



İŞ REAL ESTATE  
INVESTMENT TRUST CO.

ANNUAL REPORT 2011

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## İŞ REIT in Brief

Having a highly esteemed position in the sector with its sense of quality, portfolio management strategy and innovative standing, İŞ Real Estate Investment Trust Co. (İŞ REIT) has successfully completed major projects since 1999.

İŞ Real Estate Investment Trust Co. (İŞ REIT) is a portfolio management company primarily involved investments in real estate and real estate projects.

İŞ REIT was established on August 6, 1999 as İŞ Gayrimenkul Yatırım & Proje Değerlendirme A.Ş. It took over Merkez Gayrimenkul Yatırım & Proje Değerlendirme A.Ş. and was converted into a real estate investment trust.

### A company known for its professional management, as well as its new investments

Having maintained a healthy course of growth since its foundation, İŞ REIT carries out its activities in an increasingly competitive market in compliance with the regulations of the Capital Markets Board (CMB).

### Aims to sustain optimal risk-return trade-off

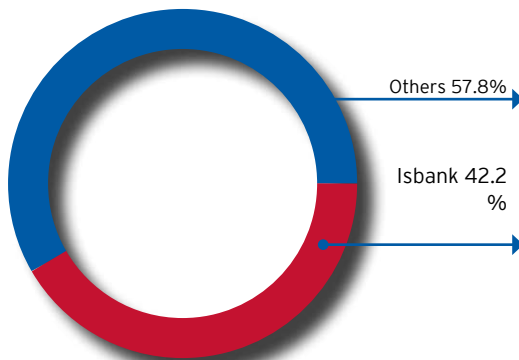
İŞ REIT is committed to ensuring an optimal risk-return trade-off for its investors in all its activities and particularly in its investments.

Implementing new investment projects with sustainable rental income from its qualified portfolio, İŞ REIT aims to grow by reinforcing its leadership in the sector.

## İŞ Real Estate Investment Trust Co. - Company Profile

Date of Incorporation	August 6, 1999
Issued Capital	TL 600,000,000
Authorized Capital	TL 2,000,000,000
Date / Price of Initial Public Offering	December 1-3, 1999 / TL 1.4
Company Headquarters	İstanbul

## Capital and Shareholder Structure



	TL	%
Isbank	253,409,693	42.2
Others	346,590,307	57.8
Total	600,000,000	100.0

According to Central Recordkeeping Agency (CRA) data as of December 31, 2011, 49% of the Company is publicly held.

## Annual General Meeting of Shareholders Agenda

1. Commencement and formation of the Chairmanship Council
  2. Authorization of the Council to sign the meeting minutes,
  3. Reading and deliberation of Board of Directors' Report, Auditor's Report, and Independent Auditor's Report on activities in 2011,
  4. Reading, deliberation and ratification of balance sheet and profit-loss statement for 2011,
  5. Submission of the Company's Dividend Policy to the shareholders for approval; deliberation and decisions about the Board's proposal on dividend distribution for 2011,
  6. Release of Board members regarding their activities in 2011,
  7. Release of auditors regarding their activities in 2011,
  8. Authorization of the Board of Directors for a new period regarding authorized stock, provided that permission has been obtained from the CMB pursuant to the Communiqué Series IV No 38,
  9. Provided that permission has been obtained from the CMB and the Ministry of Customs and Trade, discussion and approval of amendments to the Articles of Association, notably, in Article 3, "Headquarters and Branch Offices of the Company;" Article 5, "Objective and Subject of the Company;" Article 7, "Capital and Shares;" Article 11, "Board of Directors and Term of Office;" Article 12, "Eligibility Criteria for the Board of Directors;" Article 13, "Board of Directors Meetings;" Article 14, "Specific Decisions;" Article 15, "Remuneration of Board Members;" Article 17, "CEO and Managers;" Article 18, "Prohibitions on Managers;" Article 24, "Presence of a Commissioner in the Meeting;" and Article 27, "Announcements," pursuant to the Communiqué on Definition and Implementation of Corporate Governance Principles and the Communiqué on Registered Capital System Principles, as well as the relevant regulations (The Company applied to the CMB for approval of the amendments in the Articles of Association on February 22, 2012 and has not obtained approval as of yet),
  10. Submission last year of the appointment of a new Board member to the General Assembly for approval,
  11. Notification of the General Assembly on changes in the Board of Auditors last year,
  12. Submission of the Company's Grants Policy to shareholders for approval and notification of the shareholders about grants and aids provided in 2011,
  13. Election of Board members,
  14. Election of Auditors,
  15. Setting of wages for Board members and Auditors,
  16. Notification of General Assembly about the Company's Remuneration Policy,
  17. Requests and suggestions.
-

## General Meeting of Shareholders and Participation

General Assembly meetings convene in ordinary and extraordinary sessions.

The Ordinary General Assembly meets once a year, within the shortest possible time following the close of the Company's fiscal year, to deliberate and decide upon agenda items as determined by the Board of Directors pursuant to Article 369 of the Turkish Commercial Code.

Each shareholder has a vote in General Assembly meetings. A commissioner from the Ministry of Science, Industry and Technology must be present at Ordinary and Extraordinary General Assembly meetings. In the absence of a commissioner, any decisions made at General Assembly meetings are void.

Shareholders can be represented in General Assembly meetings by proxy, and their representatives can be either shareholders or non-shareholders. Shareholding representatives are authorized to cast a vote for the shareholders they are representing in addition to their own vote. The Board of Directors determines the form of the letter of proxy pursuant to CMB regulations. The letter of proxy must be in writing. The representative can cast a vote for the delegating shareholder only if it is specified in the letter of proxy, and the vote must be in line with the request of the delegating shareholder. Related regulations of the CMB apply to voting by proxy.

In General Assembly meetings, votes are cast pursuant to CMB regulations

by presenting required documents, including letters of proxy, and by raising a hand. However, secret voting can be employed upon the request of those who control at least one-tenth of the capital represented by the attending shareholders.

### Attendance Prerequisites:

Shareholders who own at least one share of stock registered in their own name can attend the meeting personally or by proxy.

Shareholders who attend the meeting personally must present:

- their ID, along with the Investor's General Assembly Blockage Form, which they should have obtained from the CRA for the shares of stock they own, and
- in case of a legal entity, the authorization certificate of the individual assigned as the representative, along with the Investor's General Assembly Blockage Form.

In addition to the aforementioned documents, those shareholders who will not attend the meeting personally must present a notarized letter of proxy (sample given below) to the Company's Headquarters at least a week before the meeting date, by the close of the business day.

The issued capital of the Company is TL 600,000,000, fully paid up. The issued capital consists of 60,000,000,000 registered shares. Out of these shares, a 857,142.85 TL-portion is in Class A and the

remaining portion of 599,142,857.15 is in Class B. Owners of Class A shares have the privilege to designate a candidate for election to the members of the Board of Directors. One of the Board members is elected from among the candidates designated by Class B shareholders and the remaining members from among the candidates designated by Class A shareholders.

The Company's Articles of Associations do not include any privilege on voting.

Board of Directors Activity Report, Board of Auditors Report and Independent Auditor Report, Balance Sheet, Income Statement, and Board of Directors Proposal on the Distribution of Net Profit (all belonging to the fiscal year 2011), Informative Document on General Meeting of Shareholders for 2011, are available for review by the shareholders at the Company's Headquarters and official website at [www.isgyo.com.tr](http://www.isgyo.com.tr).



## Vision

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

## Mission

To create venues befitting contemporary people and contemporary cities. To make the value to the shareholders sustainable by utilizing investments and resources effectively, based on the principles of sustainable growth and high profitability.

## Objectives

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

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## Key Financial Highlights

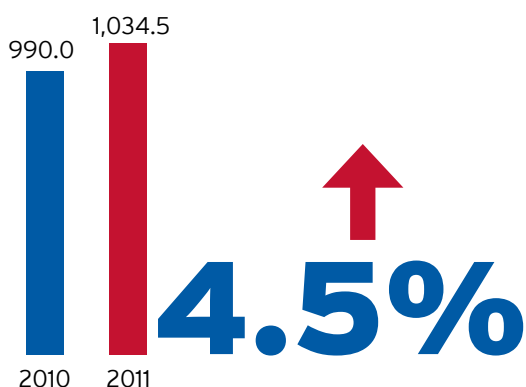
### Balance Sheet

TL million	Dec 31, 2007	Dec 31, 2008	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011
Current Assets	133.3	119.4	145.3	90.2	134.6
Noncurrent Assets	765.8	848.2	866.4	1,006.0	1,026.5
Total Assets	899.1	967.6	1,011.7	1,096.2	1,161.0
Short-term Liabilities	15.5	17.4	14.8	21.6	16.6
Long-term Liabilities	0.4	36.4	45.3	84.6	109.9
Shareholders' Equity	883.2	913.8	951.6	990.0	1,034.5
Net Profit	54.9	53.1	60.3	60.9	66.9

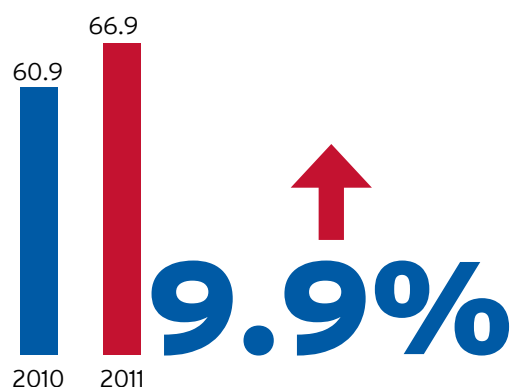
### Financial Indicators

TL million	Dec 31, 2007	Dec 31, 2008	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011
Sales Revenue	212.8	80.9	88.9	95.5	123.5
Sales Costs	136.2	46.6	33.1	31.5	45.3
Gross Profit/Loss	76.7	34.3	55.9	64	78.2
General Administrative Expenses	4.2	5.3	5.7	7.1	9.5
EBIT	72.5	29.0	50.2	56.9	68.6
EBITDA	93.4	51.3	73.6	80.5	93.6
Net Profit	54.9	53.1	60.3	60.9	66.9
Gross Profit Margin (%)	36	42	63	67	63
EBIT Margin (%)	34	36	56	60	56
EBITDA Margin (%)	44	63	83	84	76
Net Profit Margin (%)	26	66	68	64	54

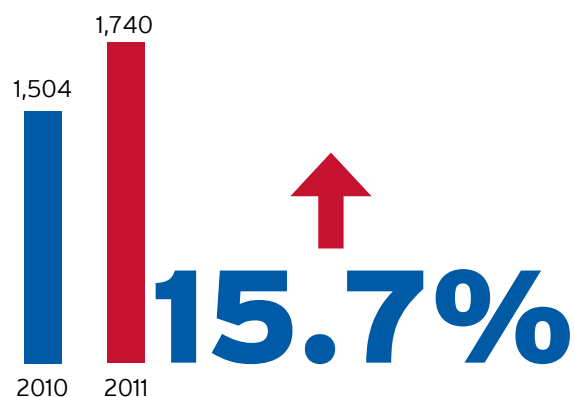
Total Shareholders' Equity (TL million)



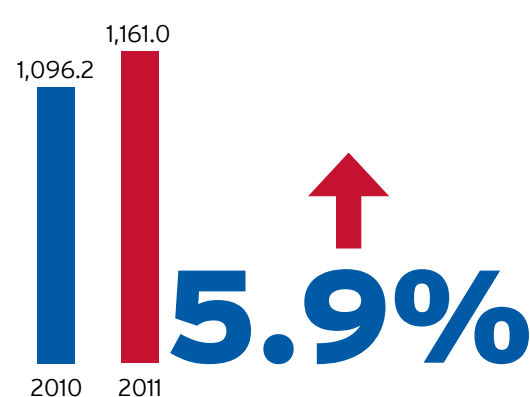
Net Profit (TL million)



Portfolio Value (TL million)

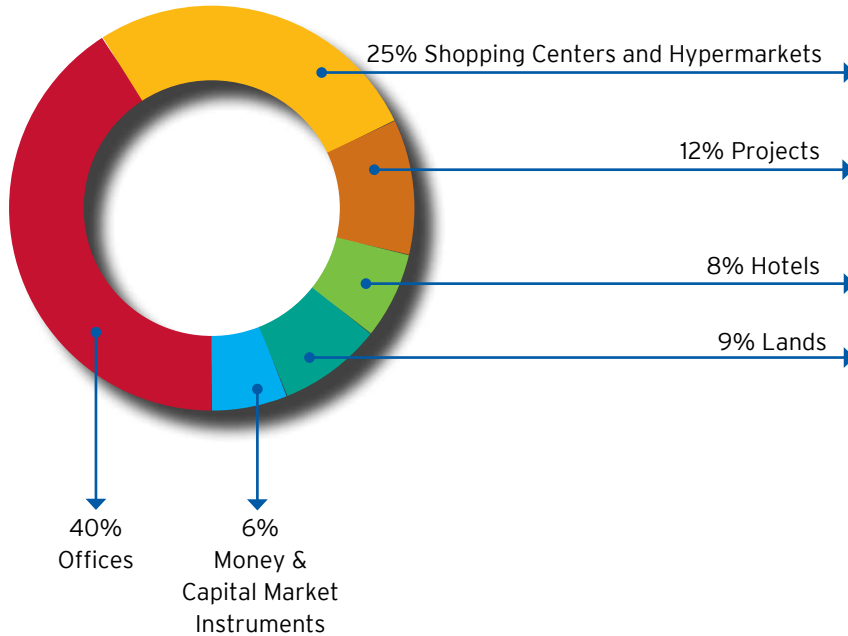


Total Assets (TL million)





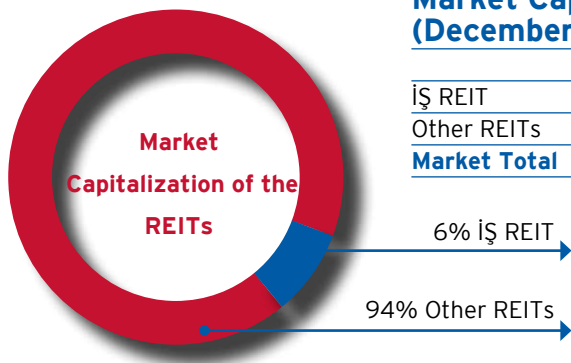
### Portfolio Breakdown (December 31, 2011)



### Portfolio Development

TL million	Dec 31, 2007	Dec 31, 2008	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011
Real Estate Portfolio Value	1,022	1,111	1,165	1,419	1,629
Total Portfolio Value	1,141	1,213	1,296	1,504	1,740

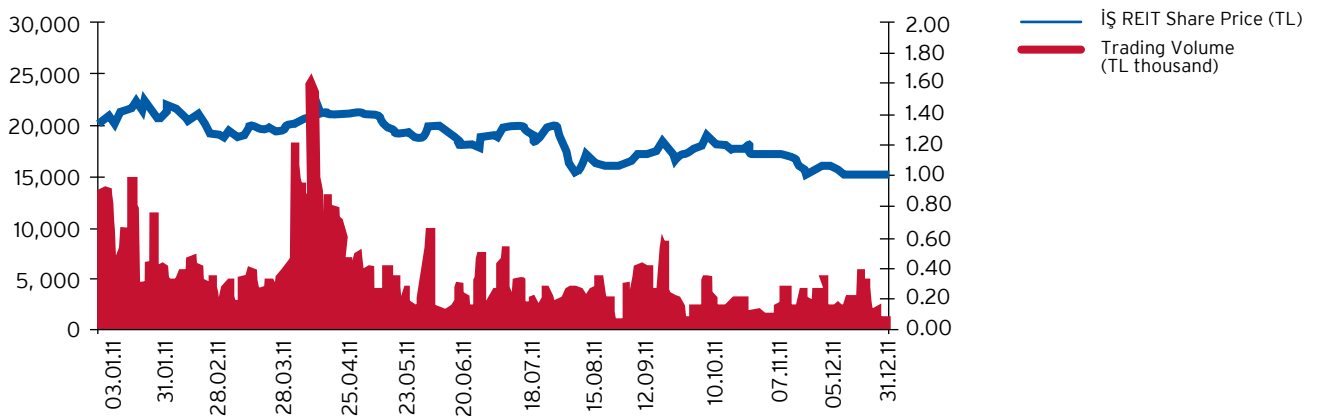
### Market Capitalization in the REIT Sector (December 31, 2011)



	TL million	% Share
İŞ REIT	600	6
Other REITs	10,241	94
<b>Market Total</b>	<b>10,841</b>	<b>100</b>

## Stock Performance

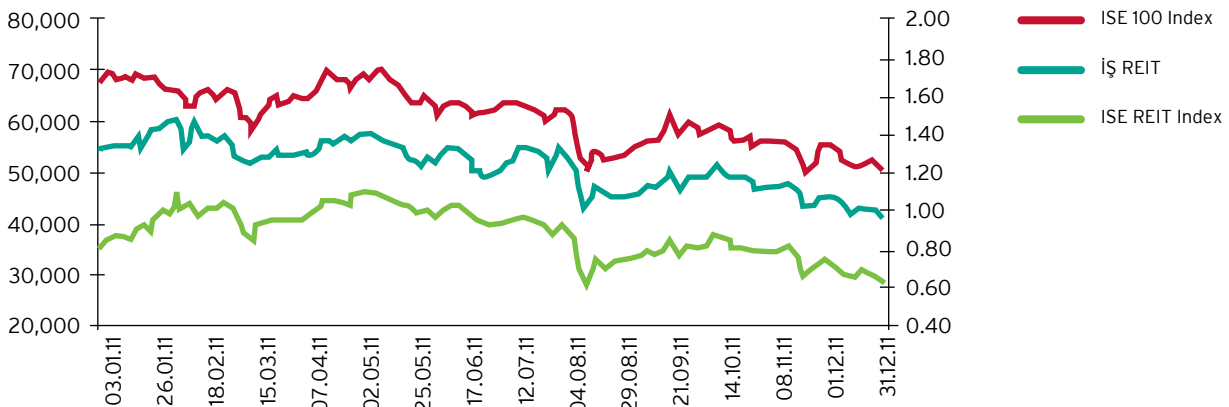
### REIT's Daily Trading Volume and Share Price in 2011



İŞ REIT's daily trading volume in the collective products markets averaged TL 3.7 million in 2011.

According to monthly ISE data, "Transactions carried out in the name and on account of foreign banks, brokerage houses or individuals,;" foreign investors purchased \$87.2 million and sold \$97.5 million of İŞ REIT shares. The annual net sales balance of İŞ REIT shares was \$10.3 million. On the other hand, REIT sector closed the year with net share sales of \$190 million. Furthermore, a similar progress was made in the domestic market, with net sales of \$1.8 billion. The uncertainties of the last year in the global markets were considered to be influential in this wave of sales on the ISE.

### ISE 100 & ISE REIT Indexes, İŞ REIT



## Stock Performance

	Dec 31, 2007	Dec 31, 2008	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011
Market Capitalization (TL million)	774	315	742.5	792	600
Market Share (%)	24	27	26	7	6
Stock Exchange Closing Price (TL)*	1.10	0.47	1.17	1.28	1.00
Earnings per Share (TL)	0.12	0.12	0.13	0.14	0.11
P/E Ratio	14.1	5.9	12.3	13.0	9.0
P/B Ratio	0.88	0.34	0.78	0.80	0.58

\* Stock exchange closing prices retroactively adjusted.

As of December 31, 2011, the Company represented 6% of the real estate investment trust sector with market capitalization of TL 600 million.

In 2011, ISE 100 Index fell by 22%, ISE Real Estate Investment Trusts Index by 17% and İŞ REIT share by 22%, based on TL.

## Milestones

**1998**

- Ankara İş Tower and İstanbul İş Towers were added to the portfolio.

**1999**

The Company's stock started to be publicly traded on December 1-3, 1999.

**2001**

- Maslak Building was added to the portfolio.
- Antalya Seven Seas Hotel was added to the portfolio.
- Marmaris Mallmarine (Solaris Plaza) was added to the portfolio.
- Tatilya Theme Park and the adjacent, 50,000 square-meter project land were added to the portfolio.

**2004**

- Ankara Ulus Office Building was added to the portfolio.
- Ankara Kızılay Office Building was added to the portfolio.
- Antalya Office Building was added to the portfolio.
- Construction started on the Kanyon Project, incorporating a shopping mall, offices and residences.

**2005**

İŞ REIT was granted "Best Developer in Turkey" award by Euromoney.

**2006**

- The İstanbul-Üsküdar land (32,081 m<sup>2</sup>) was added to the portfolio.
- Kanyon Shopping Mall, the first half-open air shopping mall in Turkey, was opened.
- The Kanyon project proved itself by receiving the "Cityscape 2006 Architectural Review" award, regarded as the Oscar of architecture.

**2007**

Developed as a turn-key project for German Metro Group, the Real Hypermarket Building was opened.

**2008**

- Sirkeci Office Building was added to the portfolio.
- Güneşli Office Building was added to the portfolio.
- The İstanbul Kartal land (77,327 m<sup>2</sup>) was purchased.

**2009**

- An independent and permanent right of superficies was established for a property 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<sup>2</sup>, located in Tuzla, İstanbul was purchased, along with the property on it, with the aim of project development.

**2010**

- An eight-story property in Taksim, Beyoğlu was added to the portfolio with the aim of project development.
- Lykia Lodge Kapadokya Hotel was added to the portfolio.
- Club Magic Life Kemer Imperial Hotel was added to the portfolio.
- Two parcels of land (42,114.39 m<sup>2</sup> and 20,375.87 m<sup>2</sup>, respectively) in Tuzla were added to the portfolio with the aim of project development.

**2011**

- A shareholding agreement was signed with Kayı Group in regard to investments in Russia.
  - Pre-sales and construction started on the Çınarlı Bahçe Tuzla residential project.
  - Construction started on the Taksim Office Project.
-

## Message from the Chairman

In line with its long-established corporate identity, strong financial structure and sustainable growth approach, İŞ REIT will maintain its profitability, capitalize on investment opportunities both in local and international markets, and diversify its portfolio.



Distinguished Shareholders,

**The positive outlook in 2010 has given way to a prudent approach.**

The global economy is going through one of its hardest times. Financial crises are more frequent in today's economic climate. As we entered 2011, the impact of the mortgage crisis of 2007-2008 has started to mitigate and an optimistic view was dominant.

However, economic recession in the U.S., Japan and the EU countries continued in 2011. The credit rating of the U.S. was lowered as a result of problems in public debt management, while the debt crisis in Europe led to a negative shift in the charts.

This course of events also affected the growth rate in developing countries; it started to decline. The 2010 global growth rate of 4.2% is expected to be around 4.0% in 2011.

**The global real estate sector had its share of the economic recession.**

The global crisis also affected the real estate sector. In addition to ongoing downsizing in the euro zone, recession continues in residential and non-residential real estate sales and prices in the U.S.

