against TL by 10%		
US Dollar net asset/liability	(5.039.528)	5.039.528
Portion hedged against US Dollar risk (-)	-	-
US Dollar net effect	**(5.039.528)**	**5.039.528**
If Euro changes against TL by 10%		
Euro net asset/liability	(4.348.238)	4.348.238
Portion hedged against Euro risk (-)	-	-
Euro net effect	**(4.348.238)**	**4.348.238**
If GBP changes against TL by 10%		
GBP net asset/liability	(33)	33
Portion hedged against GBP risk (-)	-	-
GBP net effect	**(33)**	**33**

31 December 2011

	Appreciation of foreign currency	**Devaluation of foreign currency**
If US Dollar changes against TL by 10%		
US Dollar net asset/liability	1.409.296	(1.409.296)
Portion hedged against US Dollar risk (-)	-	-
US Dollar net effect	**1.409.296**	**(1.409.296)**
If Euro changes against TL by 10%		
Euro net asset/liability	(703.142)	(703.142)
Portion hedged against Euro risk (-)	-	-
Euro net effect	**(703.142)**	**(703.142)**

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b.3.2) Interest rate risk management

Interest rate risk represents the risk of fair value decrease in the Company's interest rate sensitive assets due to market fluctuations.

As of 31 December 2012, the maturity of the Company's assets and liabilities for refinancing is in line with the maturity analysis provided in the liquidity risk management section stated above. Therefore, the notes to the financial statements do not include a separate interest rate risk table.

The government bonds classified as financial asset at fair value through profit or loss in the accompanying financial statements is subject to interest rate risk. The sensitivity analyses have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period at 1%. If interest rates increase or decrease by 1% as of 31 December 2012, the net profit will decrease by TL 68.503, increase by TL 70.283, respectively (31 December 2011: TL 78.627 decrease, TL 84.791 increase).

As the 1% increase or decrease in TL interest for floating interest rate financial instruments of the Company affects the profit before tax decreasing TL 61.456 or increasing TL 56.144 with the assumption of other variables stay constant according to analyzes of the Company as of 31 December 2012 (31 December 2011: TL 451.003 decrease and TL 224.244 increase).

Interest rate position table

		31 December2012	31 December 2011
Fixed Interest Rate Financial Instruments			
Financial Assets	Financial assets classified at fair value through profit or loss	8.390.656	6.524.603
	Time deposits at banks	83.195.953	101.561.472
	Receivables from reverse repo transactions	98.410	3.217.110
Financial Liabilities		500.324	-
Floating Interest Rate Financial Instruments			
Financial Assets		-	-
Financial Liabilities		135.073.006	53.335.935

b.3.3) Equity price risk

The Company is also exposed to equity price risk arising from equity investments. As of 31 December 2012, if Equity Price Index of the Istanbul Stock Exchange was 10% higher/lower and all other variables were held constant; the price changes in equity investments classified as financial assets at fair value through profit or loss an increase and a decrease amounting to TL 1.300 (31 December 2011: None) results on profit before tax.

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28. Fair value of financial instruments

31 December 2012	**Financial assets at amortized cost**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at amortized cost**	**Book value**	**Note**
Financial Assets						
Cash and cash equivalents	83.730.800	1.463.300	-	-	85.194.100	*5*
Financial investments	-	8.515.936			8.515.936	*6*
Trade receivables	-	-	44.624.597	-	44.624.597	*8*
Due from related parties	-	-	11.298	-	11.298	*26*
Other financial instruments	-	-	139.731	-	139.731	*9*
Financial Liabilities						
Financial payables	-	-	-	89.450.025	89.450.025	*7*
Due to financial payables	-	-	-	46.123.305	46.123.305	*7*
Trade payables	-	-	-	4.330.915	4.330.915	*8*
Payables to related parties	-	-	-	1.151.114	1.151.114	*26*
Other payables	-	-	-	171.895.429	171.895.429	*9*
31 December 2011						
Financial Assets						
Cash and cash equivalents	101.881.430	4.808.950	-	-	106.690.380	*5*
Financial investments		6.524.603	-	-	6.524.603	*6*
Trade receivables	-	-	3.179.860	-	3.179.860	*8*
Due from related parties	-	-	4.232	-	4.232	*26*
Other financial assets	-	-	154.323	-	154.323	*9*
Financial Liabilities						
Financial payables	-	-	-	53.335.935	53.335.935	*7*
Trade payables	-	-	-	1.841.267	1.841.267	*8*
Due to related parties	-	-	-	1.091.605	1.091.605	*26*
Other payables				61.555.392	61.555.392	*9*

The Company management assumes that the book value of financial assets represents their respective fair values.

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Fair Value of Financial Instruments

The fair value of financial assets and liabilities are determined as below:

Level I: Financial assets and liabilities are carried at quoted prices in an active market which are used for similar financial assets and liabilities.