In line with the contraction in the financing facilities, commercial real

estate investments have reduced and cross-border risk appetite has declined, leading to persistent horizontal price movement.

Nevertheless, the first signals, though vague, have started to appear for some possible slight movements in the forthcoming period. For instance, residential sales followed an upward trend in the U.S. in the third and fourth quarters of 2011, while construction expenses in the EU increased by 1.6% for residential buildings, by 0.5% for non-residential buildings, and by 1.7% for infrastructure in the third quarter of 2011, after a dull 12-quarter period.

According to Moody's and Fitch's reports, REITs in the U.S. achieved high occupancy rates and displayed successful performances in most of their activity areas despite the volatility and low demand in the financial markets. European REITs, with a solid liquidity position, are striving to increase their net asset value through strict cost controls and prudent development programs while also considering the necessity of diversifying the financing resources despite financial fluctuations and risks.

**Turkey has been affected the least by the global economic crisis.**

It is possible to say that Turkey has been affected the least by the global

crisis, whose adverse effects are still being increasingly felt around the world. Starting in 2010, economic recovery continued in 2011 and an uninterrupted growth trend was achieved in the last eight quarters. The growth rate was 8.2% in the third quarter, which helped Turkey rank second only to China among the most rapidly growing countries. This growth was supported by leading macroeconomic data. Unemployment fell to 8.8% as of September 2011, while exports exceed \$122 billion in the first 11 months. Budget management yielded the most successful results of the last 28 years. The upward Industrial Production Index and other positive indicators led Standard and Poor's to increase the local-currency credit rating of Turkey.

**Current deficit and inflation are indicators.**

Despite all these positive indicators, inflation started rising, especially by force of the pressure from foreign exchange rates, and closed 2011 at a two-digit rate, reaching the highest annual level since April 2008. In parallel with inflation, interest rates also rose and slowed down the increase in housing loan demand, especially as of the third quarter of 2011. The number of new housing loans was 75,063 in the third quarter, the lowest level in the last eight quarters.

## Message from the Chairman

Current deficit was the other hot spot: it rose from January to October by 91% and exceeded \$66 billion. The rise in the current deficit poses a risk in terms of macroeconomic equilibrium and stabilization. We expect the markets to boom thanks to the measures taken by the Central Bank to establish equilibrium and the stabilization achieved in foreign exchange rates.

We also believe that the structural decrease in the current deficit risk will be positively impacted by the establishment of regulations, which will facilitate the sales of real estate to foreigners.

### **The real estate sector had a successful year.**

The real estate sector supported the positive economic outlook in Turkey with a 12.7% growth in the first three quarters and made a contribution of 32.3% to the average GDP. The number of apartments with occupancy permits increased by 31.5% in the first three quarters of 2011, compared with the same period in 2010, indicating an expanded housing supply. This fact is supported by a 17% growth in housing loans extended in the first nine months compared with the same period of the previous year.

The number of shopping malls and size of rentable areas increased country-wide. Employment reached

a record high of 1.9 million employed. Nevertheless, high loan interests continue to be a challenging factor in the sector. A 43.2% decrease in housing loans in the third quarter of 2011 should be taken as a warning, which may have adverse effects on long-term investment projects.

The Turkish real estate sector is going through a growth and structural transformation period. The increasing population, high urbanization rate, changing consumer preferences, and successive earthquakes have resulted in structural changes in the demand of real estate in Turkey. 60% of buildings across Turkey are expected to be changed by force of various economic and social factors, including a well-established mortgage market, improved macroeconomic indicators, enhanced income opportunities, implementation of urban transformation projects, and environmental pressures related to the EU membership process.

Meanwhile, REITs make the sector stable and transparent while securing consumer rights. Playing a leading role in redirecting private capital to the public, REITs also acts as a balancing factor for the overall economy

### **İŞ REIT implements all of its plans in succession.**

Within the growth and structural transformation in the real estate sector, İŞ REIT maintains its



Within the growth and structural transformation in the real estate sector, İŞ REIT maintains its reputable position and leadership role. We will continue to steadily increase our portfolio size and diversify through prestigious projects that fit in with our strategic plans.

reputable position and leadership role. Following two tourism facilities included in our portfolio in 2010, we continued our investments in 2011 by laying the foundation for the Çınarlı Bahçe Tuzla Residential project and by starting construction of an office building in Taksim, Beyoğlu. As a part of our vision of globalization, we signed a shareholding agreement related to hotels and other commercial investments in Russia and carried out incorporation activities in the Netherlands to benefit from opportunities in Europe.

Pursuant to our vision, we will continue to steadily increase our portfolio size and diversify through prestigious projects that fit in with our strategic plans. We will primarily focus our efforts on developing projects on land investments that we had made before 2012. We will provide our shareholders with a sustainable return with controllable risk. We think that developments in the Balkans and Europe will offer us significant opportunities on our way to globalization.

**We derive our strength and distinction from group synergy, financial discipline and competent employees.**

Confidence in the Company, as well as in many of our successful projects, is mainly built on our skilled, efficient, dynamic and devoted human resources.

We are powered by a team that is able to think in a sophisticated manner, to thoroughly analyze opportunities and threats, and to ensure top-level coordination. Financial strength leads to flexibility, experience to self-possession, vision to entrepreneurship, and quality to confidence. We spread the risk, diversify our products, and steer to long-term and sustainable options. We are the least affected by the occasional hard winds and adverse events that occur in the economy.

We believe that we will be able to maintain our sustainable growth and profitability in 2012 and beyond due to a well-established corporate tradition, synergy within the Isbank Group, solid financial structure and sound reputation.

On behalf of the Board of Directors, I would like to extend my gratitude to our employees who have built our achievements on their devoted efforts, to our solution partners and to our shareholders who always have confidence in us.

Yours sincerely,



**Aydın Süha Önder**  
Chairman

## Message from the CEO

We are extending our portfolio by spreading risk throughout our long-term strategies, diversifying our investments, and giving prominence to sustainability and we are continuing to grow steadily.



Distinguished Shareholders,

**Despite the negative outlook around the world, we had a successful economic performance.**

The year 2011 was dominated by uncertainties around the world. It was characterized by natural disasters, disturbances in the Middle East, the global economic recession and public debt crises in Europe.

Although there were some concerns about potential adverse effects of this negative outlook on Turkey, we had a successful economic performance in 2011. Despite efforts to cool down the economy and measurements against the rising inflation threat, a high growth rate was triggered by strong domestic demand. Positive results were obtained in macroeconomic indicators such as employment, exports and budget management.

**Our 2011 predictions of growth in the sector were confirmed.**

As the overall Turkish economy achieved 8.2% growth in the third quarter of 2011, the construction sector grew by 10.6%, proving once more its leadership in the Turkish economy.

In the first three quarters, housing sales increased by 15.5%, reaching 300,000. The increase reached 21.6% by the third quarter.

In the first nine months, the number of building permits and occupancy permits were 427,534 and 372,774, respectively. In the same period, housing loans achieved a year-on-year increase of 17% and reached TL 24.4 billion, with a 23% share of total loans. Housing sale prices and rentals continued to rise, though in a limited manner. The housing prices index increased 5.7 points and reached 99.2 points in the first 10 months of 2011, while the new housing prices index achieved an increase of 7.9 points. Construction expenditures also achieved a year-on-year increase of 30.2% in the first 9 months, reaching TL 87.5 billion.

Buoyancy in shopping mall investments continued in 2011. With the 31 new shopping mall openings as of early December 2011, the total number of malls reached 292. Meanwhile, with the recently added 1 million m<sup>2</sup>, the total usable area exceeded 7.3 million m<sup>2</sup>. Although the total shopping mall turnover index decreased to one of its lowest levels, with 106 points in late September by force of the seasonal downward trend in the third quarter of 2011, it recovered significantly in December as the seasonal impact went down and rose to 143 points.

A strong increase was observed in the investment appetite in office buildings. In the first nine months

of 2011, the number of investment authorizations and occupancy permits achieved a year-on-year increase of 19.4% and 43.1%, respectively, on a square-meter basis.. The square-meter size of construction permits obtained for industrial buildings and warehouses rose to its highest level with 1.68 million m<sup>2</sup> in the third quarter and achieved a 24.6% increase in the first nine months, reaching 4 million m<sup>2</sup>.

**Increased interest rates and concerns about global events started to have an effect.**

The strong growth trend in the sector tended to slow down in the third and fourth quarters of 2011 by force of increased loan interest rates and other external effects. As a result of concerns about rising inflation combined with a warming economy, the Central Bank took some measures that resulted in a rise in interest rates. As the average monthly interest rate increased from 0.9% in the third quarter of 2010 to 1.14% in the same period of 2011, housing loans decreased by 22.2% compared to the third quarter of 2010 and by 43.2% compared to the second quarter of 2011. Although housing sales in three major cities achieved a year-on-year increase in the third quarter, a comparison with the second quarter reveals a decrease. A rise in the exchange rates are expected to lead to a

new quest for price equilibrium in commercial real estate. Although the rise in household consumption expenditures was still higher than that of the previous year, the quarterly growth percentages continued to fall by 12.2%, 8.8%, and 7%, respectively. A similar decrease was also observed in the Consumer Confidence Index.

Real estate sales to foreigners fell by 18.5% to \$1.5 billion compared with the first nine months of 2010 as a result of global economic recession and reciprocity debates in Turkey. However, direct international investments more than doubled and approximated \$500 million.

**REITs continued to help the sector develop and to be a balancing factor.**

Despite the positive indicators, absolute care should be taken while making calculations in 2012. This is because of the slowdown that began in the third quarter of 2011 as a result of sharp fluctuations in macroeconomic policies and international markets. Under the current economic conditions, maintaining stable growth and making good use of opportunities has gained more importance.

Under these circumstances, REITs as a safety element have assumed a leading role in regulating the market.

## Message from the CEO

We had predicted that the Turkish economy would be less affected by the global crisis and the post-crisis contraction, and that the real estate sector would enter a growth period. In line with these forecasts, the sector has made some progress. As a result of the CMB's encouragement of real estate investment trusts and new regulations, the number of REITs rapidly increased in Turkey.

The number of REITs traded on the ISE increased by 6 in 2010 and by 2 in 2011. Consequently, the number of REITs rose from 15 by year-end 2008 to 23 by year-end 2011.

The total market capitalization of REITs increased to TL 13.5 billion. The Turkish REIT market reached a substantial size in Europe. Although traditionally focused on commercial real estate, REITs turned increasingly towards housing and shopping mall investments to diversify their portfolio.

İŞ REIT maintains a distinctive stance. In such an increasingly fierce competitive environment that is in line with the progress of the sector, İŞ REIT ranks among the leading companies in the sector. We have an asset size of \$615 million, a market capitalization of \$318 million, an annual rental income of \$58.3 million and a cash volume of \$59.3 million. We manage and develop our portfolio in line with

the risk-spreading principle. We pay attention to both the quantity and sustainability of returns and act selectively. In our purchase or development projects, we consider the financial and operational requirements on a project basis. We scrutinize various variables from potential tenants to regional demographic data, as well as technical details from wind tests to land surveys through rigorous research and scenario analyses, and we always invest into those projects that will ensure profitability even in the most prudent forecasts.

In addition to our solid financial structure, we provide financing at the most efficient costs through our smart financing strategies. Thanks to our successful cash flow and payment planning, we are able to minimize our outsourcing liabilities. We consider all kinds of cost factors in our investments and we calculate and update the expected returns against all probabilities.

We select our business partners from among companies with brand awareness and proven quality standards, based on transparent criteria, and develop sustainable relations with them. As they are selected through a completely transparent and independent assessment procedure, our suppliers are also effectively controlled throughout all stages

of our activities. We perform accurate analyses on the needs of the customers and the market and develop sustainable solutions. Our strong corporate identity and emphasis on quality are what make the leading companies in Turkey work with us.

### **We are steadily achieving our objectives.**

In 2011, acting on our forecasts based on detailed analyses, we finalized related preparatory work and implemented many projects in succession. We initiated a great number of investment initiatives, including land acquisitions. In addition to our tourism investments, which were diversified and enhanced with two hotels as of year-end 2010, we also launched three projects that would complement and create synergy with the industrial transformation project in Tuzla.

Income from tourism investments and commercial buildings combined with high occupancy rates, long-term contracts, and smooth relations with tenants, provided continuous cash flow into the Company. With the groundbreaking Marmarapark Shopping Mall project, carried out with a foreign partner on a build-operate-transfer basis, we provided a considerable income opportunity. We achieved significant levels of sales with our residential project in Tuzla even

In 2011, acting on our forecasts based on detailed analyses, we finalized related preparatory work and implemented many projects in succession. Our priority objective is to achieve a portfolio size of \$1.2 billion.

before we laid the foundations. We gradually increased our number of employees as of 2010 in order to have an improved staff structure and to be able to manage growth and ensure sustainable achievement, as is anticipated by our long-term strategies. Consequently, the human resources employed by the Company increased by 50% and reached 47 people. We fully integrated each new recruit and made certain to enable them to master the whole project process, from decision-making to delivery.

Following the profit distribution in 2010, we distributed 5% of our issued capital as cash dividend in 2011, thus maintaining steady success in cash dividend distribution.

We fully supported the social responsibility projects of our main partner - one of the longest-established in Turkey - which was driven by the trust accorded to the company, as well as its deep-seated social awareness. In addition to these projects, we also continued to use every means necessary in all the buildings in our portfolio to support social responsibility projects carried out by governmental and non-governmental organizations as part of our civic involvement activities.

**Taking a legitimate pride in our achievements, we will continue to work to have a successful year in 2012.**

Based on value generation and sustainability principles, we will adhere to our strategy of improving the size, diversification, and efficiency of our portfolio in 2012 as successfully as we did in 2011. Our priorities will be to lay foundations and to rapidly put into practice the projects that we have been meticulously working on since 2009, to watch for opportunities, and to opt for mixed investments. We aim to increase our tourism investments by acquiring real estate with high potential or by greenfield projects in different locations. We follow the European Union geography closely in order to take advantage of any investment opportunities at reasonable costs. We think that real estate will boom in 2012 if the lack of legal regulations can be made up in areas of urban transformation and earthquake risk, as well as if real estate sales to foreigners are facilitated.

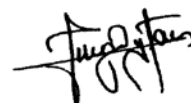
Our expert team follows all developments closely, is on alert for any external threats or opportunities, and generates strategies against possible scenarios. When selecting projects and financing methods, we meticulously consider any possible problems in the domestic market

to avoid reducing efficiency and ruining our risk planning. We look for ways to turn the crisis into an opportunity and make necessary arrangements to take advantage of any local or international opportunities that are in line with our objectives and strategies.

As part of our recent progress, we aim to reach \$360 million in completed investments, \$1.2 billion in portfolio size and \$90 million in annual rental income.

Aware of the responsibility we have to our stakeholders, we will keep working with the objective of promoting the Company to an even stronger position in every aspect. I would like to express my gratitude to all our stakeholders, who always trust us and walk with us on this journey, as well as all my associates, who always devote their efforts to the sustainability of our achievements.

Yours sincerely,



**Turgay Tanes**  
CEO

## Board of Directors and Board of Auditors



**From left to right (standing):** Şebnem Kurhan Ünlü, Murat Doğan, Ali Sözen, Erdal İnceler, Turgay Tanes  
**From left to right (sitting):** Kemal Şahin, Ali Cüneyt Demren, Hulusi Cemal Karaoğlu, Aydın Süha Önder



## Board of Directors and Board of Auditors

### **Aydın Süha Önder - Chairman**

*Term of office: 27.05.2011-28.03.2012*

Born in 1962, Önder graduated from the Department of Political Sciences and Public Administration, in the Faculty of Economics and Administrative Sciences at Middle East Technical University in 1985. He began his career in the Board of Inspectors at Isbank in 1986. He was appointed managerial positions at several branches including the Galata Branch, Avcılar Branch and Karaköy Branch. Önder was appointed as the head of Corporate Banking in the Marketing Department in 2003, as manager of the Levent Branch in 2006 and of the Gebze Corporate Branch in 2007. He has been serving as Deputy CEO at Isbank since April 13, 2011.

### **Ali Cüneyt Demren - Vice Chairman (Independent Member)**

*Term of office: 25.03.2011-28.03.2012*

A graduate of the Economics and Commercial Sciences Academy, Demren joined Isbank in 1973 and subsequently held various positions in different divisions and branches at the same bank. He was promoted to the Deputy Chief Executive Officer position at Isbank in 1988. He retired in June 2006, having served in this position for nearly eight years, Demren held seats as chairman and member on the Board of Directors and as member of the Board of Auditors at Isbank's subsidiaries.

### **Kemal Şahin - Board Member**

*Term of office: 25.03.2011-28.03.2012*

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



**Ali Sözen - Board Member***Term of office: 27.05.2011-28.03.2012*

Born in 1934, Sözen graduated from the Faculty of Law at Istanbul University. He worked as a self-employed lawyer from 1967 to 2000 and served as a member of the City Board of Directors of the SODEP (Social Democrat Party) from 1983 to 1986. A member of CHP (Republican People's Party) since 1994, Sözen was selected to the Board of Directors of Isbank on March 28, 2008.

**Hulusi Cemal Karaoğlu - Board Member (Independent)***Term of office: 25.03.2011-28.03.2012*

A graduate of the Department of Civil Engineering in the Faculty of Engineering at Middle East Technical University in 1987, Karaoğlu completed his Master's degree in the same department in 1991. 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. Karaoğlu was 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. He has been serving as Deputy Chairman at Yüksel Proje Uluslararası A.Ş. since 2008.

**Erdal İnceler - Statutory Auditor***Term of office: 25.03.2011-28.03.2012*

A graduate of the Department of Economics at Middle East Technical University, İnceler joined Isbank 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 division manager at Isbank's Human Resources Department. İnceler held memberships of the Boards of Auditors and Boards of Directors at various Isbank associates.

**Murat Doğan - Statutory Auditor***Term of office: 25.03.2011-28.03.2012*

A graduate of the Department of Industrial Engineering at Istanbul Technical University, Doğan joined Isbank Equity Participations Department in 2000. He was promoted to the assistant manager position of the same department in 2009.

**Şebnem Kurhan Ünlü - Statutory Auditor***Term of office: 27.05.2011-28.03.2012*

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

**Turgay Tanes - CEO**

A graduate of the Department of Public Administration of the Faculty of Economics and Administrative Sciences at Gazi University in 1987, Tanes started his career at Isbank as an assistant inspector of the Board of Inspectors in 1988. He became an assistant manager in the Subsidiaries Department in 1996 and worked as a group manager of Real Estate and Glass Sector Companies from 1999 to 2004 in the same department. Serving as the General Manager of İş Real Estate Investment Trust Co. since 2004, Tanes also serves as the Chairman of one of the subsidiaries of Isbank.

## Senior Management



From left to right: **Kaan Özsoy** Project Application Manager, **T. Aydan Ormancı** Assistant General Manager, **Ömer Barlas Ülkü** Internal Audit and Control Manager, **Nergiz Güler** Financial and Administrative Affairs Assistant Manager, **Tuğrul Gürdal** Financial and Administrative Affairs Manager, **Gülfem Sena Tandoğan** Corporate Communications and Marketing Manager, **Turgay Tanes** CEO

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From left to right: **Ayşegül Şahin Kocameşe** Risk Management and Investor Relations Manager, **Gökhan Temel** Project Application Manager, **Hülya Demir** Assistant General Manager, **Bülent Otuz** Project Application Manager, **Özlem Yılmaz** Project Application Assistant Manager, **Merter Gürğün** Investment and Project Development Assistant Manager, **Atty. Pınar Ersin Kollu, LL.M** Legal Consultant, Legal Consultancy, Human Resources and Education Department

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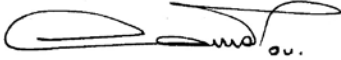
## Declaration of Interest by the Independent Board Members

I hereby declare that I am independent, as defined in Article 4, paragraph (g) of the Communiqué on Principles Regarding Real Estate Investment Companies (trusts), from other shareholders holding 10% or higher share in the Company or possessing voting rights in that percentage, or from any shareholders in the

Company holding a shareholding interest incorporating a right to nominate for a seat on the Board of Directors, or from companies from which consultancy services are procured, or from operating companies or from any companies in which any person cited in subparagraphs (a) and (b) of Article 18 of the Communiqué on Principles

Regarding Real Estate Investment Companies (trusts) (Serial: VI, No: 11) owns more than a 10% share or possesses voting rights in that percentage, or from the subsidiaries of the Company.

**Hulusi Cemal Karaoğlu**



**Ali Cüneyt Demren**



## Companies from which Consultancy, Audit and Appraisal Services are Obtained

### **Tax Consultant**

Başaran Nas Yeminli Mali Müşavirlik A.Ş.

### **Independent Audit Company**

Akıs Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (Member of the KPMG International)

### **Independent Appraisal Companies**

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



## Activities 2011

### Mixe-use project in Tuzla, Istanbul (Technology & Operations Center - Offices/Hotel/Commercial Area)

A great number of companies have recently moved their head offices and operations departments to Tuzla and its surrounding areas, thus playing a leading role in the development of the region and turning it into a center of attraction. Both private and local government investments have gained speed in recent years. Along the E-5 highway, the main line of transport, the land has especially increased in value.

Having predicted accurately the rising importance of this region, İŞ REIT has planned and developed a "Technology and Operations Center" project on one of the lands it owns in this region - the land registered on block no 7301 and plot no 1 - to be carried out by the terms defined in the approved tentative plan and to be completed and delivered within 30 months following the receipt of a building license. Leased out to Isbank for 25 years, the letting value of the Center will be subsequently fixed based on the final project cost.

In addition, a mixe-used project will be developed on a 21,305.29 m<sup>2</sup> land adjacent to the plot of the Technology and Operations Center. The Project is expected to include a small shopping mall where employees of the Technology and Operations Center can meet their basic needs, a hotel and offices. The Company is working with globally-known SOM and Dizayn Grup on the architectural design of the project.

The project's location on the E-5 highway provides a significant advantage in transport and adds

value to the project. For the mixe-use project, activities are underway to obtain legal permits and finalize the project design.

### Çınarlı Bahçe Tuzla Residential Project

In addition to its being an important asset for Istanbul with its historical and cultural features, Tuzla has also rapidly developed due to recent investments. Known as Acritas in ancient times, Tuzla was a pre-Ottoman settlement area and an old fishing village. In other words, it is a warm place with a deeply-rooted history. As the eastern dwelling zones in Istanbul have extended over this region and both residential and commercial investments have increased, Tuzla has drawn more and more interest.

Accordingly, the Company has been working on developing a residential project under the concept of "A New Life in Istanbul" and the name of "Çınarlı Bahçe Tuzla" on the land registered on plot no 1329. Located 3 km away from the E-5 highway and a newly planned Tuzla Marina Project, the Çınarlı Bahçe Tuzla Residential project consists of low-rise houses that befits the countryside character of Tuzla.

After the legal permits of the project were obtained in 2011, requisition collection and pre-sale activities began in the last week of October. With a total sellable area of 58,000 m<sup>2</sup> and 476 houses, the project's total development cost, including the land, is expected to amount to around TL 117 million. Construction began in December and 68% of the houses - both in terms of quantity and sellable area - were sold as of year-end.

This high sale percentage obtained within a short period of time proves the trust both in the Company and in Isbank Group, with which it is affiliated, and that the right selection of project partners was made.

### Bayraklı, İzmir Project

Work is underway in relation with the mixe-use project in Konak, İzmir, which consists of residences and a shopping mall and whose architectural concept projects have already been finalized. With an expected total development cost of \$150 million, including the land, the project is expected to include a shopping mall with a total sellable area of around 27,000 m<sup>2</sup>, and two towers of 45 and 29 stories with a total sellable area of 29,000 m<sup>2</sup>, based on the building license to be obtained. The two towers will have 176 home-offices and residences ranging in size from 85 to 410 m<sup>2</sup> with 16 different types, all having a view of Izmir Bay.

Combining the traditional lifestyle of Izmir and modern architecture to create an original concept, the project will be a bridge between Karşıyaka and Konak, two important centers of the city. Designed by Emre Arolat, the architecture of the project will integrate into the city and provide a kind of city park for all users, becoming a significant symbol for Izmir.

### Taksim Office Project

In Istanbul, office buildings are mostly located on a line characterized as the "central business area." Nevertheless, central locations such as Taksim always attract high demand. Low supply of modern and high-quality

offices against this high demand leads to a significant deficit. Consequently, it is almost impossible especially for foreign companies to find top-class offices in Taksim and its surroundings.

Accordingly, İŞ REIT has been developing a project on a centrally-located land of its own, to be leased out to local and foreign companies, thus meeting the top-class office demand in Taksim and its surrounding areas. The project is intended to be a symbolic building in the region. Projects have gained speed within the year, the building that existed on the land was torn down, land use conversion was performed on the title deed, the contractor was selected, and finally, construction started in the third quarter. With an estimated total development time of 1.5 years at the maximum, the project's total development costs, including land, is expected to amount to TL 22.4 million.

Leasing activities having already began, the project is expected to start operating with a 100% occupancy rate.

#### **Parcel No 110 in Esenyurt (Marmara Park Shopping Mall)**

The Company transferred its building right for the property registered on plot 110 in Esenyurt, Istanbul to Marmarapark Gayrimenkul (ECE/DWS) for a shopping mall project, and construction started in March 2011. With a total rentable area of around 100,000 m<sup>2</sup>, the project is planned to have total development costs of around Euro 220 million and to be completed in the last quarter of

2012.

#### **Tourism Investments**

Having reinforced its activities in the tourism and hotel sector with two hotel investments included in the portfolio last year, the Company has continued to search for new projects to benefit from the international potential. Consequently, aiming to improve the portfolio diversification and portfolio return through international investments, the Company started negotiations in the first quarter of 2011 with Kayı Holding A.S., a construction company operating in Russia since 1998, to identify and assess collaboration opportunities for hotel and other commercial investments within the borders of the Russian Federation. Negotiations led to the execution of a "Shareholding Agreement" with Kayı Holding A.S. in the second quarter. Pursuant to the agreement, a company was established with Kayı Holding A.S. under the name of "Nest in Globe (NIG) B.V." with a capital of Euro 90,000 in Amsterdam, the Netherlands. The purpose of the company is to invest in real estate projects in the Russian Federation, with İŞ REIT contributing 50% to the capital. Activities are underway in relation to the joint venture.

This enterprise of the Company is of great importance as the first of future international investments and also shows the willingness of İŞ REIT to exist beyond local boundaries, in any part of the world where opportunities are available.

In addition to the aforementioned investments, the Company continues to search for any investment

opportunities such as local and international commercial real estate projects or high-return buy & lease back agreements, which will improve the portfolio return and rent income steadily.



## Activities of the Shareholder Relations Unit

The Shareholder Relations Unit handles systematically and effectively the exercise of shareholders' rights and performs precisely all communication and information activities pursuant to related regulations.

Required to be established by Article 7 of the CMB's "Communiqué Serial IV, No 41 on Guidelines for the Incorporated Companies Subject to Capital Market Law," the Company's "Shareholder Relations Unit" has been operating under the name of "Risk Management and Investor Relations Department" since January 28, 2005 to handle the exercise of shareholders' rights. Pursuant to Article 8 of the aforementioned communiqué, the head of the unit has been ensuring fulfillment by the Company of obligations arising from capital market laws and coordinating corporate governance practices since March 2009.

The Shareholder Relations Unit handles systematically and effectively the exercise of shareholders' rights, public disclosure and information activities, particularly including procedures regarding the General Assembly meeting and capital increase.

The Annual General Meeting of the Company convened on March 25, 2011 with 60.98% attendance, 55.62% of shareholders attending personally and 5.36% represented by proxy. The General Assembly procedures were performed pursuant to Corporate Governance Principles and provisions of the Turkish Commercial Code; in addition to publication of the invitation, agenda,

and sample letter of proxy in two national newspapers, relevant information was provided on the Company's official web site. The "General Assembly Information Document" was prepared both in Turkish and English in order to enable local and international investors to obtain information on agenda items of the General Assembly in advance, and the sample letter of proxy, agenda, and invitation was posted on the Company's official web site.

The Annual Report for 2010 was made available at the head office to investors for review and on the official web site of the Company 21 days prior to the meeting date; it was also sent to the addresses of those investors who had requested it.

Following the General Assembly meeting, the minutes and list of attendants were submitted to the knowledge of the shareholders via the Company's official web site.

Within the reporting period, the Company's issued capital was increased from TL 450 million to TL 600 million by bonus issue. Shareholders were regularly informed throughout the capital increase process via the Public Disclosure Platform (KAP) and the Company's official web site. The Shareholder Relations Unit fulfilled the legal obligations related to the

CMB registration and quotation of the shares issued.

Having a significant growth potential due to ongoing projects, in addition to the existing portfolio, the Company continued to attract the attention of both local and international investors in 2011. One-to-one meetings were held with corporate and individual investors, as well as with portfolio managers and analysts of investment companies at the Company's head office. In total, the Company met with approximately 100 people. In addition to these one-to-one meetings, the Company attended seven investor conferences, two of which were local events. Moreover, teleconferences were held in response to incoming requests and tours were arranged to introduce the real estate in our portfolio.

In 2011, the Shareholder Relations Unit responded to approximately 200 information requests, most of which were in e-mail form. Extensive information requests and questions from local, international, individual, or corporate investors were answered in a multifaceted and detailed manner, observing all relevant public disclosure issues, including legal regulations and the Company's Disclosure Policy. Around 80% of information requests came from corporate investors, while individual investors accounted for the remaining 20%. Both the questions



asked at the investor meetings and information requests sent to the Shareholder Relations Unit focused on the Company's financial statements, rent incomes, projects, future strategies and dividend policy. The questions on projects were mostly about their progress in legal permit procedures, construction start dates, income projections and sales performance for projects offered for sale. The Shareholder Relations Unit keeps a regular record of information requests, both written and verbal, as well as the answers provided.

The Company web site is effectively used to facilitate public disclosure and the exercising of shareholder rights. Quarterly investor presentations, balance sheets and income statements under the financial statements, as well as material event disclosures via the Public Disclosure Platform (KAP) are drawn up in Turkish and English and posted on the corporate web site the same day. Furthermore, the parts of the Company web site that can be updated are regularly done so in line with any related changes. In this way, accurate and up-to-date data is made available to investors and analysts, as well as different types of individuals or institutions requiring information about the Company and its activities.

In addition, information requests and questionnaires from universities

and various public institutions are answered in order to support their studies.

The CMB's "Communiqué Serial IV, No 56 on the Definition and Implementation of Corporate Governance Principles" came into effect after being published in the Official Gazette of December 30, 2011. This Communiqué obliges publicly-held corporations with shares traded on the ISE to comply with some articles in the principles. Consequently, the Shareholder Relations Unit analyzed the Communiqué and the enclosed Corporate Governance Principles in terms of exercise of shareholder rights and started the necessary compliance efforts.

## Organizational Structure

### Investment and Project Development Department

Both local and international opportunities and project ideas are meticulously analyzed, and those which are considered viable against the criteria are turned into an investment.

The Investment and Project Development Department is responsible for monitoring and assessing investment opportunities in the real estate sector, performing land and project development activities, assessing new investment offers, fulfilling technical responsibilities of existing real estate and making improvement and renewal investments. Consequently, the department:

- plans the development phase,
- handles land development,
- handles project development,
- creates innovative project financing models,
- assesses new investment offers,
- fulfills technical responsibilities of existing real estate,
- makes improvement and renewal investments for existing real estate,
- controls the decorating activities performed by the tenants,
- monitors the implementation stage of development plans,
- assists in collecting and archiving documents related to existing real estate,
- performs and controls operational cost analyses,
- handles the construction, mechanical, electric-electronic work of investments and real estate,
- performs feasibility studies,
- performs appraisal studies, and controls the fixtures of the real estate.

The development activities are performed considering returns from the projects, as well as their contributions to the portfolio, and acting on the principle of designing spaces fit to human nature and building safe and reliable buildings. Consequently, great emphasis is put on the performance of design, calculation and planning of technical issues (architectural, static, mechanical, electrical, etc.) as they are related to real estate, and ensuring they are executed in an accurate manner and in compliance with legal regulations.

Offers submitted to the Company are reviewed in detail and those which are considered viable are turned into an opportunity. Offers that meet the land selection criteria are inspected on site by our experts and assessments based on observation and experience are submitted to top management. If approval is obtained, feasibility studies are performed after additional necessary information has been gathered. Development studies start for those projects identified to be highly feasible and profitable. With land selection, various issues are meticulously considered, including the zoning status, transportation, visibility, potential to be a center of attraction, ownership, compliance with laws, etc. We also set effective and efficient use analyses for projects expected to proceed into

the development stage; marketing surveys for residence, hotel, office and shopping mall projects; and appraisals for real estate that will be purchased in the future.

Cooperative efforts are carried out by teams that fulfil the technical responsibilities, perform maintenance and repair activities, and make renewal investments, if required, on behalf of the Company in order to keep the real estate in good condition, as well as improve the quality of services provided to the tenants and ensure their satisfaction.

In 2011, priority was given to the development of the Çınarlı Bahçe Residential Project in Tuzla, Istanbul and the Mixe-use Project in Tuzla, Istanbul.

In 2012, we will keep working on the implementation of projects on three parcels of land owned by the Company, with construction being planned within the year.

## Project Application Department

Projects are planned and implemented by an experienced and competent team in line with international project and construction management principles, maintaining high levels of planning and application quality.

The Project Application Department undertakes the management of project and construction activities, starting from the land and project development stages, in coordination with other related units, when required.

In the land development stage, the Project Application Department carries out appropriate and necessary activities in order to turn the undeveloped land - which is owned or to be purchased by the Company, having a precise or planned zoning status - into a usable building lot.

After an investment decision is made following the completion of marketing surveys, the Department carries out the projects in line with decisions on project functions and allocation of spaces, in coordination with the related units.

The Department makes the requirements list to provide input for the project, specifies design criteria, identifies quality standards and specifications in line with project features and calculates estimated costs to provide data for feasibility studies. It assesses expectations about and the balance among land and construction costs, marketing and other expenses, as well as rental and sales incomes. Based on the results of estimated cost and feasibility studies, it assesses the cash flow plan in line with construction management.

In the project development stage, the Department elaborates the project concept, specifies building scale and design criteria and assures long-term achievement of the project. For these purposes, it cooperates with the marketing department and collaborates with commercial consultancy firms, when required, to specify the commercially-appropriate

capacity of the functions of the project, sizes of blocks of rentable or sellable spaces, and the overall allocation of spaces; to assess the concept and define the project criteria that will reinforce and support the architectural design and make it successful and distinctive.

The Department collaborates with project firms of adequate technical competency, which will design the project according to the list of requirements and design criteria, as well as with consultants and companies operating in the main (architecture, statics, mechanics, electrics, etc.) and sub-disciplines (soil engineering, landscaping, façade engineering, fire protection, security, information technology, traffic, lighting, acoustics, music and announcement system, audiovisual systems, signage and graphics), in order to carry out all activities according to local and international standards.

The Project Application Department has the municipal license design drawn up and follows approval and permission procedures at public bodies such as municipalities, title deed offices, etc. and obtains the licenses. In addition to designs and technical documents, it draws up administrative specifications and contracts, identifies contractors with adequate technical and financial competency, and carries out tendering procedures. It controls and coordinates the projects at every stage; carries out post-tender construction and contract management, project control and coordination, quality control, and cost and process control activities; ensures the completion of construction; and performs the acceptance, commissioning, and operational transfer procedures. The department analyzes and interprets the information and reports from

competent and experienced architectures, civil engineers, mechanical engineers, electrical engineers, survey engineers, and technicians and shapes the business plan accordingly.

The Project Application Department participates in studies on the identification of management and operation models to be followed after the completion of the project. In the project development stage, it makes various decisions on the division of blocks, numbering of independent sections, selection of mechanical and electrical systems and equipment, and identification of security systems in cooperation with related units, according to the business model.

In 2011, in addition to other ongoing projects, the Company focused especially on the design of the Çınarlı Bahçe Residential project in Tuzla, Istanbul, the mixe-use project in Tuzla, the Taksim Office Building, and the Bayraklı, İzmir project. The tender process of the Çınarlı Bahçe Residential Project was completed.

In 2012, the Company will have a very busy year, as we aim to complete the designing stage and to proceed to the application stage of these projects.

## Organizational Structure

### Corporate Communications and Marketing Department

Communication activities are managed consistently to support the competitive advantage in order to improve our corporate identity and reputation. Acting on the sustainability principle, the Department also maximizes the occupancy rates and income potential of the Company's real estate portfolio.

The Corporate Communications and Marketing Department is responsible for undertaking marketing activities to provide continuance of the Company's local and international corporate reputation and communication activities, to assess the data and information from the real estate sector to adopt them internally and inform the Company accordingly, and to maximize occupancy rates and income potential of the existing real estate portfolio. Consequently, the Department:

- coordinates corporate communications, public relations, media relations, and advertising activities,
- protects, maintains and manages the corporate prestige and reputation,
- coordinates leasing and sales activities,
- manages post-leasing and sales relations,
- provides and interprets current market information for feasibility studies of potential projects,
- creates the corporate identity of real estate projects, and
- ensures accurate implementation of the Company's corporate identity elements.

In corporate communications, great emphasis is put on managing all activities consistently and in such a manner as to support the competitive advantage in the real estate sector, improve corporate identity, protect the corporate image and reputation, and convey effectively all these communication activities to the media, stakeholders and employees. Consequently, steady relations were maintained with the media all the year round and a great number of reports were made on our projects and financial outlook, as well as our positioning within the sector.

In 2011, in line with our corporate identity, branding and communication activities were carried out on the Çınarlı Bahçe Residential Project, which is under construction. Corporate identity activities were also initiated with the İzmir project. Within the year, we issued four media releases on our projects, resulting in satisfying media coverage. We also attended real estate meetings and fairs with both sponsorships and presence.

In terms of marketing activities, current marketing surveys on the sector were carried out, current occupancy rates were maintained in

our existing real estate, coordinated activities were performed with other units to the satisfaction of our tenants, and leasing activities were continued. In addition, a pricing and marketing plan was drawn out for the Çınarlı Bahçe Residential Project and sales activities began in November 2011. The Department carried out sales activities and achieved a 68% sales rate at year-end. New leasing activities for the planned projects will also be carried out by the Department.

In 2012, in addition to the aforementioned current duties, the Corporate Communications and Marketing Department will focus on communications, branding, sales and leasing activities for the mixe-use project in Tuzla, İstanbul, the office project in Taksim (under construction), and the Bayraklı, İzmir project, planned to be initiated within the year

## Legal Consultancy

The Legal Consultancy Department assumes a strategic role in protecting the Company's interest before the laws and stakeholders.

The Legal Consultancy Department is responsible for taking on legal measures in a timely manner to protect the Company's interests and prevent or settle any conflicts, to inform related departments on procedures and risks in legal issues, and to provide necessary consultancy on legal compliance of all activities and operations. It also ensures consistent legality of the Company's commercial decisions. Consequently, the Department:

- performs legal reviews of potential and existing projects and issue-related reports,
- reviews and draws up all kinds of contracts on leasing, superficies, purchase and sales, construction, work, service, consultancy, license, and real estate preliminary sales,
- follows case files, attends court hearings, and draws up petitions,
- follows title deed procedures,
- arranges and follows execution proceedings with and without judgment,
- issues warnings, protests and letters of undertaking
- provides consultancy on CMB regulations,
- follows closely the regulations, judicial decisions, and precepts and performs legal studies and reviews.

In 2011, in addition to the aforementioned duties, the Legal Consultancy Department also worked on the new Turkish Commercial Code, Code of Obligations, and Code of Civil Justice, which will enter into force in 2012. This was done to make the required amendments and to ensure the compliance of the Company with these new codes.

The most important issue in this process is the lease contracts, leasing being one of the Company's core activities. Contracts were reconstructed pursuant to the new Turkish Code of Obligations and in the best interest of the Company.

In 2011, the Legal Consultancy Department also performed the legal procedures required for the implementation of the Çınarlı Bahçe Tuzla Residential Project, the Mixe-use Project in Tuzla, Istanbul, the Office Project in Taksim, and the Bayraklı, Izmir project, in addition to other ongoing projects. The Department also drew up the construction and real estate preliminary sales contracts. In addition, the Legal Consultancy Department started building the legal infrastructure for the real estate projects planned to be developed

and implemented in Russia in collaboration with Kayı Holding. In the first step, a shareholding agreement was drawn up for the company - NIG - established in the Netherlands with Kayı Holding participating 50/50.

In 2012, the Legal Consultancy Department will continue to make legal arrangements and draw up the contracts of the Company's new projects, as well as ensure their compliance with the new codes.

## Organizational Structure

### Financial and Administrative Affairs Department

In addition to systematic reporting, an effective recording system facilitates instant procurement of information, thus entrusting an active role in strategic decisions.

The Financial and Administrative Affairs Department is responsible for planning the financial activity in line with the strategic objectives of the Company, monitoring activity results and recording them systematically; ensuring that cash flows are utilized to optimal benefit; reporting any information management will need; and providing any information, documents and reports required by the regulations of public authorities.

The Financial and Administrative Affairs Department:

- ensures recognition of activity results pursuant to principles and procedures of related accounting standards,
- issues financial reports required by the regulations of public authorities and discloses them to the related units and the public,
- informs related departments on the follow-up process and status of rent collection,
- pays maintenance and repair costs of the assets, project expenses and overhead expenses, as well as financial liabilities as required by law, after having checked them against related provisions of laws and contracts,
- plans cash flows and implements plans related to the utilization of

- cash inflows with optimal benefit,
- plans the financial need, carries out operational transactions related to loan usage and monitors non-cash loans,
- follows up on amendments in laws related to financial activities and makes the necessary adjustments,
- carries out capital increase and dividend distribution activities pursuant to relevant legal provisions,
- ensures that all transactions with Group companies comply with related legal regulations,
- makes all necessary arrangements for meetings of the Board of Directors, provides monthly reports of any information management may need and records decisions made by Board of Directors,
- selects the appraisal company that will appraise the current value and current rental value of properties in the Company's portfolio within the legal deadlines, according to legal regulations, and makes sure that the company issues and submits the appraiser's report,
- has various programs developed to facilitate the follow-up of tenants, contracts, invoices, debts, guarantees, etc.; ensures their operation and relevancy; and follows the information system process of these programs,
- insures the properties against all

- risks and follows premium payments,
- submits monthly, quarterly and annual tax declarations to related authorities according to governing tax laws.

The Financial and Administrative Affairs Department operated in 2011 in accordance with the duties detailed above. In 2012, in addition to providing continuity in these duties, the Department will focus on adjustments required by the new Turkish Commercial Code.

## Risk Management and Investor Relations Department

The Department systematically and effectively handles the exercise of shareholders' rights, public disclosure and information activities, particularly including procedures regarding the General Assembly meeting and capital increase.

The Risk Management and Investor Relations Department fulfills the following duties under its "Shareholder Relations Unit":

- helps the General Assembly meetings be held pursuant to laws, Articles of Association and other internal regulations,
- provides the documents shareholders may utilize at General Assembly meetings,
- manages capital increase and dividend distribution procedures,
- observes and monitors public disclosure issues, including legal regulations and the Company's Public Disclosure Policy,
- as part of the information and public disclosure procedure, draws up the material event disclosures and shares them with the public via the related official platform; meets any information requests coming from shareholders, analysts, and organizations falling under its area of activity,
- represents the Company in local and international conferences,
- follows up on reports and assessments on the Company stocks; performs analyses and research related to stock values of both the Company, in particular, and the sector, in general,
- updates and monitors the progress

of the investor relations page of the Company web site and materials provided to investors in order to inform them in an effective and timely manner,

- coordinates relations with public authorities with any matters falling under the area of activity of the Shareholder Relations Unit,
- manages relations with rating agencies and the rating procedure,

Under the "Risk Management Unit" the following duties are fulfilled:

- defines, measures, controls and follows the risks integrated within the Company's activities according to the Company's risk policies and within predetermined limits, and reports measurement results to management,
- meets information requests from the shareholders and legal authorities in relation to risk management.

Serving the Company in two important areas, the Financial and Administrative Affairs Department will continue in 2012 to act as a communications bridge between the shareholders and Board of Directors through the activities of the "Shareholder Relations Unit," notably the exercise of shareholder rights

under its "Investor Relations" duty on the one hand, and to minimize perceivable risks and develop effective management systems on the other.

The Financial and Administrative Affairs Department's activities in 2011 are detailed under the section titled "Activities of Shareholder Relations Unit" of this report (page 30).

## Organizational Structure

### Internal Audit and Control Department

In addition to interdepartmental coordination through regular assessments and reviews, a constant information flow is provided on business procedures and risks to the Board of Directors and top management.

The Internal Audit and Control Department fulfills the following duties:

- creates and develops a culture of internal control within the Company,
- assesses the effectiveness and adequateness of the internal control, risk management and corporate governance systems and procedures,
- ensures compliance with laws, internal regulations and policies,
- ensures compliance with limits and monitors any limit excess,
- performs audits and controls on reports submitted to top management via financial reporting systems and assesses business procedures,
- coordinates the activities and responsibilities of all individuals and groups playing a role in the risk management process.

As an auxiliary organ to the Board of Directors and top management, the Internal Audit and Control Department regularly assesses and reviews the Company's risk management and business processes. It investigates the compliance of these processes with the authorities, limits and policies defined by the Board of Directors and Head Office in relation to both transactions and activities, and identifies and reports the reasons of limit excess and noncompliance.