Level II: Other than quoted prices specified in Level I, financial assets and liabilities are carried at inputs used to determine direct or indirect observable market prices.

Level III: Financial assets and liabilities are carried at inputs which are used in determining fair value of financial assets and liabilities but not based on any observable market data.

The levels of the financial assets and liabilities presented in fair values are as follows:

		Fair Value Level As of the Reporting Date		
Financial assets	**31 December 2012**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit and loss (*)				
Held for trading	9.860.153	9.860.153	-	-
Derivatives held for trading	179.764	-	179.764	-
	10.039.917	**9.860.153**	**179.764**	**-**

		Fair Value Level As of the Reporting Date		
Financial assets	**31 December 2011**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit and loss (*)				
Held for trading	7.750.302	7.750.302	-	-
Derivatives held for trading	707.099	-	707.099	-
	8.457.401	**7.750.302**	**707.099**	**-**

(*) The balance consists of government bonds, private sector bonds, equity certificates, mutual funds under cash and cash equivalents and derivative assets held for trading purposes.

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29. Compliance control of the portfolio restrictions

	The main accounts of separate financial statements	Related regulation	31 December 2012	31 December 2011
A	Capital and money market instruments	Serial: VI, No:11, Article 27/(b)	93.031.444	111.957.490
B	Real estates, rights supported by real estates and real estate projects	Serial: VI, No:11, Article 27/(a)	1.185.276.731	1.024.268.228
C	Affiliates	Serial: VI, No:11, Article 27/(b)	264.952	196.556
	Due from related parties (other receivables)	Serial: VI, No:11, Article 24/(g)	-	-
	Other assets		110.168.332	21.431.670
D	**Total assets**	Serial: VI, No:11, Article 4/(i)	**1.388.741.459**	**1.157.853.944**
E	Loans and borrowings	Serial: VI, No:11, Article 35	135.573.330	53.335.935
F	Other financial liabilities	Serial: VI, No:11, Article 35	44.113	44.108
G	Financial lease obligations	Serial: VI, No:11, Article 35	-	-
H	Due to related parties (other payables)	Serial: VI, No:11, Article 24/(g)	-	-
I	Equity	Serial: VI, No:11, Article 35	1.068.620.610	1.033.355.410
	Other liabilities		184.503.406	71.118.491
D	**Total liabilities and equity**	Serial: VI, No:11, Article 4/(i)	**1.388.741.459**	**1.157.853.944**

	Other separate financial information	Related regulation	31 December 2012	31 December 2011
A1	Capital and money market instruments amount held for 3-year real estate payments	Serial: VI, No:11, Article 27/(b)	-	-
A2	Time balances/demand balances TL/foreign currency	Serial: VI, No:11, Article 27/(b)	83.707.519	101.820.907
A3	Foreign capital market instruments	Serial: VI, No:11, Article 27/(c)	-	-
B1	Foreign real estates, rights supported by real estates and real estate projects	Serial: VI, No:11, Article 27/(c)	-	-
B2	Inactive land	Serial: VI, No:11, Article 27/(d)	22.090.000	21.190.000
C1	Foreign affiliates	Serial: VI, No:11, Article 27/(c)	214.952	146.556
C2	Participating to operating company	Serial: VI, No:11, Article 32/A	50.000	50.000
J	Non-cash loans	Serial: VI, No:11, Article 35	108.492.196	273.761
K	Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	Serial: VI, No:11, Article 25/(n)	-	-

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Portfolio restrictions	Related regulation	31 December 2012	31 December 2011	Max/Min ratio
1	Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	Serial: VI, No:11, Article 25/(n)	0%	0%	10%
2	Real estates, rights supported by real estates and real estate projects	Serial: VI, No:11, Article 27/(a),(b)	85%	88%	50%
3	Capital and money market instruments and subsidiaries	Serial: VI, No:11, Article 27/(b)	7%	10%	50%
4	Foreign real estates, rights supported by real estates and real estate projects, affiliates and capital market instruments	Serial: VI, No:11, Article 27/(c)	0%	0%	49%
5	Inactive land	Serial: VI, No:11, Article 27/(d)	2%	2%	20%
6	Participating to operating company	Serial: VI, No:11, Article 32/A	0%	0%	10%
7	Borrowings limits	Serial: VI, No:11, Article 35	23%	5%	500%
8	Time balances/demand balances TL/foreign currency	Serial: VI, No:11, Article 27/(b)	6%	9%	10%

30. Subsequent events after the reporting period

In accordance with the decision taken in the Board of Directors meeting, held on 18 January 2013, it was decided to evaluate the purchase offers for the hotels in the investment property portfolio of the Company and the General Management was authorized for the required operations.

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