The Internal Audit and Control Department is also responsible for following up, recording and securely storing the Company's correspondence.

In 2011, the Department focused on reviewing all contracts executed by the Company, notably leases, and controlling them in terms of related payment plans, rent increase rates, and reconciliation of letters of guarantee. Furthermore, the Internal Audit and Control Department monitored and audited the sales and construction of the Çınarlı Bahçe Residential Project in Tuzla and the construction of the Taksim Office Project. Another important issue was the performance of activities related to the permission procedure for planned projects on the Company's lands in Tuzla, Kartal and Altunizade.

In 2012, priority will be given to the real estate from which the Company currently receives rental income, as well as the Çınarlı Bahçe Residential Project in Tuzla, İstanbul; the mixe-use project in Tuzla, İstanbul; the Taksim Office Project; and the Bayraklı, İzmir Project. Consequently, the Internal Audit and Control Department plans to focus on the audit and control of these projects to verify their compliance with the governing laws and internal regulations. Moreover, the Department will continue to

strive to improve the effectiveness and efficiency of the Company's business processes.



## Human Resources and Education Department

The Human Resources and Education Department was established in accordance with the importance given to employees, and career and training opportunities are continually introduced.

The Human Resources and Education Department was included into the organizational structure of the Company in 2011 to ensure more effective human resources management. The department undertakes all human resources practices within the Company, including selection and placement, performance management, career planning, remuneration and vested benefits management, training, development, and employee communications. Aiming to improve efficiency and work/life quality, the Department selects and places people from among competent candidates with high potential, who are compliant with the corporate culture and values, and who are open to improvement, according to the "person-job fit" principle.

Promoting continuous training as a tool for creating value for the Company, the Human Resources and Education Department provided 14 individual development programs to employees in 2011.

Our employees' average experience in the sector is 6 years. The need for managers is met internally. Eight employees were promoted in 2011.

### Mission of the Human Resources and Education Department

In keeping with its mission, the Human Resources and Training Department aims to select human resources compliant with the Company's

organizational structure; to provide them with training, development, and education opportunities focused on creating a competitive advantage; and to build a common corporate culture accordingly.

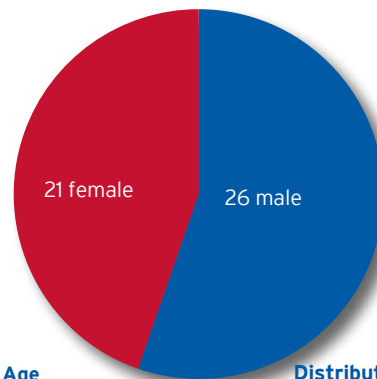
With its proactive and innovative viewpoint, the Human Resources and Education Department plays an active role in the strategic decisions of the Company. With this in mind, the Department adopts a fair style of operation based on achievement and cooperation with other departments..

Those employees who aim to add value to their own position can

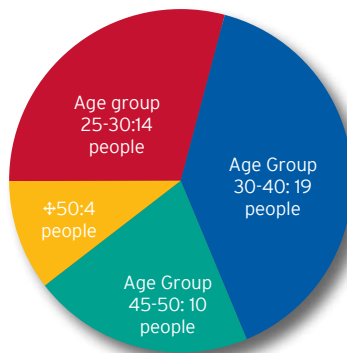
develop themselves and manage their career goals with their managers, taking support from the Human Resources and Education Department. Within this context, "Each employee is the leader of the Future" for the Company. The Human Resources and Education Department is the companion of all employees on this journey.

In 2012, the main objective of the Human Resources and Education Department will be "sustainability in human resources and education."

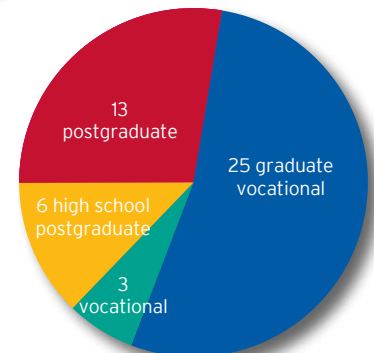
Number of Employees



Distribution by Age



Distribution by Educational Status



## Corporate Social Responsibility

İŞ REIT continued to support industrial development and social solidarity as well as arts and sports in 2010. The Company believes that sustainable growth in all areas is crucial and maintains its mission of creating desirable spaces for contemporary people and cities.

İŞ REIT complies with the law and environmental values during all of its activities, and exercises due diligence with respect to social responsibility. No lawsuits were filed against the Company in 2011 on account of any harm done to the environment.

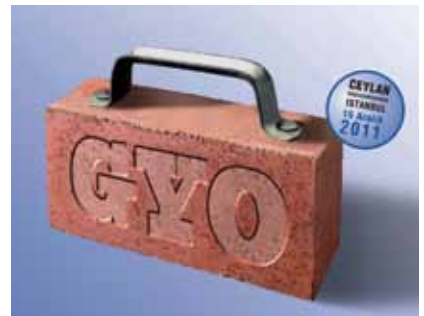
İŞ REIT has taken an active role to assure widespread participation in sports by all demographic segments of society without discriminating between women and men or young and old. The Company sponsored Konak Municipality U17 Women's Soccer Team, which found a place among the top eight teams in the Turkey Championship after eliminating strong rivals in the Aegean Regional tournament and advancing to the finals.

In the third quarter of 2011, İŞ REIT donated TL 30,000 to Somalia within the scope of an aid campaign organized for drought victims in East Africa.

Another project İŞ REIT supported in 2011 was the "Being a Real Estate Investment Trust" conference held on December 15, 2011 by the CMB and GYODER.

The conference offered the opportunity to discuss the significance of REITs for the sector and the country; the importance of having a transparent and corporate structure that is open to the public was also highlighted. In addition, deliberations were made on the urgency to professionalize the real estate sector, and the issues surrounding the sector were debated.

İŞ REIT has opened 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 to carry out publicity activities free-of-charge. The Company extends all necessary cooperation in this area.



## Other Issues

### Changes in the Capital and Shareholding Structure:

At the Board Of Directors meeting held on April 11, 2011, a unanimous decision was made to increase the Company's current issued capital at a rate of 33.333% and by TL 150,000,000, which raises the capital from TL 450,000,000 to TL 600,000,000, on the condition that it remains within the registered capital ceiling of TL 2 billion and acquires the increase from the retained profits from previous years. It was also decided that the shares that will be issued for the capital increase shall be distributed as bonus shares to the shareholders in proportion to their contribution to the Company's capital. Pursuant to the aforementioned decision, the Company applied to the CMB for a capital increase, and the shares that were issued within this scope were entered into Commission records with the CMB resolution numbered GYO.82/487 dated June 1, 2011. Within the scope of the increase, issued shares began to be distributed to shareholders as bonuses and in proportion to their contribution to the Company's capital on June 6, 2011, and the period to exercise the rights was completed on June 8, 2011. Following the Company's receipt of the certificate of registration dated June 21, 2011 regarding the completion of the capital increase, registration of said increase was finalized on July 8, 2011 and was published in the Turkish Trade Registry Gazette numbered 7858 and dated July 14, 2011.

### Changes Regarding Partnership Structure:

Forty-two percent of the Company's issued capital, worth TL 600,000,000, belongs to İsbank, and according to Central Registry Agency (CRA) data dated December 31, 2011, 49% of the Company is publicly traded.

According to CRA data dated December 31, 2011, 294 million of Company shares are considered free floating, and the ratio of these shares to the Company capital is 49%. Settlement figures released on the same date indicate that about 35% of the free floating shares are held by foreign investors (41% on December 12, 2011), and this rate equals nearly 17% of the Company's capital. While showing a decrease in the 2<sup>nd</sup> Quarter of the year, the share of foreign investors in Company capital started to rise in the 3<sup>rd</sup> Quarter and remained even for the rest of the year. Settlement payable amounts from three large institutions that provide

custodian services to foreign investors, as well as the Company shares that are considered to be in actual circulation are taken into consideration when calculating foreign shares in the Company.

### Changes in the Management of Organizational Structure:

Members of the Board of Directors commissioned in 2011 and their resumes are submitted on pages 22 and 23 of this Report.

Aydın Süha Önder and Ali Sözen have been elected to serve until the first General Meeting of Shareholders to succeed Adnan Bali and Mehmet Sırrı Erkan, who resigned from their membership to the Board of Directors during the year.

Following Burak Sezercan's resignation from his post on the Company Audit Board during the term, Şebnem Kurhan Ünlü replaced him after being elected by the other the members of the Audit Board according to Article 352 of the Turkish Commercial Code. During the reporting period, there were no changes in the Company's management and organizational structure that could have a significant effect on the Company's activities.

### Statement on Foreseeable Risks Inherent to Our Activities

The Company's risk management activities are being handled by the "Risk Management and Investor Relations Department" (Risk Agency), which has been in operation since 2005. This Department reports to Company senior management regarding how company-related activities are handled in relation to the Company Risk Policy and to other related internal regulations.

"Company Risk Catalogue," which includes combined risks in parallel with changing and evolving market conditions as well as with Company activities, is updated, new risk types are defined, potential risks are identified and measures are taken in order to prevent risks. These actions allow the Company executives to take necessary measures and develop control systems. The Company invests in real estates as well as in financial market instruments within the scope of portfolio management activities. As of the end of the year, real estate investments make up nearly 94% of the total portfolio investments. These investments may involve the sale of real estates and/or acquisition for the purpose of renting them out, as well as

developing projects for the same goal. The main risk related to these activities is "activity environment" risk.

Within this scope, risks may be outlined as follows; likely changes in legislation and development practices, especially the ones regarding zoning legislation, which is a concern in terms of the Company's activities; a decrease in new investment opportunities related to shrinkage in the real estate market; falling demand for real estate and dropping prices, and other outside factors such as local and/or central authority decisions to make policy and practice changes that may affect the Company's activities.

As of December 31, 2011, financial market investments make up six percent of the total asset value. These investments are made so that the Company's funds can be utilized in the financial markets before they have been channelled into investment expenditures. The risk that is associated with these investments is the "market risk" and it describes the probability of loss as a result of changes in interest rates, exchange rates and share prices. Market risk related to the financial markets is periodically measured within the limits set by the management, and the results are reported to senior management.

Credit risk generally refers to the risk in which counterparties default on their contractual obligations and fail to fulfill them in a timely manner in part or in whole in contracts of which the Company is a part and that are related to selling or acquiring goods or services; thus resulting in financial loss for the Company. In addition, credit risk may mainly arise from receivables of the Company. By the nature of the Company's main activity, rent receivables make up the largest portion of possible receivables. Credit risk is minimized through a scoring system used for qualified and actual tenants, and receivables are guaranteed within the standard determined by the management.

Liquidity risk is defined as the likelihood of loss stemming from insufficient cash on hand or cash flow that is not at a level and nature to meet cash outflows in full or on time as a result of unbalanced cash outflows. The Company utilizes cash resources, which it does not use for projects, in capital market instruments in a manner that fully and timely meets cash outflows; it also pursues concordance with the amounts and maturity dates.

## Principles Regarding the Operation of REITs

### Principles Regarding the Operation of Real Estate Investment Trusts

Some of the principles covered in the "Communiqué on Principles regarding Real Estate Investment Companies" (Serial: VI, No: 11) are presented below:

- Net assets in unconsolidated statements are used as a base when calculating and controlling portfolio limitations of REITs.
- REITs must invest a minimum of 50% of their portfolio values in real estate, in rights based on real estate and in projects based on real estate. REITs may invest a maximum of 50% of their portfolio values in other assets (capital market instruments, cash assets, affiliates, etc.).
- General purpose real estate investment companies are required to diversify their portfolios on the basis of sector, region and real estate, and to manage them for long term investment purposes.
- When selling, renting out or purchasing real estate from/for the portfolio, REITs must consider the appraised values determined by real estate appraisal companies authorized by the CMB.
- REITs are not allowed to be involved in the construction of real estates, and may not recruit personnel and equipment for this purpose.
- REITs may obtain credit amounts up to five times the maximum of their net asset values.

Further details are available on the Capital Markets Board of Turkey (CMB) website, at [www.spk.gov.tr](http://www.spk.gov.tr).

### Amendments Made on the Communiqué on the Principles Regarding Real Estate Investment Companies during the Reporting Period

The "Communiqué Amending the Communiqué on Principles Regarding Real Estate Investment Companies" (Serial: VI, No: 27) was published in the Official Gazette issue number 28008 dated July 28, 2011. Some of the amendments made by this Communiqué are presented below:

- A tri-monthly portfolio table procedure that shows the net asset value was terminated following the announcement of the portfolio table to the public on June 30, 2011.

As of October 30, 2011, portfolio information is provided on the publicly-announced financial reports according to the Communiqué on the Principles of Financial Reporting in Capital Market Serial: VI, No: 29.

- Investment and other activity limitations, which were previously calculated based on the portfolio value, are now calculated based on the "net assets," and information regarding the control of portfolio

limitations are presented in the Annual Report of the Board of Directors.

- The previous investment limit of ten percent on lands and plots, on which no projects were developed within five years of acquisition, has now been set to 20% of total assets according to the new Communiqué.

- Credits that REITs may use have been set to five times the unconsolidated equity according to the new Communiqué. The previous limit was three times the Company's net asset value.

REITs have been given the opportunity to invest in foreign capital market instruments without the condition that it be based on real estate.

#### **Amendments Made on Other Regulations**

The Company has adopted Corporate Governance Principles and takes the necessary measures to comply with them.

Company practices related to Corporate Governance Principles are presented in detail in the "Corporate Governance Principles Compliance Report" section of this report.

"Communiqué on Establishment and Implementation of Corporate Governance Principles" (Serial: VI,

No: 56) was published in the Official Gazette issue dated December 30, 2011.

According to this Communiqué, publicly held corporations whose shares are being traded in the ISE are obligated to comply with some of the articles of the principles, with the exception of the ones that are being traded on the Developing Businesses Stock Exchange Market and on the Watchlist Companies Market.

Publicly held corporations whose shares are being traded on the ISE have been divided into three groups, taking into consideration the market value based on their systemic importance and the market value of their free floating shares. In addition, different obligations have been stipulated for each of the three groups.

İş REIT falls into the third group because its market value is below TL 1 billion, even though the average market value of its free floating shares is TL 250 million within the scope of definitions made in regards to groups.

Since some of the articles of the Corporate Governance Principles are not obligatory for companies that fall into the third group, the Company is not obligated to fulfill some of the articles.

On the other hand, in the case that the Company is upgraded to an upper group as a result of changes in its prices or in the rate of its free floating shares, it shall then be subject to the Corporate Governance Principles relevant to the new group.



İSTANBUL İŞ TOWERS COMPLEX



CLUB MAGIC LIFE KEMER IMPERIAL HOTEL



SEVEN SEAS HOTEL



ANKARA İŞ TOWER



İSTANBUL MASLAK OFFICE BUILDING



LYKIA LODGE KAPADOKYA HOTEL



MALLMARINE SHOPPING CENTER



ANKARA ULUS OFFICE BUILDING



ANKARA KIZILAY OFFICE BUILDING



REAL HYPERMARKET BUILDING



KANYON SHOPPING CENTER



ANTALYA OFFICE BUILDING



SİRKEÇİ OFFICE BUILDING



GÜNEŞLİ OFFICE BUILDING





### The Sources of Rental Income

- İş Towers Complex (Tower-2, Tower-3, Kule Çarşı Shopping Center)
- Ankara İş Tower
- İstanbul Maslak Office Building
- Antalya Seven Seas Hotel
- Marmaris Mallmarine Shopping Center
- Ankara-Ulus Office Building
- Ankara-Kızılay Office Building
- Antalya Office Building
- İstanbul Kanyon Shopping Center
- İstanbul Real Hypermarket Building
- İstanbul Sirkeci Office Building
- İstanbul Güneşli Office Building
- İstanbul Esenyurt-Parcel no: 110 (Marmara Park Shopping Center)
- Nevşehir Lykia Lodge Kapadokya Hotel
- Antalya Club Magic Life Kemer Imperial Hotel

## İstanbul İş Towers Complex

The İş Towers Complex involves the 52-story Isbank Head Office building and the İş Art & Culture Center, in addition to Tower 2, Tower 3 and Kule Çarşı.



## İstanbul İş Towers Complex rises as a masterpiece in the modern architectural literature of Levent, the busiest business and financial hub of the city.

Located right in the center of the Mecidiyeköy-Maslak axis, the İş Towers Complex ( Tower-2, Tower-3, Kule Çarşısı Sopping Center) is comprised of two 34-story office blocks with 27 leasable floors each, as well as the shopping center, Kule Çarşısı, which covers 48 independent units.

Standing out with their sound infrastructure, modern technology and distinctive architectural style, the İş Towers were designed to meet the requirements of the future, all projected in an environmentally-friendly approach.

The tenant mix of İş Towers is composed of prestigious and financially-sound national and foreign companies, each a leader in its respective sector.

Independent sections of the complex are rented out on leases averaging five years.

In addition to Tower 2, Tower 3 and Kule Çarşısı being included in İş REIT's portfolio, the 52-story Isbank Head Office building, an auditorium seating 800, and an art gallery which hosts the activities of the İş Art & Culture Center are also located in the İş Towers Complex.

<b>Location</b>	İstanbul province, Beşiktaş district, 4. Levent quarter
<b>Gross Area</b>	80,124 m <sup>2</sup>
<b>Acquisition Date</b>	1999
<b>Appraised Value (TL)</b>	450,000,000
<b>2011 Rental Income (TL, Excluding VAT)</b>	30,768,448
<b>Ratio of Rental Income to Total Rental Income</b>	30%
<b>Occupancy Rate</b>	100%
<b>Number of Tenants</b>	67
<b>Average Duration of Rental Contracts</b>	5 years

### İstanbul, Land-1

<b>Location</b>	İstanbul-4.Levent, in front of İş Towers
<b>Area</b>	7,613 m <sup>2</sup>
<b>Acquisition Date</b>	1999
<b>Appraised Value (TL)</b>	990,000

Located in 4th Levent in front of İş Towers, the land is included in İş REIT's portfolio.

## Ankara İş Tower

Located in the diplomatic and political heart of the country, Ankara İş Tower served as the head office of Isbank from 1975 until 1999. It is leased to Isbank and the Banking Regulation and Supervision Agency.



## Ankara İş Tower is an architectural concept that exquisitely blends aesthetics and functionality. It was the tallest building in Turkey at the time of its construction.

An office building composed of 3 blocks and 29 stories, Ankara İş Tower initiated the advent of modern buildings and is a symbol in this sense.

The tallest building in Turkey when it was first constructed, Ankara İş Tower is an original and prestigious building with an architectural concept that exquisitely blends aesthetics and functionality.

Planned renovations were performed on the building in 2011.

Located in the diplomatic and political heart of the country, Ankara İş Tower served as the head office of Isbank from 1975 until 1999.

It is leased to Isbank and the Banking Regulation and Supervision Agency.

<b>Location</b>	Ankara province, Çankaya district, Kavaklıdere quarter
<b>Gross Area</b>	26,488 m <sup>2</sup>
<b>Acquisition Date</b>	1999
<b>Appraised Value (TL)</b>	97,000,000
<b>2011 Rental Income (TL, Excluding VAT)</b>	7,240,478
<b>Ratio of Rental Income to Total Rental Income</b>	7%
<b>Occupancy Rate</b>	100%
<b>Number of Tenants</b>	2
<b>Average Length of Rental Contracts</b>	5 years

## Maslak Office Building

The 12-story Maslak Office Building is currently leased to Petrol Ofisi and Isbank.



## The Maslak Office Building enjoys an advantageous status in terms of access and offers a tremendous commercial potential.

Located in Maslak, one of İstanbul's most significant centers of trade and finance, the Maslak Office Building enjoys an advantageous status in terms of access and offers a tremendous commercial potential.

The 12-story Maslak Office Building is currently leased to Petrol Ofisi and Isbank.

<b>Location</b>	İstanbul province, Şişli district, Ayazağa quarter
<b>Gross Area</b>	12,904 m <sup>2</sup>
<b>Acquisition Date</b>	2001
<b>Appraised Value (TL)</b>	49,000,000
<b>2011 Rental Income (TL, Excluding VAT)</b>	3,385,277
<b>Ratio of Rental Income to Total Rental Income</b>	3,3%
<b>Occupancy Rate</b>	100%
<b>Number of Tenants</b>	2
<b>Average Duration of Rental Contracts</b>	5 years

## Seven Seas Otel

Situated on the shores of Lake Titreyen, this 5-star resort is operated by Magic Life.





## Our beachside 5-star hotel is located in an exceptional area of Antalya and draws thousands of domestic and international tourists each year.

The Seven Seas Hotel is a seaside resort with 366 rooms and 861 beds, located near Lake Titreyen in Antalya.

Outdoor renovation works were performed in the building in 2011.

Situated along a natural wonder, Lake Titreyen is located in an area with facilities that appeal to upper-income tourists. The Hotel is operated by Magic Life, a leading European tour operator.

Surrounded by historical sites and natural beauties, the area represents a high development potential in tourism as well as a high commercial value.

<b>Location</b>	Antalya province, Manavgat district, Sorgun village, Lake Titreyen locality
<b>Gross Area</b>	52,699 m <sup>2</sup>
<b>Acquisition Date</b>	2001
<b>Appraised Value (TL)</b>	75.950.000
<b>2011 Rental Income (TL, Excluding VAT)</b>	7.138.683
<b>Ratio of Rental Income to Total Rental Income</b>	7%

## Marmaris Mallmarine Shopping Center

The first modern shopping center in Marmaris.



## With a selection of exclusive stores, this facility fills a major gap in one of the most significant tourism centers in Turkey.

Mallmarine was the first modern shopping center in Marmaris, one of Turkey's most important tourist destinations.

Mallmarine serves both the local population and visiting tourists with a mixture of tenants, who have been selected according to the characteristics, demands and needs of the area.

<b>Location</b>	Muğla province, Marmaris district, Kemeraltı quarter, Atatürk Street
<b>Gross Area</b>	3,172 m <sup>2</sup>
<b>Acquisition Date</b>	2001
<b>Appraised Value (TL)</b>	11,400,000
<b>2011 Rental Income (TL, Excluding VAT)</b>	497,163
<b>Ratio of Rental Income to Total Rental Income</b>	0,5%

## Ankara-Ulus Office Building

A symbolic landmark of Ulus, Ankara for 88 years, this building is rented to Isbank.



## A pillarstone of Isbank's history, it still remains as a significant building today.

A centrally-located office building in Ulus, this building offers commercial development potential and is a symbolic landmark that has been carefully preserved from past to present.

Built in 1924, the Ulus Building formerly served as Isbank's second head office and is as architecturally exceptional as it is commercially valuable. The building has been rented out to Isbank on a 15-year lease.

<b>Location</b>	Ankara province, Altındağ district, Ulus quarter
<b>Gross Area</b>	6,194 m <sup>2</sup>
<b>Acquisition Date</b>	2004
<b>Appraised Value (TL)</b>	24,300,000
<b>2011 Kira Geliri (KDV Hariç)</b>	3,008,240
<b>2011 Rental Income (TL, Excluding VAT)</b>	2.9%
<b>Ratio of Rental Income to Total Rental Income</b>	100%
<b>Occupancy Rate</b>	1
<b>Number of Tenants Average</b>	
<b>Length of Rental Contracts</b>	15 years

## Ankara-Kızılay Office Building

Located in the commercial heart of Kızılay in Ankara, this office block has been rented out to Isbank on a 15-year lease.



## The office building in Kızılay offers strong commercial potential.

Located in Kızılay, Ankara's center for business and trade, the office block offers tremendous commercial potential. It has been rented out to Isbank on a 15-year lease.

<b>Location</b>	Ankara province, Çankaya district, Kızılay quarter
<b>Gross Area</b>	5,175 m <sup>2</sup>
<b>Acquisition Date</b>	2004
<b>Appraised Value (TL)</b>	21,300,000
<b>2011 Rental Income (TL, Excluding VAT)</b>	2,533,305
<b>Ratio of Rental Income to Total Rental Income</b>	2.5%
<b>Occupancy Rate</b>	100%
<b>Number of Tenants</b>	1
<b>Average Length of Rent Contracts</b>	15 years

## Antalya Office Building

The Antalya office building has been rented out to Isbank on a 15-year lease.





## A modern building in Antalya, one of the cities in Turkey offering great business opportunities.

Central located in an easily accessible area of Antalya with tremendous commercial development potential, the office building boasts modern features.

The Office Building has a high commercial value and has been rented out to Isbank on a 15-year lease.

<b>Location</b>	Antalya province, Merkez district
<b>Gross Area</b>	3,353 m <sup>2</sup>
<b>Acquisition Date</b>	2004
<b>Appraised Value (TL)</b>	13,650,000
<b>2011 Rental Income (TL, Excluding VAT)</b>	1,267,127
<b>Ratio of Rental Income to Total Rental Income</b>	1.2%
<b>Occupancy Rate</b>	100%
<b>Number of Tenants</b>	1
<b>Average Length of Rental Contracts</b>	15 years

## Kanyon Shopping Center

A symbolic building of contemporary shopping, Kanyon Shopping Center offers the joy of being in open air, providing a feeling of walking along the streets of İstanbul to enjoy a free and pleasant shopping experience.



## Located in the commercial heart of Istanbul right in the middle of transportation networks, Kanyon Shopping Center remains the trendsetter in shopping with a selection of exclusive stores and a high-quality service concept.

Taking its place among the world's most prestigious shopping centers, Kanyon Shopping Center is located in Levent, İstanbul.

With the goal of establishing itself as the new heart of the city, Kanyon Shopping Center houses 134 stores, one gourmet supermarket, 9 cinemas, restaurants, cafés, bars, and a sports and wellness center, as well as indoor and outdoor swimming pools, all across its four stories covering an area of 38,940 m<sup>2</sup>.

Kanyon Shopping Center presents a unique combination of the finest brands in Turkey and the world.

In keeping with the target of strengthening its competitive edge, Kanyon aims to perform a series of improvements: making itself more accessible by developing the surrounding streets through the V2.0 project, enhancing customer comfort and satisfaction throughout the shopping center, increasing efficiency in rentable spaces and consolidating the combination of its brands.

With an architectural concept that masterfully blends water, greenery and natural materials in an artistic perspective, Kanyon Shopping Center offers the joy of being in open air, providing a feeling of walking along the streets of İstanbul and enjoying a free and pleasant shopping experience.

The project began in mid-2011 and is planned for completion within two years, by the first half of 2013.

<b>Location</b>	İstanbul province, Şişli district, Levent quarter
<b>Gross Area</b>	38,940 m <sup>2</sup> *
<b>Opening Date</b>	May 31, 2006
<b>Appraised Value (TL)</b>	315,000,000
<b>2011 Rental Income (TL, Excluding VAT)</b>	21,491,865*
<b>Ratio of Rental Income to Total Rental Income</b>	20.9%

\* In the shopping center, İŞ REIT holds title to an area of 19,470 m<sup>2</sup>, which serves as the basis for the calculation of appraised value and rental income.

## Real Hypermarket Building

Offering easy access and a wide variety of choices, the market is operated by Real.



## The Real Hypermarket Building offers comfortable and convenient shopping environment in one of İstanbul's fastest-growing trade centers.

The hypermarket building is located in Esenyurt, a rapidly-growing commercial district of İstanbul, and is operated by the world-famous Real.

A Metro Group company operating in the retail sector, Real is part of the Turkish holdings of SB Warenhaus Holding GmbH.

Developed by İŞ REIT, the hypermarket building opened for service on August 15, 2007.

<b>Location</b>	İstanbul province, Esenyurt district, Yakuplu locality
<b>Project Area</b>	109 parcel
<b>Gross Area</b>	53,479 m <sup>2</sup>
<b>Opening Date</b>	2007
<b>Appraised Value (TL)</b>	72,500,000
<b>2011 Rental Income (TL, Excluding VAT)</b>	4,145,098
<b>Ratio of Rental Income to Total Rental Income</b>	4%

## Sirkeci Office Building

Situated in İstanbul's traditional heart of commerce and trade, this building offers great business potential.



The 6-story office building, with an area of 4,170 m<sup>2</sup>, is situated in the traditional heart of commerce and trade, in an area of Istanbul with massive commercial potential.

The Sirkeci Office Building has been rented out to Isbank on a 15-year lease.

<b>Location</b>	Istanbul province, Fatih district, Sirkeci quarter
<b>Leasable Area</b>	4,170 m <sup>2</sup>
<b>Acquisition Date</b>	2008
<b>Appraised Value (TL)</b>	27,600,000
<b>2011 Rental Income (TL, Excluding VAT)</b>	2,426,518
<b>Ratio of Rental Income to Total Rental Income</b>	2.4%
<b>Occupancy Rate</b>	100%
<b>Number of Tenants</b>	1
<b>Average Length of Rental Contracts</b>	15 years

## Güneşli Office Building

The center of Isbank operations.





## Located just 6 km. from İstanbul Atatürk Airport, this building has been rented out to Isbank on a 15-year lease.

The 5-story office building has an area of 20,805 m<sup>2</sup> and is just 6 km, from İstanbul Atatürk Airport. It has been rented out to Isbank on a 15-year lease.

The building is currently used by Isbank as an Operation Service Building.

<b>Location</b>	İstanbul province, Küçükçekmece district, Halkalı quarter
<b>Leasable Area</b>	20,805 m <sup>2</sup>
<b>Acquisition Date</b>	2008
<b>Appraised Value (TL)</b>	39,000,000
<b>2011 Rental Income (TL, Excluding VAT)</b>	4,152,267
<b>Ratio of Rental Income to Total Rental Income</b>	4%
<b>Occupancy Rate</b>	100%
<b>Number of Tenants</b>	1
<b>Average Length of Rental Contracts</b>	15 years

## İstanbul Esenyurt Parcel no: 110 (Marmara Park Shopping Center)

One of the largest  
shopping centers in  
Europe.



## The first ever galaxy-themed shopping center in Istanbul, Marmara Park is planned for opening in 2012-2013.

The superficies right to the real property registered under parcel no 110 has been transferred to ECE/GGP Gayrimenkul, İnşaat ve Geliştirme A.Ş., which will develop a "regional shopping center" on the land.

Within the scope of the agreement, concerning the transfer of the superficies right, approximately USD 5 million per year is generated in "rental income on the superficies right."

The Marmara Park Shopping Center will be built on the plot as one of the largest of its kind in Europe, and it will encompass a nearly 100,000m<sup>2</sup> gross leasable area and a parking lot for around 4,000 cars.

Poised to be İstanbul's first galaxy-themed shopping center, Marmara Park will be home to more than 250 stores, a giant hypermarket, a large electronics store, cinema, amusement park and ready-to-wear shops.

With 4 million people residing in its sphere of attraction, Marmara Park is slated for opening in 2012 or 2013.

<b>Location</b>	Esenyurt
<b>Gross Area</b>	62,343,69 m <sup>2</sup>
<b>Appraised Value (TL)</b>	79,250,000
<b>2011 Rental Income (TL, Excluding VAT)</b>	9,256, 679
<b>Ratio of Rental Income to Total Rental Income</b>	9%

## Lykia Lodge Kapadokya Hotel

Offering exclusive vacation, meeting and accommodation in Cappadocia.



## Lykia Lodge offers choices for leisure, entertainment and local flavors in the exceptional beauty of Cappadocia.

The 4-star Lykia Lodge Kapadokya Hotel in Cappadocia is an internationally-acclaimed attraction with 146 rooms and a 291 bed capacity.

Lykia Lodge combines the unique and captivating environment of the area with comfort and stands out with its exclusive architecture.

Renovations were performed in the hotel rooms and in general areas in 2011, with rooms being refurbished with the new concept.

Offering the local delicacies of Cappadocia in one outdoor and one indoor restaurant, Lykia Lodge also offers its guests a wide variety of activities to choose from: activities specific to the region; sports activities including basketball, volleyball, tennis on quartz sand courts, mini football, billiards and table tennis; and swimming pools and orchards.

The Lykia Lodge Conference Center responds to meeting and accommodation requirements with a modern and innovative approach.

Equipped with a flawless infrastructure and technology, the Conference Center offers ideal conditions, with a meeting room that can be divided into two sections, a small-sized meeting room, two other commodious meeting rooms that can seat 40 people, as well as a gala and meeting hall.

Lykia Lodge has been rented out to its existing operator Silkar Turizm on a 12-year lease.

<b>Location</b>	Uçhisar, Nevşehir
<b>Gross Area</b>	28,827 m <sup>2</sup>
<b>Acquisition Date</b>	2010
<b>Appraised Value (TL)</b>	18,250,000
<b>2011 Rental Income (TL, Excluding VAT)</b>	1,359,407
<b>Ratio of Rental Income to Total Rental Income</b>	1.3%

## Club Magic Life Kemer Imperial Hotel

Offering comfortable rooms, a range of bar and restaurant choices as well as different activities.



## Located right on the beach in Kemer's natural beautiful surroundings, Club Magic Life Kemer Imperial Hotel offers unmatched vacation opportunities.

Club Magic Life Kemer Imperial Hotel is located in Kemer, Antalya, one of Turkey's tourist attractions with a worldwide reputation.

Positioned between a wide stretch of beach and pine forests, the Hotel commands a spectacular view and provides its guests with unrivaled accommodation service.

Fulfilling the expectations of any sea or watersport aficionado, the resort is highly popular among Turkish and foreign visitors with its comfortable rooms, rich selection of bars and restaurants, and wide span of activities on offer.

Composed of 168 rooms, 40 suites, 6 apart villas and 24 bungalows on an area of 35,250 m<sup>2</sup>, Club Magic Life Kemer Imperial Hotel has a total capacity of 576 beds.

The Hotel has been rented out to Magic Life Der Club International Turizm Hizmetleri A.Ş., a company under TUI, on a 10-year lease with a starting lease of Euro 1.75 million for the first year, excluding VAT.

<b>Location</b>	Kemer, Antalya
<b>Area</b>	17,822 m <sup>2</sup>
<b>Acquisition Date</b>	2010
<b>Appraised Value (TL)</b>	44,450,000
<b>2011 Rental Income (TL, Excluding VAT)</b>	4,072,265
<b>Ratio of Rental Income to</b>	
<b>Total Rental Income</b>	4%

# Ongoing and Planned Projects and Lands

## Ongoing Projects

- İstanbul Tuzla Çınarlı Bahçe Residential Project
- İstanbul Taksim Office Project

## Planned Projects

- İzmir Bayraklı Project
- İstanbul Tuzla Mix-use Project (Technology & Operation Center - Office /Hotel / Commercial Area)
- Russia Project

## Lands

- The land in front of the Office Towers in 4. Levent, İstanbul (7,613 m<sup>2</sup>),
- The land in Üsküdar (32,081 m<sup>2</sup>)
- The land in Kartal (77,327 m<sup>2</sup>)
- The lands in Esenyurt with parcel numbers 102 and 103 (747.3 m<sup>2</sup>)





Istanbul Tuzla Çınarlı Bahçe Residential Project



Istanbul Tuzla Mix-use Project  
(Technology & Operation Center - Office / Hotel / Commerical Area)



# Ongoing Projects

## İstanbul Tuzla Çınarlı Bahçe Residential Project



The Çınarlı Bahçe Residential Project is being built on a 41,000m<sup>2</sup> area with 476 units in İstanbul's rapidly improving Tuzla district

Another distinctive feature of the project is the Feyziye Mektepleri Foundation, Private Çınarlı Bahçe Işık Preschool.

The project aims to fulfill the housing needs of İsbank employees who will be working in the Technology and Operation Center as well as the needs of the people residing around Tuzla.

Planned with meticulous attention to every detail and with a modern architectural perspective, Çınarlı Bahçe offers all the grandeur of "A new life in İstanbul."

The project is made up of low story blocks integrating green areas with water, providing the residents plenty

of oxygen and a well-landscaped design in a protected woods area.

The Residential project will be established approximately three kilometers from the E-5 and the newly planned Tuzla Marina project, and it will be built with high standards and a unique architecture.

The apartments are projected to be handed over to the Çınarlı Bahçe project in August 2013. The project is contracted by Mesa Mesken Sanayii A.Ş. and sales began the end of October 2011.

The ground-breaking ceremony was held on December 27, 2011 with the participation of authorities and numerous members of the press.

Sales for the project are continuing and 68% have already been sold.

- Land Area: 40,983 m<sup>2</sup>
- Total Gross Area: 90,014 m<sup>2</sup>
- Design and Architecture: DS Mimarlık
- Construction Start Date: December 2011
- Sales Start Date: 4<sup>th</sup> Quarter of 2011
- Delivery Date: August 2013



### Tuzla'da 3 projeye, 3 yılda 300 milyon dolar yatıracak

İŞ GYO'nun, Tuzla'daki 476 ünitelik konut projesi Çınarlı Bahçe'nin terzisi anıldı. Çınarlı Bahçe'yi İŞ Bankası için yapıyor. "Teknoloji ve Operasyon Merkezi" ile AVİM, ofis ve ofislerden oluşacak karma projeye başlayacak. Turgay Tanes, "Tuzla'ya 3 yılda 300 milyon dolar yatıracak" dedi.



2 ayda %65'i satıldı

**Tüketici daha temkinli olacak**  
TURGAY Tanes, 2012 yılını geçen yılın en zorlu yıllarından biri olarak değerlendiriyor. "Tüketici son dönemde temkinli olacak" dedi. Tanes, "Tüketici son dönemde temkinli olacak" dedi. Tanes, "Tüketici son dönemde temkinli olacak" dedi.

**Sosyal konut da istiyoruz**  
Çınarlı Bahçe Tuzla'taki ilk sosyal konut projesi olacak. Tanes, "Sosyal konut da istiyoruz" dedi.

### İŞ GYO Tuzla'ya çıkarma yapıyor

Tuzla'da ilk kez sosyal konut projesi yapılacak. Çınarlı Bahçe Tuzla'daki ilk sosyal konut projesi olacak. Tanes, "Sosyal konut da istiyoruz" dedi.

### Tuzla'ya 300 milyon dolar yatırıyor 5 bin İŞ Bankası çalışanı taşınıyor

İŞ Bankası'nın Tuzla'daki ilk sosyal konut projesi olacak. Tanes, "Sosyal konut da istiyoruz" dedi.



100 milyon lirası gelir hedefleniyor. Tanes, "100 milyon lirası gelir hedefleniyor" dedi.

### Konutların yüzde 27'sini İbank'a parayla aldı

İbank'ın Çınarlı Bahçe projesine yatırım yapması, projenin hızlanmasına yardımcı oldu. Tanes, "İbank'ın Çınarlı Bahçe projesine yatırım yapması, projenin hızlanmasına yardımcı oldu" dedi.



### İŞ GYO, Tuzla'da konuta hızlı girdi

İŞ GYO'nun Tuzla'daki ilk sosyal konut projesi olacak. Tanes, "Sosyal konut da istiyoruz" dedi.

We carry out our investment strategy by dividing the risk rationally and by diversifying our portfolio.

### **İstanbul Taksim Office Project**

dividing the risk rationally and by diversifying our portfolio. İstanbul Taksim Office Project İstanbul remains the center of office space in our country with the potential it presents.

Despite the fact that office spaces are mainly located on the route defined as the "Central Business Area" around Taksim, where demand is always high, there still exists a potential for new offices. There is growing demand that needs to be answered in the Taksim area, where modern and high-quality office buildings in particular are in short supply. Accordingly, the Company has taken into consideration the great potential offered by the Taksim district of İstanbul and has purchased a centrally-located property with a land area of 578.72 m<sup>2</sup>. The property, located between Cumhuriyet and Lamartin streets, has been demolished and construction is now underway to build a first-class office building, which will take advantage of the shortage of this type of building

in this area. The plan is to generate an annual rental income of \$1.13 million from these first class office buildings.

Leasing activities are currently taking place for the project, which is expected to start operations with a 100% occupancy rate following its completion. The project was started as of the end of 2011 after the old building was demolished.

The project is planned for completion in one and half years at the most and is set to become one of the landmark buildings in the area with its central location and distinctive architecture.

- Land Area: 578.72 m<sup>2</sup>- Total Gross Area: 4,397 m<sup>2</sup>
- Total Leasable Area: 3,184 m<sup>2</sup>
- Design and Architecture: PEMA Mimarlık
- Construction Start Date: December 2011
- Lease Start Date: 1<sup>st</sup> Quarter of 2012
- Delivery Date: 1<sup>st</sup> Quarter of 2013

## **Planned Projects**

### **İstanbul Tuzla Mix-use Project (Technology & Operation Center/ Commercial Area / Office / Hotel)**

On November 26, 2010, İŞ REIT purchased two plots of land with areas of (I) 42,114.39 m<sup>2</sup> and (II) 20,375.87 m<sup>2</sup>, respectively, for a price of TL 53.6 million for the purpose of developing a project in the Tuzla district and Merkez quarter of İstanbul. A Technology and Operations Center is planned

for development on lot (I) within 30 months to fulfill the needs of İsbank. A lease with a 25-year term was signed with İsbank. Rental income on investment that will be calculated based on the total development cost is projected to be in the region of 10.5%. A complementary mix-use project is planned on plot no (II) with a variety of commercial units.

The project will be developed in Tuzla, which is on the eastern border of İstanbul. This project has emerged

due to a desire to develop a 21<sup>st</sup> Century campus plan in which all functional disciplines are efficiently used, with corporate environments and public spaces being combined as well. Recently, many companies have started to move their headquarters and operation departments to Tuzla and the surrounding areas. This fact has played a major role in the development of this area and has turned this region into a center of attraction. Accordingly, we feel that our project will be instrumental in the growth of Tuzla as a result of its successful, modern and efficient construction.

The project will be developed on two lots, with the first lot allocated for an Isbank Operation Center, an information technologies and data center as well as training facilities and an accommodation area; an adjacent smaller second lot will house first-class office buildings, a hotel and a shopping area. In order to establish a continuity between the lots, a single central plaza area will be created that will act as a meeting point for employees and visitors alike.

### TECHNOLOGY and OPERATION CENTER

- Land Area: 44,395 m<sup>2</sup>
- Total Gross Area: 173,250 m<sup>2</sup>

### COMMERCIAL CENTER

- Land Area: 21,305 m<sup>2</sup>
- Total Gross Area: 93,484 m<sup>2</sup>
- Design and Architecture: SOM (Skidmore Owings Merrill LLP) Design Group
- Construction Start Date: 2012
- Lease Start Date: 2<sup>st</sup> Quarter of 2012
- Delivery Date: 3<sup>rd</sup> Quarter of 2014

### İzmir Bayraklı Project

The mixe-use project will be developed in Bayraklı, an emerging area of İzmir, and will be built on a 18,392m<sup>2</sup> lot. Emre Arolat's architectural concept is set to deliver a unique living space for the people of İzmir with this development, which is going to house a semi-indoor shopping center with an approximate leasable area of 30,000 m<sup>2</sup>, and housing blocks with a nearly 28,000m<sup>2</sup> area for sale.

The investment value of the development is projected to be around \$150 million. The project is going to be developed on a 18,392m<sup>2</sup> area facing Ankara Street on the south side of the court house in Bayraklı. It will be located in a noteworthy location where four city highways meet. The project is in an area being conveyed as the new city center; it is poised to act as a bridge between Karşıyaka and Konak, two major axes of the city.

With its location in a newly-developed area that is open to growth, this project provides solutions for various needs as it houses both two towers (homes / home-offices) and a shopping center.

The Project's 45-29 story housing and home office will have a total of 176 units encompassing 16 different types, varying between 85m<sup>2</sup> and 410m<sup>2</sup>. The İŞ REIT İzmir Project is expected to come to the fore as a valuable investment with its quality, unique architectural structure, green areas and lively view of the bay.

- Land Area: 122,561 m<sup>2</sup>
- Total Gross Area: 18,392 m<sup>2</sup>
- Design and Architecture: Emre Arolat Mimarlık
- Construction Start Date: 2012
- Sales Start Date: 2012
- Delivery Date: 2014

### Russia Project

Having increased its weight in the tourism and hotel sector by adding two hotel investments to its portfolio last year, the company continues to explore new projects in order to take advantage of potentials abroad. Accordingly, in order to determine and evaluate collaboration possibilities in hotels and other commercial investments within the borders of the Russian Federation, and to expand the variety and profitability of our portfolio by investing abroad, talks were held with Kayı Holding A.Ş., which has been operating in the construction sector in Russia since 1998. Negotiations started in the first quarter of the year and resulted in signing a "Shareholders' Agreement" with the company in the second quarter of the year. Within the scope of the signed contract, and for the purpose of investing in real estate projects that will be developed with the borders of the Russian Federation, we have set up a new company with Kayı Holding A.Ş. in the Netherlands under the title of "Nest in Globe (NIG) B.V. (Limited Liability Company) and as a founding partner, participated in the company's capital with a 50% share. Works regarding the joint investment are underway. This initiative by the Company is crucial as it is the first of its investments abroad; this enterprise is also significant as it displays İŞ REIT's desire to show its presence as an investor not only within the borders of the country, but also in every region where opportunities present themselves.

## Dividend Policy

The Dividend Policy of the Company is presented below:

Our main contract states the principle of distributing primary dividend from attributable profit at a rate and amount determined by the CMB. Profit appropriation proposals presented by our Board of Directors take into account:

1. The importance of maintaining the balance between expectations of the shareholders and the Company's need for growth,
2. Profitability of the Company

Accordingly, the Company has adopted a dividend policy to propose to the General Assembly that at least 30% of the attributable profit be distributed as stock or cash.

The dividend proposal of the Board of Directors is deliberated during the General Assembly in order to decide whether profits will be distributed, and if so, how and when this will be done.

There are no privileges concerning participation in the Company's profit, and dividend distribution is carried out within the legally-prescribed period of time.



## Profit Distribution Table

According to the the financial statements prepared in keeping with the "Capital Market Board Communiqué on Capital Market Accounting Standards," the Company's net profit for the period as of December 2011 is TL 66,953,531; the net profit in the legal records maintained according to the Tax Procedures Law is TL 58,331,846.14.

According to 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 that the net profit distribution of TL 30,000,000.00 in cash will be submitted to the General Assembly of shareholders for approval.

İŞ REAL ESTATE INVESTMENT TRUST CO. 2011 Profit Distribution Table (TL)			
<b>1. Paid-in/Issued Capital</b>		600,000,000.00	
<b>2. Total Legal Reserves (based on legal records)</b>		18,400,021.07	
<b>If there are privileges for dividends according to the Articles of Association, information regarding these privileges:</b>		There are no privileges for dividends.	
		<b>Based on CMB</b>	<b>Based on Legal Records</b>
<b>3.</b>	<b>Period Profit</b>	67,084,217.00	58,331,846.14
<b>4.</b>	<b>Taxes Payable (-)</b>	130,686.00	0.00
<b>5.</b>	<b>Net Period Profit (=)</b>	66,953,531.00	58,331,846.14
<b>6.</b>	<b>Prior Period Losses (-)</b>	0.00	0.00
<b>7.</b>	<b>First Legal Reserve (-)</b>	2,916,592.31	2,916,592.31
<b>8</b>	<b>NET DISTRIBUTABLE PERIOD PROFIT (=)</b>	64,036,938.69	55,415,253.83
<b>9.</b>	Donations Made during the Year (+)	30,000.00	
<b>10.</b>	<b>Net Distributable Term Profit including Donations, based on which First Dividend will be Calculated</b>	64,066,938.69	
<b>11.</b>	First Dividend to Shareholders	30,000,000.00	
	- Cash	30,000,000.00	
	- Bonus	0.00	
	- Total	30,000,000.00	
<b>12.</b>	Dividends for Preferred Shares	0.00	
<b>13.</b>	Dividends for Board Members, Employees, etc	0.00	
<b>14.</b>	Dividends for Redeemed Shares	0.00	
<b>15.</b>	Second Dividend for Shareholders	0.00	
<b>16.</b>	Second Legal Reserves	0.00	
<b>17.</b>	Statutory Reserves	0.00	
<b>18.</b>	Special Reserves	0.00	
<b>19.</b>	<b>EXTRAORDINARY RESERVES</b>	34,036,938.69	25,415,253.83
<b>20.</b>	<b>Other Sources for Distribution</b>	0.00	0.00
	- Prior Period Profit		
	- Extraordinary Reserves		
	- Other Reserves Distributable in Accordance with the Law and Articles of Association		

INFORMATION ON DIVIDEND RATIO				
INFORMATION ON EARNINGS PER SHARE				
	GROUP	TOTAL DIVIDENDS (TL)	DIVIDENDS PER SHARES WITH A NOMINAL VALUE OF TL 1 EACH	
			AMOUNT (TL)	RATIO (%)
GROSS	A	42,857.14	0.05000	5.00
	B	29,957,142.86	0.05000	5.00
	TOTAL	30,000,000.00		
NET (7)	A	42,857.14	0.05000	5.00
	B	29,957,142.86	0.05000	5.00
	TOTAL	30,000,000.00		
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 (%)		
30,000,000		46.83		

## İş Real Estate Investment Trust Co.

### Statutory Auditors' Report

#### Statutory Auditors' Report prepared in accordance with the requirements of the Turkish Commercial Code

Trade name	İş Gayrimenkul Yatırım Ortaklığı A.Ş.
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 estate, 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 next annual general assembly meeting. They are not partners of the Company.

#### The number of Board of Directors meetings held and the number of times the statutory auditors formally convened: 12 (Twelve)

#### Scope, date and conclusion of examinations performed on the Company's account books and documents:

The Company's legal books of accounts and documents were examined in June and December, and it was concluded they were in accord with the records.

#### The number of cash counts performed at the Company cashier's office according to Article 353, Clause 1, Subparagraph 3 of the Turkish Commercial Code, and conclusions reached:

Two cash counts were performed at the Company's cashier office in 2011 according to legal requirements. Recorded and actual cash balances conformed to the books of account.

#### Dates of inspections performed according to Article 353, Clause 1, Subparagraph 4 of the Turkish Commercial Code, and conclusions reached:

Following monthly inspections to check whether all negotiable instruments were present, our panel concluded that that they conformed to the records.

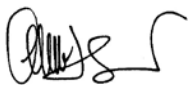
#### Complaints or corruption charges that were received, and actions taken in this regard:

No complaints or corruption charges were received.

We have inspected the accounts and transactions of **İş Gayrimenkul Yatırım Ortaklığı A.Ş.** for the period between January 1, 2011 and December 31, 2011 for compliance with the requirements of the Turkish Commercial Code, the Company's Articles of Association, relevant laws and regulations as well as generally accepted accounting principles and standards.

In our opinion, the enclosed balance sheet for the period issued on December 31, 2011, the contents of which we certify, accurately reflects the true financial standing of the Company on this date; the income statement for the period between January 1, 2011 and December 31, 2011 accurately and truly reflects the results of business activities during the same period; the proposed distribution of profits is in compliance with legal requirements 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.



Erdal İnceler

STATUTORY AUDITORS



Murat Doğan



Şebnem Kurhan Ünlü



## İş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

#### Statement of Compliance with Corporate Governance Principles

In 2011, the Company paid utmost attention to comply with Corporate Governance Principles under the main headings of "Shareholders," "Public Disclosure and Transparency," "Stakeholders" and "Board of Directors;" in addition, it continued its efforts to develop and further improve the implementation of the foregoing principles by the Company during the reporting period.

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

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

#### PART I - SHAREHOLDERS

##### 2. Shareholder Relations Unit

"Risk Management and Investors Relations Department" has been operating as the "Shareholder Relations Unit" since its inception in 2005.

The Shareholder Relations Unit has effectively and systematically managed, particularly activities regarding the general assembly meeting and capital increase, in addition to activities related to practicing shareholders' rights, as well as public disclosure and providing information.

Contact details for the Risk Management and Investor Relations Department (Shareholder Relations Unit) are provided below:

Name	Phone	Email
Ayşegül Şahin Kocameşe Manager	+90-212-325 23 50 Extension: 204	investorrelations@isgyo.com.tr
Mine Kurt Supervisor	+90-212-325 23 50 Extension: 209	
Sercan Şafak Assistant Specialist	+90-212-325 23 50 Extension: 239	

In 2011, the company continued to attract domestic and foreign investors with its current portfolio as well as with the projects that are being developed. One-on-one meetings were held with institutional and individual investors as well as with portfolio managers and analysts of investment companies; the number of people that were met within the scope reached nearly 100. In addition to privately-conducted meetings at Company headquarters, the unit also participated in seven investor conferences, two of them having taken place within the country. Apart from these activities, teleconferences were held as required, and trips were organized to promote properties in the portfolio.

##### 3. Exercising Shareholders' Right to Obtain Information

Nearly 200 information requests were answered by the Shareholder Relations Unit throughout the year, most of them by email. The Company handled comprehensive information requests from various domestic, foreign, individual and corporate investors in a multi-faceted and detailed manner, observing particularly the legislation and Company's Disclosure Policy, as well as all other considerations relating to public disclosure. Information requests from

## İş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

institutional investors accounted for about 80% of total requests, with the remaining 20% coming from individuals.

The questions posed at investor meetings and information requests received by the Shareholder Relations Unit were mostly about the Company's financial statements, rental income, strategies for the future and the dividend policy. Matters that drew the most interest regarding projects were developments during the licensing process, start dates and especially proposed revenues from projects currently being sold and their sales performances. The Shareholder Relations Unit consistently keeps the necessary records regarding written and oral information requests and regarding the responses provided to them.

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 that have been made through the Public Disclosure Platform (KAP) are prepared in Turkish and English to be 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. Likewise, within the scope of research conducted by universities and different public institutions, information requests and surveys from these groups are answered and their work is supported.

"Communiqué on Establishment and Implementation of Corporate Governance Principles," Serial: VI, No: 56 was entered into force following its publication in the Official Gazette issue dated December 30, 2011. According to this Communiqué, publicly-held corporations that are being traded on the ISE are obligated to comply with some of the articles in the principles.

In this context, the Shareholder Relations Unit has analyzed the published Communiqué and the attached Corporate Governance Principles in relation to exercising shareholders' rights, and thereby has started to take the necessary measures. Moreover, under a service contract entered into with Foreks Bilgi İletişim A.Ş., all material event disclosures sent to KAP by the Company and information about our stock price performance are also published in the "Investor Relations" section of our website.

Both Turkish and English websites feature the aforementioned section, which covers all the information that has been provided in the Corporate Governance Principles of CMB and that may be of interest to investors. Rather than local newspapers, nationally-published ones with high circulation numbers are preferred when making announcements in the press about the Company's activities. In addition, news and documents concerning ordinary and extraordinary General Assemblies of Shareholders are posted on the corporate website.

Requests to appoint a special auditor have not been schemed as an individual right according to the articles of association of the Company. During the 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 2010 convened on March 25, 2011 with 60.98% attendance, of which 55.62% were acting as principals and 5.36% were acting as agents. The General Assembly was conducted according to the Corporate Governance Principles and the provisions of the Turkish Commercial Code; in addition, the invitations, agenda and power of attorney samples in relation to the meeting were published in two national newspapers and information related to the matter was provided on the website. The 2010 Annual Report was provided for investor review 21 days before the meeting date; it was also sent to the addresses of the shareholders upon request.

Meeting minutes and the attendance sheet were submitted for the shareholders's information on the corporate website following the General Assembly meeting. In order to ensure that both Turkish and foreign investors were informed about meeting matters in advance, and to dispel any ambiguities regarding the contents of the agenda items, a "General Assembly Disclosure Document" was prepared in Turkish and English. This document, as well as the power of attorney sample, the agenda and the invitation were all published on the Company website. While complying with

## İş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

the provisions of the Communiqué from the Ministry of Industry and Commerce regarding registration timetables in the stock register, passes were also provided for shareholders who failed to apply for one within the one-week period as stipulated in the Communiqué, so as to ensure maximum participation in the meeting.

Pursuant to Corporate Governance Principles, prior to the meeting, shareholders were informed regarding the number of total votes that may be cast at the General Assembly, the privileges they incorporate, the voting procedure as well as the Company's Dividend Policy.

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 were 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, with the exclusion of Company-related trade secrets and confidential information that has not been publicly disclosed, all oral and written queries coming from the shareholders about the Company during the reporting period were answered prior to and after the General Assembly of Shareholders.

Corporate Governance Principles stipulate that decisions in regards to purchasing, selling, renting or hiring significant amounts of tangible/intangible assets are to be passed at the General Assembly. Since our company operates a real estate investment trust and its principal business activity is buying, selling and leasing real estate properties and developing projects, such decisions are made quite frequently. Therefore, in practice, it is not feasible to convene a General Assembly meeting for these decisions. Furthermore, employing such a practice would have a direct impact on the buying and selling prices of properties and create additional drawbacks. For this reason, the Company's articles of association contain no provisions regarding making such decisions at General Assemblies.

#### 5. Voting Rights and Minority Rights

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 among the candidates nominated by Class B shareholders, with all of the remaining members being elected among the ones nominated by Class A shareholders.

Candidates for the Board of Directors are presented to the shareholders during the General Assembly and are appointed by their decision.

Minority shareholders are not represented in the Company's administration. The articles of association do not contain any provisions regarding the use of an optional cumulative voting method.

#### 6. Dividend Policy and Schedule

The Dividend Policy of the Company is presented below:

Our main contract states that the primary dividend is to be distributed from the attributable profit according to the rate and amount determined by the CMB. The Board of Directors adopts the following principles with respect to dividend distribution proposals presented to the General Assembly for approval:

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

The General Assembly deliberates the dividend proposal put forth by the Board of Directors and decides whether profits will be distributed, and if so, how and when this will be done. There are no privileges regarding participation in the Company's profit, and dividend distribution is carried out within the legally prescribed period of time.

#### 7. Transfer of Shares

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

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## İş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

#### PART II-PUBLIC DISCLOSURE AND TRANSPARENCY

##### 8. Company Disclosure Policy

The Company Disclosure Policy aims to inform the public on time, accurately and efficiently by ensuring minimal 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; as such monitoring, overseeing and improving the Policy falls under its authority and responsibility.

During 2011, the principles set forth in the Company's Disclosure Policy were used as the basis when answering information requests made to the Company as well as in all activities regarding public disclosure.

##### 9. Disclosure of Material Events

The Company made 24 (twenty four) material event disclosures in 2011 according to CMB regulations. During the reporting period, there were no sanctions imposed by the CMB since material event disclosures had been made in due time.

Pursuant to Article 22/4 of the CMB Communiqué Serial: VIII No:54 regarding the Principles of Public Disclosure of Material Events, the Board of Directors has resolved that the individuals responsible for making material event disclosures shall be designated from amongst those identified in the Company's list of authorized signatures empowered to represent and bind the Company.

##### 10. The Internet Site and its Content

The Company's corporate website is [www.isgyo.com.tr](http://www.isgyo.com.tr)

The Company website is constantly kept up-to-date in order to better inform our investors. It covers the following: the Company profile, our portfolio, founding and capital structure, Company Senior Management, mission, trade registry information and shareholder structure, investor information, annual reports, portfolio tables, financial reports, investor presentations, stock performance, disclosure of material events, capital increase tables, prospectus and circulars, regular public disclosure form, dividend policy, the Company's Articles of Association, Corporate Governance Principles Compliance Report, information about and invitation for the General Assembly, meeting minutes, list of attendees, dividend announcements, capital increase announcements, news about the REIT sector and the Company, news in the media about the Company, Company disclosure policy, code of ethics, human resources management and contact information. Changes to this information are regularly monitored and updated versions are placed on the website.

Thanks to the service provided by 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. All information requests received through the Company website or e-mail are answered promptly and meticulously.

##### 11. Disclosure of Non-Corporate Ultimate Controlling Shareholder(s)

There are no non-corporate ultimate controlling shareholders in the Company.

31.12.2011	Share (TL)	Share Ratio (%)
Isbank	253,409,693	42.2
Other	346,590,307	57.8
<b>Total</b>	<b>600,000,000</b>	<b>100.0</b>

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

Pursuant to the CMB Communiqué Serial: VIII No: 54 on the Principles of Public Disclosure of Material Events and the

## İş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

"Material Event Disclosures Guide" prepared under the said Communiqué, the Company holds a list of those working for the Company based on an employment contract or otherwise who have regular access to insider information. The following list shows the individuals who are in a position to access insider information:

#### Members of the Board of Directors

Aydın Süha Önder	Chairman
Ali Cüneyt Demren	Vice Chairman (Independent)
Ali Sözen	Board Member
Kemal Şahin	Board Member
Hulusi Cemal Karaoğlu	Board Member (Independent)

#### Members of the Board of Auditors

Erdal İnceler	Statutory Auditor
Murat Doğan	Statutory Auditor
Şebnem Kurhan Ünlü	Statutory Auditor

#### Senior Management

Turgay Tanes	General Manager
Hülya Demir	Assistant General Manager
T. Aydan Ormancı	Assistant General Manager
Tuğrul Gürdal	Financial and Administrative Affairs Manager
Bülent Otuz	Project Application Manager
Atty. Pınar Ersin Kollu	Legal Consultant - Legal Counselling & Human Resources and Education Manager
Ayşegül Şahin Kocameşe	Risk Management and Investor Relations Manager
Ömer Barlas Ülkü	Internal Audit and Control Manager
Gökhan Temel	Project Application Manager
Gülfem Sena Tandoğan	Corporate Communications and Marketing Manager
Kaan Özsoy	Project Application Assistant Manager
Özlem Yılmaz	Project Application Assistant Manager
Merter Gürgün	Investment and Project Development Assistant Manager
Nergiz Güler	Financial and Administrative Affairs Assistant Manager

### PART III-STAKEHOLDERS

#### 13. Keeping Stakeholders Informed

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

The rights of all stakeholders are protected according to the Code of Ethics published by the Board of Directors.

#### 14. Stakeholder Participation in Management

Keeping all lines of communication open and eliminating all possible encumbrances is a fundamental principle when ensuring participation from stakeholders in Company management.

In keeping with this principle and as stated in the Company's Code of Ethics, the Company workplace policy is established and improved through constant communication with employees and by taking their requests into consideration. Coordination meetings, which are presided by the General Manager and attended by Company employees, play a significant role in the decision-making process of senior management.

A model has not been developed in order to get other stakeholders directly involved in Company management. However, expectations and demands from all stakeholders involved with the Company are resolved through the Code of Ethics and 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

## İş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

committees through the Corporate Communication and Marketing Department, and solution-oriented suggestions are discussed and decided on by these committees.

#### 15. Human Resources Policy

The main objective of the Company is to ensure employment of qualified personnel in order to carry out Company activities in the most effective manner and to safeguard 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 their training needs.

The Company employs an "Open Door Policy" and establishes all necessary platforms for the most efficient use of communication methods.

According to the objectives and strategies stated in the Company's Human Resources Policy and for the purpose of recruiting qualified personnel and utilizing their qualifications in the most useful manner, the Company aims to establish a highly efficient and motivated organization, provide equal opportunities for employees' personal improvement and present them rewarding career prospects.

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.

What is expected of the employees in return is that they embrace the performance-driven management concept and recognize that individual contribution would make an impact in regards to customers and shareholders.

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

During the reporting period, there were no complaints in regards to discriminatory treatment.

#### 16. Information Regarding Relations with Customers and Suppliers

The Company always places an emphasis on developing business relationships with partners that embrace the Code of Ethics. Our professional relationships with our customers are handled with honesty and equality. The trustworthiness of contracts is given particular importance and commitments are fulfilled on time. Additionally, attention is paid to establish long-term and fiduciary relationships with suppliers.

#### 17. Social Responsibility

The company has established a Donation Directive, which encompasses a set of rules on providing outright support to social responsibility projects such as education, health, culture, law, arts, scientific research, environmental protection, sports, natural disasters etc. This Directive came into effect in January 2007.

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 industrial development and social solidarity as well as arts and sports in 2011.

İŞ REIT has taken 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. The Company sponsored Konak Municipality U17 Women's Soccer Team, which placed among the top eight teams in the Turkey Championship after eliminating strong

## İş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

rivals in the Aegean Region tournament and advancing to the finals.

Another project İŞ REIT supported in 2011 was the "Being a Real Estate Investment Trust" conference held on December 15, 2011 by the CMB and GYODER. The conference offered the opportunity to discuss the significance of REITs for the sector and the country; the importance of having a transparent and corporate structure that is open to the public was also highlighted; in addition, the urgency to professionalize the real estate sector was deliberated, and issues surrounding the sector were debated.

In the third quarter of 2011, İŞ REIT donated TL 30,000 to Somalia within the scope of the aid campaign organized for drought victims in East Africa.

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-THE BOARD OF DIRECTORS

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

###### Members of the Board of Directors:

Aydın Süha Önder, Chairman, Non-Executive  
Ali Cüneyt Demren, Vice Chairman, Non-Executive, Independent  
Ali Sözen, Board Member, Non-Executive  
Kemal Şahin, Board Member, Non-Executive  
Hulusi Cemal Karaoğlu, Board Member, Non-Executive, Independent

###### Senior Management:

Turgay Tanes, CEO

Two of the Board members are independent from Isbank, which is a strategic partner in regards to employment, capital or commercial interests, and from any persons or entities from whom the Company receives services. There were no incidents necessitating removal of their independence as of the previous operating cycle. The Company's Articles of Association has laid out explicit rules governing the conditions in which Board members can assume other duty or duties outside the Company.

According to Article 18 of the Articles of Association, "Board members shall not be involved in any negotiations on issues that are concerned with their own personal interests or with the interests of any persons with whom they or their spouses have any kinship or affinity, whether by blood or marriage, unto the third degree. Board members shall not engage, personally or indirectly, in any business transaction that falls within the Company's object and scope, either on their own behalf or on the behalf of others, even if they have obtained permission to do so from the General Assemble; neither shall they join another company engaged in the same kind of business as a partner with unlimited liability." All Members of the Board of Directors adhere to these rules strictly.

##### 19. Qualifications of Board Members

Minimum qualifications required for election to a seat on our Company's Board of Directors are in full compliance with the CMB's Corporate Governance Principles. The Corporate Governance Principles' advisory principle regarding the professional experience of Board members has been carried out more concretely within the scope of Article 12 of the Articles of Association, as well as the CMB's Communiqué on principles pertaining to Real Estate Investment Trusts, which governs the activities of the Company. Article 12 of the Company's Articles of Association stipulates that Board members must have at least three years' experience in matters falling under the Company's field of operation.

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

The Board of Directors has established the corporate mission of the Company and has disclosed it to the public:

## İş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

Our mission is to create desirable spaces that are worthy of contemporary people and contemporary cities, and to maximize the collective value of our portfolio for our shareholders through sustainable growth and high profitability. Our vision is to set a global corporate example in our sector not only with the projects we undertake, but also with the way we conduct business, as well as with our corporate structure, values and management approach; and to improve our portfolio over the years and to maintain sustainable growth. Achieving sustainable growth by increasing the size of our portfolio during the course of the years is incorporated within our vision.

With the exception of urgent circumstances, the board meets regularly once a month and reviews the level of success in reaching Company objectives, as well as its activities and performance.

A detailed activity report regarding these matters is presented to the Members of the Board for their review at least one week before the meeting.

The Company continues to operate according to its publicly-disclosed mission and maintains a steady growth through shrewd investments and effective use of resources ever since its foundation.

Accordingly, it has also been on a quest for opportunities in the previous period to boost its value in the sector in keeping with the goal of delivering the highest earnings for shareholders

#### 21. Risk Management and Internal Control Mechanisms

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

The "Risk Management and Investor Relations Department" has been in operation in the Company since 2005. This Department ensures that risks inherent to the Company's activities are managed in accordance with Company Policy and related internal regulations, and provides reports to senior management, the Company Risk Committee and the Board of Directors, respectively.

This unit updates the "Company Risk Catalogue," which presents risks that are incorporated in the Company's activities and that are in line with changing and evolving market conditions; in addition, it defines new types of risks, identifies potential ones and takes measures to prevent them. Thereby, the objective of these efforts is to ensure that necessary measures are taken by senior management, and that control mechanisms are established for managing these risks.

The Internal Audit and Control Department handles the audit and control function for all Company activities. This Department evaluates and prepares reports regarding corporate activity risks, internal audit and control operations within the framework of relevant regulations and international standards, and corporate activities, as well as the adequacy and efficiency of the controls regarding these operations.

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

Internal audit and control activities are organized to keep all the financial and operational risks that were identified as related to these activities under control. Work flows and job descriptions, as well as authorities and limits concerning the activities are documented and constantly reviewed in parallel with the risks. Relevant, necessary controls risks are also included in activity-related work flows. Functional task divisions based on operations, transaction and approval authorities, post-transaction controls and other operational controls all ensure that operations and transactions are performed constantly and efficiently, as well as accurately, systematically and safely.

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

The authorities and responsibilities of the Members of the Board of Directors are governed by Article 16 of the Company's Articles of Association. According to this article, the Company is managed and represented by the Board of Directors. The Board of Directors executes all duties entrusted to them by the General Assembly according to the



## İş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

Turkish Commercial Code, the Capital Market Law and other relevant regulations.

#### 23. Operating Principles of the Board of Directors

Agendas of the Board of Directors meetings are determined by recommendations from the General Manager and with the knowledge of the Chairman of the Board. Meetings are called by the Chairman or Vice Chairman. 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 Association. Audit Board members are invited to the Board of Directors meetings as well; in addition, they receive the same meeting reports as do members of the Board of Directors. The General Manager's Assistant has been put in charge of informing auditors as well as maintaining communication. The Board of Directors convened 12 times during the period and they passed thirty-one resolutions.

As a rule, a unanimous decision is required for specific Board of Directors' resolutions related to the matters stated in Article 21 of the CMB Communiqué on Principles Regarding REITs. In cases where a resolution has not passed unanimously, the public must be notified through a material event disclosure sent to the KAP. To this date, there has not been a situation in which such a public disclosure had to be made. The Company is in full compliance with all matters in Article 2.17.4, Section IV of CMB's Corporate Governance Principles. Members of the Board of Directors have not been entitled to preferential voting rights and/or the right to veto Board decisions.

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

Article 18 of the Company's Articles of Association forbids members of the Board of Directors from engaging with the Company by themselves or on behalf of others, directly or indirectly, in a commercial transaction that falls under the Company's scope of business, even if they have been given permission to do so from the General Assembly; they are also restrained from carrying out commercial transactions that fall within the Company's scope of business by themselves or on behalf of others, or from taking part as an associated partner in any company that is engaged in the same type of business.

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

#### 25. Code of Ethics

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

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

As required by CMB Communiqué Serial:X, No:19, an Audit Committee has been set up with two non-executive members of the Board of Directors. There are no independent members in this committee.

In accordance with Corporate Governance Principles and with the objective of systematically managing the risks faced by the Company, a "Risk Committee" was established during the period to act as the highest administrative body of risk management and to represent the Risk Management System to the Board of Directors.

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

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

The General Assembly determines remunerations of the members of the Board of Directors. A General Assembly meeting held on March 25, 2011 resolved to pay a monthly salary of TL 2,250 (net) to the members of the Board of Directors, and TL 1,350 (net) to the statutory auditors. During the current year, the Company engaged in no transactions such as lending, granting loans, providing guarantees, etc. involving Board members or managers.



**İş Real Estate Investment Trust CO.  
and Its Jointly Controlled Entities**

**Consolidated Financial Statements  
As of and For the Year Ended 31 December 2011  
With Independent Auditors' Report Thereon**

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## Convenience Translation of the Independent Auditors' Report Originally Prepared and Issued in Turkish

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

We have audited the accompanying consolidated financial statements of İş Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") and its jointly controlled entities (together "the Group") which comprise the consolidated statement of financial position as of 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *The Management Responsibility for the Financial Statements*

The Company's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2011, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards promulgated by Capital Markets Board of Turkey (see Note 2).

Istanbul, 10 February 2012

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.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Consolidated Statement of Financial Position As of 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	<i>Notes</i>	<i>Audited</i> 31 December 2011	<i>Audited</i> 31 December 2010
<b>ASSETS</b>			
<b>Current Assets</b>		<b>134.570.092</b>	<b>90.237.745</b>
Cash and cash equivalents	5	106.690.380	73.198.883
Financial investments	6	6.524.603	12.822.707
Trade receivables	8	3.184.092	1.796.405
<i>Trade receivables from related parties</i>	25	4.232	-
<i>Other trade receivables</i>	8	3.179.860	1.796.405
Other receivables	9	154.323	352.577
Other current assets	15	18.016.694	2.067.173
<b>Non-current Assets</b>		<b>1.026.451.690</b>	<b>1.006.003.951</b>
Investment properties	10	1.024.268.228	1.004.459.189
Tangible assets	11	1.049.810	882.621
Intangible assets	12	396.574	652.187
Financial investments	6	707.099	-
Other non-current assets	15	23.000	5.361
Deferred tax assets	23	6.979	4.593
<b>TOTAL ASSETS</b>		<b>1.161.021.782</b>	<b>1.096.241.696</b>

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

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Consolidated Statement of Financial Position As of 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	<i>Audited</i> 31 December 2011	<i>Audited</i> 31 December 2010
<b>LIABILITIES</b>			
<b>Short-term Liabilities</b>		<b>16.608.411</b>	<b>21.585.635</b>
Loans and borrowings	7	5.926.215	5.020.781
<i>Loans and borrowings to related parties</i>		<i>5.926.215</i>	<i>5.020.781</i>
Trade payables	8	2.932.872	3.358.806
<i>Trade payables to related parties</i>	25	<i>1.091.605</i>	<i>872.357</i>
<i>Other trade payables</i>	8	<i>1.841.267</i>	<i>2.486.449</i>
Other payables	9	2.953.758	2.327.939
Corporate tax liability	23	46.835	21.362
Provisions	13	50.620	44.016
Provision for employee benefits	14	187.327	86.333
Other short-term liabilities	15	4.510.784	10.726.398
<i>Other short-term liabilities to related parties</i>	25	<i>448.738</i>	<i>414.438</i>
<i>Other short-term liabilities</i>	15	<i>4.062.046</i>	<i>10.311.960</i>
<b>Long-term Liabilities</b>		<b>109.941.019</b>	<b>84.635.088</b>
Loans and borrowings	7	47.409.720	44.721.608
<i>Loans and borrowings to related parties</i>		<i>47.409.720</i>	<i>44.721.608</i>
<i>Other loans and borrowings</i>		-	-
Other payables	9	58.495.296	36.148.687
Provision for employee benefits	14	461.945	412.646
Other long-term liabilities	15	3.574.058	3.352.147
<b>EQUITY</b>		<b>1.034.472.352</b>	<b>990.020.973</b>
Paid in capital	16	600.000.000	450.000.000
Shareholders' equity inflation restatement differences		240.146.090	240.146.090
Share premium		423.981	423.981
Restricted reserves	16	13.554.165	11.015.848
Translation reserves		(2.152)	-
Retained earnings	16	113.396.737	227.516.789
Net profit for the period		66.953.531	60.918.265
<b>TOTAL EQUITY AND LIABILITY</b>		<b>1.161.021.782</b>	<b>1.096.241.696</b>

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

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Consolidated Income Statement For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	<i>Notes</i>	<i>Audited</i> 1 January - 31 December 2011	<i>Audited</i> 1 January - 31 December 2010
<b>Operating Activities</b>			
Sales (net)	17	123.492.212	95.536.298
Cost of sales (-)	17	(45.316.639)	(31.520.689)
<b>Gross Profit</b>		<b>78.175.573</b>	<b>64.015.609</b>
General administrative expenses (-)	18	(9.533.953)	(7.097.285)
Other operating income	20	418.817	1.229.711
Other operating expenses (-)	20	(39.830)	(54.254)
<b>Operating Profit</b>		<b>69.020.607</b>	<b>58.093.781</b>
Finance income	21	31.873.353	16.688.116
Finance expense (-)	22	(33.809.743)	(13.768.408)
<b>Profit From Continuing Operations Before Tax</b>		<b>67.084.217</b>	<b>61.013.489</b>
<b>Tax income / (expense) on continued operations</b>	23	<b>(130.686)</b>	<b>(95.224)</b>
- Corporate tax charge		(133.072)	(100.236)
- Deferred tax benefit		2.386	5.012
<b>Net operating profit for the period</b>		<b>66.953.531</b>	<b>60.918.265</b>
<b>Discontinued Operations</b>		-	-
Net profit for the period from discontinued operations		-	-
<b>Net Profit for the period</b>		<b>66.953.531</b>	<b>60.918.265</b>
<b>Net profit for the period attributable to:</b>			
Non-controlling interests		-	-
Owners of the parent		<b>66.953.531</b>	<b>60.918.265</b>
Basic earnings per share	24	<b>0,1116</b>	<b>0,1015</b>
Diluted earnings per share	24	<b>0,1116</b>	<b>0,1015</b>

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



**İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities**  
**Consolidated Statement of Comprehensive Income For the year ended 31 December 2011**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	<i>Audited</i> 1 January - 31 December 2011	<i>Audited</i> 1 January- 31 December 2010
<b>Net profit for the period</b>	<b>66.953.531</b>	<b>60.918.265</b>
<b>Other comprehensive income</b>	(2.152)	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>66.951.379</b>	<b>60.918.265</b>
Earnings per share on total comprehensive income	<b>0,1116</b>	<b>0,1015</b>

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

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities Consolidated Statement of Changes in Equity For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Share capital	Shareholders' equity inflation restatement differences	Share premium	Restricted reserves	Translation reserves	Net profit for the period	Retained earnings	Total
<b>Balances at 1 January 2010</b>		450.000.000	240.146.090	423.981	8.579.211	-	60.299.202	192.154.224	951.602.708
<b>Total comprehensive income</b>		-	-	-	-	-	60.918.265	-	60.918.265
Net profit for the period		-	-	-	-	-	60.918.265	-	60.918.265
Other comprehensive income		-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>		-	-	-	-	-	<b>60.918.265</b>	-	<b>60.918.265</b>
Transfer to retained earnings		-	-	-	-	-	(60.299.202)	60.299.202	-
Transfer to reserves	16	-	-	-	2.436.637	-	-	(2.436.637)	-
Dividends paid	16	-	-	-	-	-	-	(22.500.000)	(22.500.000)
<b>Balances at 31 December 2010</b>		<b>450.000.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>11.015.848</b>	-	<b>60.918.265</b>	<b>227.516.789</b>	<b>990.020.973</b>
<b>Balances at 1 January 2011</b>		<b>450.000.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>11.015.848</b>	-	<b>60.918.265</b>	<b>227.516.789</b>	<b>990.020.973</b>
<b>Total comprehensive income</b>		-	-	-	-	-	66.953.531	-	66.953.531
Net profit for the period		-	-	-	-	-	66.953.531	-	66.953.531
Other comprehensive income		-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>		-	-	-	-	-	<b>66.953.531</b>	-	<b>66.953.531</b>
Capital increase		150.000.000	-	-	-	-	-	(150.000.000)	-
Transfer to retained earnings	16	-	-	-	-	-	(60.918.265)	60.918.265	-
Translation reserve		-	-	-	-	(2.152)	-	-	(2.152)
Transfer to reserves	16	-	-	-	2.538.317	-	-	(2.538.317)	-
Dividends paid	16	-	-	-	-	-	-	(22.500.000)	(22.500.000)
<b>Balances at 31 December 2011</b>		<b>600.000.000</b>	<b>240.146.090</b>	<b>423.981</b>	<b>13.554.165</b>	<b>(2.152)</b>	<b>66.953.531</b>	<b>113.396.737</b>	<b>1.034.472.352</b>

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

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Consolidated Statement of Cash Flows For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	<i>Notes</i>	<i>Audited</i> 1 January - 31 December 2011	<i>Audited</i> 1 January - 31 December 2010
<b>A. Cash flows from operating activities</b>			
<b>Net profit for the period</b>		<b>66.953.531</b>	<b>60.918.265</b>
Depreciation and amortization	10,11,12	24.866.046	23.574.629
Provision for employee benefits	14	77.241	155.638
Provision for vacation pay liability	14	100.994	(912)
Provisions released in relation to investment properties and other tangible assets	10	(11.245.495)	(16.715.786)
Impairment provision on investment properties and other tangible assets	10	362.081	3.430.286
Provision for doubtful receivables (net)	8	80.502	126.196
Current period income tax expense	23	133.072	100.236
Deferred tax benefit	23	(2.386)	(5.012)
Interest income		(4.900.583)	(5.314.813)
Interest expense		3.270.717	459.113
<b>Cash provided by operating activities before changes in working capital</b>		<b>79.695.720</b>	<b>66.727.840</b>
(Increase) / decrease in trade receivables		(1.468.189)	8.965.595
(Increase) / decrease in other receivables		198.254	(348.500)
(Increase) / decrease in other current assets		(16.580.495)	706.129
(Increase) / decrease in other non-current assets		(17.639)	(5.362)
Increase / (decrease) in trade and other payables		22.546.494	3.572.920
Decrease in other short-term liabilities		(5.987.099)	(7.302.273)
Employee benefits paid during the period	14	(27.942)	(24.479)
Taxes paid	23	(107.599)	(97.729)
<b>Net cash provided by operating activities</b>		<b>78.251.505</b>	<b>72.194.141</b>
<b>Investing activities</b>			
Proceeds from financial investments		5.668.821	2.493.792
Purchases of investment property, tangible assets and intangible assets	10,11,12	(33.900.189)	(149.900.446)
Proceeds from the sale of tangible assets	10,11,12	196.942	-
Interest received		5.198.772	6.165.944
<b>Net cash used in investing activities</b>		<b>(22.835.654)</b>	<b>(141.240.710)</b>
<b>Financing activities</b>			
Dividends paid	16	(22.500.000)	(22.500.000)
Increase in financial liabilities		2.943.878	49.742.389
<b>Interests paid</b>		<b>(2.802.328)</b>	<b>(459.113)</b>
<b>Net cash (used in) / provided by financing activities</b>		<b>(22.358.450)</b>	<b>26.783.276</b>
Effect of exchange rate fluctuations on cash and cash equivalents		-	-
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>33.057.401</b>	<b>(42.263.293)</b>
Cash and cash equivalents at the beginning of the year		73.147.170	115.410.463
<b>Cash and cash equivalents at the end of the year</b>	5	<b>106.204.571</b>	<b>73.147.170</b>

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

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 1. Organization and operations of the Group

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

The main objective and operations of the Company are to apply the regulations of the Capital Markets Board 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 İstanbul Stock Exchange since 1999.

The Company has 47 employees as of 31 December 2011 (36 employees as of 31 December 2010).

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.

İş Gayrimenkul Yatırım Ortaklığı A.Ş. and its jointly controlled entities, Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti. and Nest in Globe, are referred to as "the Group" in the notes to the consolidated financial statements.

#### Approval of consolidated financial statements:

The consolidated financial statements have been approved for issue by the Board of Directors on 10 February 2012. The General Assembly and the legal authorities have the authority to amend the statutory financial statements and these consolidated financial statements.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

## 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 consolidated 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 Turkish Accounting Standards Board ("TASB"), 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 Turkish Accounting Standards ("TAS") / Turkish Financial Reporting Standards ("TFRS"), issued by TASB and which are the same as IAS/IFRS.

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 consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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 consolidated 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.

#### 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 (Nest in Globe) functional currency is Euro.

#### Basis of measurement

The consolidated 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 27.

#### 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.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

## 2. Basis of presentation of financial statements (continued)

### 2.1 Basis of presentation (continued)

#### Comparative Information and Restatement of Prior Period Financial Statements

The consolidated financial statements of the Group 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. A reclassification has been made on statement of financial position as of 31 December 2010, in order to maintain consistency and prepare the financial position of the Group in line with the statement of financial position as of 31 December 2011. Due to related parties amounting to TL 872.357 as of 31 December 2010 has been classified to "Trade payables to related parties" from "Other short-term liabilities" in the current period.

#### 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 Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated 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 Group 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 Group 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 consolidated financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group'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 2011, foreign currency translation losses amounting to TL 2.152 (31 December 2010: None) is the result of the consolidation of Nest in Globe, since the presentation and functional currency of Nest in Globe is Euro.

## **İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities**

### **Notes to the Consolidated Financial Statements For the year ended 31 December 2011**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

## **2. Basis of presentation of financial statements (continued)**

### **2.2 Changes in accounting policies**

Changes in accounting policies or accounting errors are applied retrospectively and the financial statements of the previous year are restated.

### **2.3 Changes in accounting estimates and errors**

The preparation of the consolidated 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 Group.

### **2.4 Standards and interpretations that are not yet effective as of 31 December 2011**

#### ***2.4.1 Standards and interpretations that are effective in 2011***

The Group 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 2011.

#### ***2.4.2 Standards and interpretations that are not yet effective as of 31 December 2011***

A number of new standards, amendments to standards and interpretations which are not yet effective for the period ended 31 December 2011. Among those new standards, the following are expected to have effect on the consolidated financial statements of the Group:

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.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

## 2. Basis of presentation of financial statements (continued)

### 2.4 Standards and interpretations that are not yet effective as of 31 December 2011 (continued)

TFRS 10 "Consolidated Financial Statements" and TFRS 11 "Joint Arrangements" may be adopted early if both standards are applied simultaneously and the application may be applied on a modified retrospective basis. TFRS 12 includes all of the disclosures that were previously in TAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in TAS 31 Interests in Joint Ventures and TAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

### 2.5 Summary of significant accounting policies

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

#### 2.5.1 Accounting of income and expense

##### Sales

Sales includes 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 rate 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.



## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

## 2. Basis of presentation of financial statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### 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 consolidated financial statements 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 Group 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 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

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.

## **İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities**

### **Notes to the Consolidated Financial Statements For the year ended 31 December 2011**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

## **2. Basis of presentation of financial statements (continued)**

### **2.5 Summary of significant accounting policies (continued)**

#### **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 Group'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 recoverable amount is less than its carrying value the value of this asset is discounted to recoverable amount. Impairments are recognized through profit or loss.

#### **2.5.6 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.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

## 2. Basis of presentation of financial statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### 2.5.6 Financial instruments (continued)

##### i) Non-derivative financial assets (continued)

###### *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 Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis. As of 31 December 2011, the Group has no any held-to-maturity investments in its portfolio.

###### *Available-for-sale financial assets*

Quoted equity investments and quoted certain debt securities held by the Group 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 2011, the Group 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.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

## 2. Basis of presentation of financial statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### 2.5.6 Financial instruments (continued)

##### i) Non-derivative financial assets (continued)

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

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

###### *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 2011, the Group has no financial liabilities classified as FVTPL.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

## 2. Basis of presentation of financial statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### 2.5.6 Financial instruments (continued)

##### ii) Non-derivative financial liabilities (continued)

###### *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.

#### 2.5.7 Offsetting

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

#### 2.5.8 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.

#### 2.5.9 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 24).

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.

## **İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities**

### **Notes to the Consolidated Financial Statements For the year ended 31 December 2011**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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## **2. Basis of presentation of financial statements (continued)**

### **2.5 Summary of significant accounting policies (continued)**

#### **2.5.10 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.

#### **2.5.11 Provisions, contingent asset and liabilities**

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

#### **2.5.12. Government incentives**

The Company, as a real estate investment trust, is exempt from corporate tax as disclosed in Note 2.5.13.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

## 2. Basis of presentation of financial statements (continued)

### 2.5 Summary of significant accounting policies (continued)

#### 2.5.13 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 Group intends to settle its current tax assets and liabilities on a net basis.

##### Nest in Globe

Nest in Globe is exempt from corporate taxation under the law of the Netherlands.

#### 2.5.14 Employee benefits / Retirement pay provisions

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

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

## **İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities**

### **Notes to the Consolidated Financial Statements For the year ended 31 December 2011**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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#### **2. Basis of presentation of financial statements (continued)**

#### **2.5 Summary of significant accounting policies (continued)**

##### ***2.5.15 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 comprehensive income statement 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 straightline 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.

##### ***2.5.16 Statement of cash flows***

The Group 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 repo and time deposits with maturity lower from three months.

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## **İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities**

### **Notes to the Consolidated Financial Statements For the year ended 31 December 2011**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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#### **2. Basis of presentation of financial statements (continued)**

#### **2.5 Summary of significant accounting policies (continued)**

##### ***2.5.17 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.

##### ***2.5.18 Segment reporting***

An operating segment is a component of the Group 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 Group's other components. All operating segments' operating results are regularly reviewed by the Group Management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## **İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities**

### **Notes to the Consolidated Financial Statements For the year ended 31 December 2011**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

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#### **2. Basis of presentation of financial statements (continued)**

##### **2.5 Summary of significant accounting policies (continued)**

###### ***2.5.19 Related parties***

In consolidated financial statements, important personnel in management of the Group Companies and board of directors, their family and controlled or dependent companies, associates and subsidiaries are all accepted and referred to as related parties ("Related Parties"). Shareholders and board of directors are also included in the related parties. Related party transactions are explained as the transfer of the asset and liabilities between institutions with or without a charge.

###### ***2.5.20. Restrictions on the investment portfolio of real estate investment***

Information given in Note 28, "Compliance control of the portfolio restrictions", are summarised 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 consolidated financial statements.

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## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 3. Jointly controlled entities

Joint ventures are accounted for using the proportionate consolidation method in the Group's consolidated financial statements. Proportionate consolidation method principally has similar procedures as the line by line consolidation method. The consolidated financial statements included the Group'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 on the joint ventures presented below refers to unconsolidated financial statement information of the afore-mentioned joint venture.

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

<b>Kanyon</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Current assets	5.619.468	4.975.052
Non-current assets	1.620.514	1.154.402
Short-term liabilities	(4.202.502)	(3.086.002)
Long-term liabilities	(424.738)	(451.977)
<b>Net assets</b>	<b>2.612.742</b>	<b>2.591.475</b>

<b>Kanyon</b>	<b>1 January- 31 December 2011</b>	<b>1 January- 31 December 2010</b>
Income for the period	51.911.398	40.984.418
Expense for the period (-)	(50.893.348)	(40.259.374)

<b>Nest in Globe</b>	<b>31 December 2011</b>
Current assets	18.406
Non-current assets	-
Short-term liabilities	(255.746)
Long-term liabilities	-
<b>Net assets</b>	<b>(237.340)</b>

<b>Nest in Globe</b>	<b>7 July- 31 December 2011</b>
Income for the period	-
Expense for the period (-)	(274.558)

#### 4. Segment reporting

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

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

### 4. Segment reporting (continued)

	Ankara İş Kule Building	İstanbul 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	İş Kanyon Shopping Mall	Hipermarket İstanbul Esenyurt	İş Bankası Güneşli	İş Bankası Sirkeci	Lykia Lodge Kapadokya Hotel	Antalya Kemer Imperial Hotel	Kanyon Yönetim İst. Ltd. Şti	Nest in Globe	Other real estate	Eliminations	Total
<b>31 December 2011</b>																			
Revenue																			
Rent income	7.240.478	30.768.448	7.138.683	3.385.277	497.163	3.008.240	2.533.305	1.257.127	21.491.865	4.145.098	4.152.267	2.426.518	1.359.407	4.072.265	-	-	-	(2.130.168)	91.355.973
Income from the right of construction	-	-	-	-	-	-	-	-	-	9.256.679	-	-	-	-	-	-	-	-	9.256.679
Tenant contribution and service income	-	603.929	-	-	-	-	-	-	181.269	-	-	-	-	-	25.642.912	-	-	(3.701.259)	22.726.851
Other income	-	9.963	-	-	-	-	-	-	49.888	-	-	-	-	-	92.858	-	-	-	152.709
<b>Total Revenue</b>	<b>7.240.478</b>	<b>31.382.340</b>	<b>7.138.683</b>	<b>3.385.277</b>	<b>497.163</b>	<b>3.008.240</b>	<b>2.533.305</b>	<b>1.267.127</b>	<b>21.723.022</b>	<b>13.401.777</b>	<b>4.152.267</b>	<b>2.426.518</b>	<b>1.359.407</b>	<b>4.072.265</b>	<b>25.735.770</b>	<b>-</b>	<b>-</b>	<b>(5.831.427)</b>	<b>123.492.212</b>
Depreciation charges	3.403.916	6.783.316	2.616.899	1.142.694	151.476	380.000	324.800	167.166	2.721.074	3.147.493	657.629	726.750	657.474	1.216.171	-	-	-	-	24.096.858
Insurance expense	43.792	883.210	80.204	53.080	18.413	35.082	16.269	13.664	398.515	213.190	71.697	28.188	18.992	64.536	24.921	-	11.400	-	1.975.153
Administrative expense	-	549.466	-	-	477.175	-	-	-	7.252.020	-	-	-	-	-	23.481.327	-	-	(5.828.105)	25.931.883
Tax, duty and other charges	192.089	7.04.197	720.762	111.908	18.467	17.562	35.614	21.256	753.471	755.336	182.575	30.399	22.003	39.735	56.519	-	-	-	3.661.893
Impairment on investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	362.081	-	362.081
Reversal of impairment on investment properties	(4.285.258)	-	-	(626.785)	(748.209)	-	-	-	(2.427.014)	(1.858.152)	-	-	(68.458)	-	-	-	(1.231.619)	-	(11.245.495)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	534.266	-	534.266
<b>Cost of Sales</b>	<b>(645.461)</b>	<b>8.920.189</b>	<b>3.417.865</b>	<b>680.897</b>	<b>(82.678)</b>	<b>432.644</b>	<b>376.683</b>	<b>202.086</b>	<b>11.125.080</b>	<b>1.689.005</b>	<b>(946.251)</b>	<b>785.337</b>	<b>630.011</b>	<b>1.320.442</b>	<b>23.562.767</b>	<b>-</b>	<b>(323.872)</b>	<b>(5.828.105)</b>	<b>45.316.639</b>
<b>Gross profit</b>	<b>7.885.939</b>	<b>22.462.151</b>	<b>3.720.818</b>	<b>2.704.380</b>	<b>579.841</b>	<b>2.575.596</b>	<b>2.156.622</b>	<b>1.065.041</b>	<b>10.597.942</b>	<b>11.712.772</b>	<b>5.098.518</b>	<b>1.641.181</b>	<b>729.396</b>	<b>2.751.823</b>	<b>2.173.003</b>	<b>-</b>	<b>323.872</b>	<b>(3.322)</b>	<b>78.175.573</b>
<b>Capital investments</b>	<b>118.658</b>	<b>133.303</b>	<b>155.489</b>	<b>141.276</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.849.121</b>	<b>-</b>	<b>3.450</b>	<b>-</b>	<b>3.945.999</b>	<b>1.131.394</b>	<b>-</b>	<b>-</b>	<b>24.740.526</b>	<b>-</b>	<b>33.219.216</b>

**İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities**  
**Notes to the Consolidated Financial Statements For the year ended 31 December 2011**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

**4. Segment reporting (continued)**

	Ankara İş Kuleleri Building	İstanbul İş Kuleleri Complex	Seven Seas Hotel	Maslak Petrol Ofisi Building	Marmarone Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building	İş Bankası Antalya Merkez Building	Kanyon Shopping Mall	Hipermarket İstanbul Esenyurt	İş Bankası Güneşli	İş Bankası Sirketi	Lykia Lodge Hotel	Antalya Kemer Imperial Hotel	Kanyon Yönetim İş. Ltd. Şti	Nest in Globe	Other real estate	Eliminations	Total	
<b>31 December 2010</b>																				
<b>Revenue</b>																				
Rent Income	6.656.405	27.377.364	5.984.365	3.120.525	441.780	2.771.422	2.333.875	1.167.375	18.558.809	3.645.314	3.650.252	2.098.895	253.416	-	-	-	-	(3.651.938)	74.407.859	
Income from the right of construction	-	-	-	-	-	-	-	-	7.036.552	-	-	-	-	-	-	-	-	-	7.036.552	
Tenant contribution and service income	-	614.633	-	-	-	-	-	-	194.343	-	-	-	-	-	20.316.534	-	-	(7.155.651)	13.969.859	
Other Income	-	18.943	-	-	571	-	-	-	31.568	-	-	-	-	-	70.946	-	-	-	122.028	
<b>Total Revenue</b>	<b>6.656.405</b>	<b>28.010.940</b>	<b>5.984.365</b>	<b>3.120.525</b>	<b>442.351</b>	<b>2.771.422</b>	<b>2.333.875</b>	<b>1.167.375</b>	<b>18.784.720</b>	<b>10.681.866</b>	<b>3.650.252</b>	<b>2.098.895</b>	<b>253.416</b>	<b>-</b>	<b>20.387.480</b>	<b>-</b>	<b>-</b>	<b>(10.807.589)</b>	<b>95.536.298</b>	
Depreciation charges	3.343.811	6.940.036	2.782.843	1.130.739	357.572	380.000	324.800	167.165	2.689.896	3.146.947	824.382	456.748	121.907	234.789	90.036	-	-	-	22.991.671	
Insurance expense	35.557	944.412	81.462	58.305	11.685	32.159	10.829	9.356	351.374	213.250	75.880	35.434	4.135	5.134	52.726	-	12.192	-	1.933.890	
Administrative expense	-	616.302	-	-	455.869	-	-	-	7.235.127	160.495	9.471	-	-	-	18.097.267	-	-	(10.801.423)	15.773.108	
Tax, duty and other charges	184.963	688.804	653.583	105.293	9.632	16.936	34.230	20.468	760.439	681.576	178.260	29.272	-	28	105.267	-	-	-	3.468.751	
Impairment on investment properties	-	-	-	-	-	-	-	-	-	-	1.659.238	-	68.458	-	-	-	1.702.590	-	3.430.286	
Reversal of impairment on investment properties	(5.033.318)	-	-	(7.374.539)	(1.847.572)	-	-	-	(2.460.357)	-	-	-	-	-	-	-	-	-	(16.715.786)	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	109.191	-	529.578	-	638.769	
<b>Cost of Sales</b>	<b>(1.468.987)</b>	<b>9.189.554</b>	<b>3.517.888</b>	<b>(6.080.202)</b>	<b>(1.012.814)</b>	<b>429.095</b>	<b>369.859</b>	<b>196.989</b>	<b>11.036.836</b>	<b>1.741.911</b>	<b>2.747.231</b>	<b>521.454</b>	<b>194.500</b>	<b>239.951</b>	<b>18.454.487</b>	<b>-</b>	<b>2.244.360</b>	<b>(10.801.423)</b>	<b>31.520.689</b>	
<b>Gross profit</b>	<b>8.125.392</b>	<b>18.821.386</b>	<b>2.466.477</b>	<b>9.200.727</b>	<b>1.455.165</b>	<b>2.342.327</b>	<b>1.964.016</b>	<b>970.386</b>	<b>7.747.884</b>	<b>8.939.955</b>	<b>903.021</b>	<b>1.577.441</b>	<b>58.916</b>	<b>(239.951)</b>	<b>1.932.993</b>	<b>-</b>	<b>(2.244.360)</b>	<b>(6.166)</b>	<b>64.015.609</b>	
<b>Capital Investments</b>	<b>170.493</b>	<b>70.564</b>	<b>5.165.833</b>	<b>56.200</b>	<b>40.000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>508.601</b>	<b>211.477</b>	<b>73.620</b>	<b>-</b>	<b>-14.190.365</b>	<b>37.642.229</b>	<b>-</b>	<b>-</b>	<b>91.197.083</b>	<b>-</b>	<b>149.326.465</b>	

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 4. Segment reporting (continued)

##### Reconciliation of income, assets and liabilities

<b>Sales</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Segment revenue	129.323.639	106.343.887
Eliminations	(5.831.427)	(10.807.589)
<b>Total revenue</b>	<b>123.492.212</b>	<b>95.536.298</b>
<b>Cost of sales</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Segment costs	51.144.744	42.322.112
Eliminations	(5.828.105)	(10.801.423)
<b>Total cost of sales</b>	<b>45.316.639</b>	<b>31.520.689</b>
<b>Assets</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Segment assets	1.024.268.228	1.004.459.189
Other assets	3.184.092	1.796.405
Non-segment related assets	133.569.462	89.986.102
<b>Total assets</b>	<b>1.161.021.782</b>	<b>1.096.241.696</b>
<b>Liabilities</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Segment liabilities	125.802.703	105.656.366
Other liabilities	746.727	564.357
<b>Total liabilities</b>	<b>126.549.430</b>	<b>106.220.723</b>

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 5. Cash and cash equivalents

	31 December 2011	31 December 2010
Cash	7.242	7.949
Demand deposits	319.958	78.635
Time deposits	101.561.472	71.748.627
Mutual funds	1.225.699	1.303.692
Receivables from reverse repos	3.217.110	59.518
Other cash equivalents (*)	358.899	462
<b>Total cash and cash equivalents in the statement of financial position</b>	<b>106.690.380</b>	<b>73.198.883</b>
Interest accrued on cash and cash equivalents	(485.809)	(51.713)
<b>Nakit akışları tablosunda yer alan toplam nakit ve nakde eşdeğer varlıklar</b>	<b>106.204.571</b>	<b>73.147.170</b>

(\*) As of 31 December 2011, other cash equivalents of the Group comprise credit card payments related to the Tuzla Project of the Company.

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

			31 December 2010
Time deposits:	Interest rate	Maturity	
Currency			
US Dollar	3,00	February 2011	8.577.671
Euro	3,00	February 2011	26.596.404
TL	8,00-8,50	January-February 2011	36.574.552
			<b>71.748.627</b>

	31 December 2011		31 December 2010	
	Cost	Fair value	Cost	Fair value
Mutual funds	1.222.759	1.225.699	1.302.981	1.303.692
	<b>1.222.759</b>	<b>1.225.699</b>	<b>1.302.981</b>	<b>1.303.692</b>

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 5. Cash and cash equivalents (continued)

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

			<u>31 December 2010</u>
<u>Receivables from reverse repos</u>			
<u>Currency</u>	<u>Interest rate (%)</u>	<u>Maturity</u>	
TL	6,94	January 2011	59.518
			<u><b>59.518</b></u>

#### 6. Financial investments

	<u>31 December 2011</u>	<u>31 December 2010</u>
<b>Short-term financial investments</b>		
Financial assets at fair value through profit or loss	6.524.603	12.822.707
	<u><b>6.524.603</b></u>	<u><b>12.822.707</b></u>

	<u>31 December 2011</u>	<u>31 December 2010</u>
<b>Long-term financial investments</b>		
Derivative assets held for trading (Note 25)	707.099	-
	<u><b>707.099</b></u>	<u><b>-</b></u>

The financial assets are held for trading and measured at fair value. The fair value is derived using the highest purchase order for the respective financial asset in the Istanbul Stock Exchange as of 31 December 2011.

	<u>31 December 2011</u>		
<u>Financial assets at fair value through profit or loss</u>	<u>Cost</u>	<u>Fair value</u>	<u>Carrying value</u>
<b>Financial assets held for trading</b>			
Private sector bonds	5.630.733	5.813.317	5.813.317
Government bonds	712.631	711.286	711.286
	<u><b>6.343.364</b></u>	<u><b>6.524.603</b></u>	<u><b>6.524.603</b></u>
	<u>31 December 2010</u>		
<u>Financial assets at fair value through profit or loss</u>	<u>Cost</u>	<u>Fair value</u>	<u>Carrying value</u>
<b>Financial assets held for trading</b>			
Government bonds	12.292.458	12.822.707	12.822.707
	<u><b>12.292.458</b></u>	<u><b>12.822.707</b></u>	<u><b>12.822.707</b></u>

Interest rates of treasury bills and government bonds held-for-trading at 31 December 2011 are in-between 3,45% - 11,88% (31 December 2010: between 7,00% - 8,00%).



## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 7. Loans and borrowings

The details of financial borrowings as of 31 December 2011 and 31 December 2010 are as follows:

	<u>31 December 2011</u>	<u>31 December 2010</u>
<b>Short-term loans and borrowings:</b>		
Short-term portion of long-term borrowings	5.926.215	5.020.781
	<b>5.926.215</b>	<b>5.020.781</b>
<b>Longterm loans and borrowings:</b>		
Long-term bank borrowings	47.409.720	44.721.608
	<b>47.409.720</b>	<b>44.721.608</b>
<b>Total loans and borrowings</b>	<b>53.335.935</b>	<b>49.742.389</b>

The details of loans and borrowings as of 31 December 2011 and 31 December 2010 is as follows:

			<u>31 December 2011</u>	
<u>Currency</u>	<u>Interest rate (%)</u>	<u>Original amount (Euro)</u>	<u>Short-term (TL)</u>	<u>Long-term (TL)</u>
Euro	Euribor+3.50	21.825.000	5.926.215	47.409.720
			<b>5.926.215</b>	<b>47.409.720</b>
			<u>31 December 2010</u>	
<u>Currency</u>	<u>Interest rate (%)</u>	<u>Original amount (Euro)</u>	<u>Short-term (TL)</u>	<u>Long-term (TL)</u>
Euro	Euribor+3.50	24.250.000	5.020.781	44.721.608
			<b>5.020.781</b>	<b>44.721.608</b>

Loans of the Company are used from a related party, Türkiye İş Bankası (Note 25). The Company has not given any collaterals for the loans.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 8. Trade receivables and payables

	31 December 2011	31 December 2010
<u>Trade receivables</u>		
Receivables from customers	2.928.567	1.603.972
Notes receivable	65.642	162.500
Due from related parties (Note 25)	4.232	-
Doubtful receivables	563.998	334.650
Provision for doubtful receivables (-)	(387.805)	(307.303)
Other	9.458	2.586
	<b>3.184.092</b>	<b>1.796.405</b>
<u>Trade payables</u>		
Payables to suppliers	1.841.267	2.475.961
Due to related parties	1.091.605	872.357
Notes payable	-	10.488
	<b>2.932.872</b>	<b>3.358.806</b>

As of 31 December 2011, provision for doubtful trade receivables is TL 387.305 (31 December 2010: TL 307.303). 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 2011	31 December 2010
Opening balance, 1 January	(307.303)	(181.107)
Charge for the period	(282.243)	(226.574)
Provisions utilized	201.741	100.378
Closing balance, 31 December	<b>(387.805)</b>	<b>(307.303)</b>

The nature and level of risks for trade receivables and payables is disclosed in Note 26.

#### 9. Other receivables and payables

	31 December 2011	31 December 2010
<u>Other receivables:</u>		
Other short-term receivables	154.323	352.577
	<b>154.323</b>	<b>352.577</b>
<u>Other payables - short-term</u>		
Deposits received	2.830.609	2.260.782
Other short-term payables	123.149	67.157
	<b>2.953.758</b>	<b>2.327.939</b>
<u>Other payables - long-term</u>		
Deposits received (*)	22.495.299	148.687
Other long-term payables (**)	36.000.000	36.000.000
	<b>58.495.299</b>	<b>36.148.687</b>

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 9. Other receivables and payables (continued)

(\*)The balance comprise the Company's deposits received in return for the sales of the apartments within the Çınarlı Bahçe Tuzla project of the Company located in Tuzla.

(\*\*) The 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.

#### 10. Investment property

	<b>31 December 2011</b>		<b>31 December 2010</b>	
	<b>Net book value</b>	<b>Fair value</b>	<b>Net book value</b>	<b>Fair value</b>
<b>Investment property</b>				
Ankara İş Kule Building	97.000.000	97.000.000	96.000.000	96.000.000
İstanbul İş Kuleleri Complex	264.295.290	450.000.000	270.945.303	410.000.000
Seven Seas Hotel	60.329.864	75.950.000	62.791.274	66.200.000
Maslak Petrol Ofisi Building	44.625.367	49.000.000	45.000.000	45.000.000
Mallmarine Shopping Mall	11.400.000	11.400.000	11.000.000	11.000.000
İş Bankası Ankara Merkez Building	16.308.333	24.300.000	16.688.333	24.000.000
İş Bankası Ankara Kızılay Building	13.939.333	21.300.000	14.264.133	21.000.000
İş Bankası Antalya Merkez Building	6.970.633	13.650.000	7.137.799	13.000.000
Kanyon Shopping Mall	104.738.966	315.000.000	104.610.919	285.000.000
Real Hipermarket Building	44.451.211	72.500.000	45.138.631	69.800.000
İstanbul Esenyurt (Marmarapark)	49.785.287	79.250.000	49.818.346	69.200.000
İş Bankası Güneşli Building	36.203.973	39.000.000	35.000.000	35.000.000
İş Bankası Sirkeci Building	21.124.688	27.600.000	21.851.438	24.560.000
Lykia Lodge Kapadokya Hotel	17.356.983	18.250.000	14.000.000	14.000.000
Antalya Kemer Imperial Hotel	37.322.663	44.450.000	37.407.440	38.656.000
Üsküdar Project	20.200.000	20.200.000	20.000.000	20.000.000
İzmir Project	22.745.479	46.000.000	21.749.030	29.000.000
Kartal Project	38.153.577	52.423.000	37.435.549	47.077.580
Tuzla no. 1329 Lot	34.500.097	38.000.000	25.270.000	25.270.000
Tuzla no. 1 and 2 Lots	66.671.263	110.970.000	53.641.606	53.641.606
Taksim Building	15.155.221	21.350.000	13.757.388	21.000.000
Levent Land	990.000	990.000	952.000	952.000
<b>Total</b>	<b>1.024.268.228</b>	<b>1.628.583.000</b>	<b>1.004.459.189</b>	<b>1.419.357.186</b>

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 10. Investment property (continued)

	Opening balance 1 January 2011	Purchases	Disposals	Impairment / reversal of impairment	Closing balance 31 December 2011
<b>Cost</b>					
Ankara İş Kule Building	133.910.099	118.658	-	4.285.258	138.314.015
İstanbul 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
İstanbul 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
İzmir Project	21.749.030	996.449	-	-	22.745.479
Kartal Project	37.435.549	718.028	-	-	38.153.577
Tuzla no. 1329 Lot	25.270.000	8.896.870	-	333.227	34.500.097
Tuzla no. 1 and 2 Lots	53.641.606	12.163.039	-	866.618	66.671.263
Taksim Building	13.757.388	1.397.833	-	-	15.155.221
Levent Land	952.000	6.226	-	31.774	990.000
<b>Total</b>	<b>1.196.692.383</b>	<b>33.219.216</b>	<b>(196.733)</b>	<b>10.883.414</b>	<b>1.240.598.280</b>

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 10. Investment property (continued)

	Opening Balance 1 January 2011	Charge for the year	Disposals	Closing balance 31 December 2011
<b>Accumulated Depreciation</b>				
Ankara İş Kule Building	37.910.099	3.403.916	-	41.314.015
İstanbul 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
İstanbul 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
<b>Total</b>	<b>192.233.194</b>	<b>24.263.565</b>	<b>(166.707)</b>	<b>216.330.052</b>
<b>Net Carrying Value</b>	<b>1.004.459.189</b>	<b>-</b>	<b>-</b>	<b>1.024.268.228</b>

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 10. Investment property (continued)

	Opening balance 1 January 2010	Purchases	Disposals	Impairment / reversal of impairment	Closing balance 31 December 2010
<b>Cost</b>					
Ankara İş Kule Building	128.706.288	170.493	-	5.033.318	133.910.099
İstanbul İş Kuleleri Complex	340.053.121	70.564	-	-	340.123.685
Seven Seas Hotel	98.555.906	5.165.833	-	-	103.721.739
Maslak Petrol Ofisi Building	48.454.534	56.200	-	7.374.539	55.885.273
Mallmarine Shopping Mall	12.180.051	40.000	-	1.847.572	14.067.623
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	115.695.056	508.601	-	-	116.203.657
Real Hipermarket Building	47.479.607	-	-	-	47.479.607
İstanbul Esenyurt (Marmarapark)	54.422.288	211.477	-	2.460.357	57.094.122
İş Bankası Güneşli Building	38.748.375	73.620	-	(1.659.238)	37.162.757
İş Bankası Sirkeci Building	23.107.500	-	-	-	23.107.500
Lykia Lodge Kapadokya Hotel	-	14.190.365	-	(68.458)	14.121.907
Antalya Kemer Imperial Hotel	-	37.642.229	-	-	37.642.229
Üsküdar Project	20.050.000	443.465	-	(493.465)	20.000.000
İzmir Project	2.308.890	19.440.140	-	-	21.749.030
Kartal Project	37.099.731	335.818	-	-	37.435.549
Tuzla no. 1329 Lot	23.092.459	2.510.768	-	(333.227)	25.270.000
Tuzla no. 1 and 2 Lots	-	54.508.224	-	(866.618)	53.641.606
Taksim Building	-	13.757.388	-	-	13.757.388
Levent Land	760.000	201.280	-	(9.280)	952.000
<b>Total</b>	<b>1.034.080.418</b>	<b>149.326.465</b>	<b>-</b>	<b>13.285.500</b>	<b>1.196.692.383</b>

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 10. Investment property (continued)

	Opening Balance 1 January 2010	Charge for the year Disposals	Impairment / reversal of impairment	Closing balance 31 December 2010
<b>Accumulated Depreciation</b>				
Ankara İş Kule Building	34.566.288	3.343.811	-	37.910.099
İstanbul İş Kuleleri Complex	62.238.346	6.940.036	-	69.178.382
Seven Seas Hotel	38.147.622	2.782.843	-	40.930.465
Maslak Petrol Ofisi Building	9.754.534	1.130.739	-	10.885.273
Mallmarine Shopping Mall	2.710.051	357.572	-	3.067.623
İş Bankası Ankara Merkez Building	1.931.667	380.000	-	2.311.667
İş Bankası Ankara Kızılay Building	1.651.067	324.800	-	1.975.867
İş Bankası Antalya Merkez Building	821.648	167.165	-	988.813
Kanyon Shopping Mall	8.902.841	2.689.897	-	11.592.738
Real Hipermarket Building	1.653.556	687.420	-	2.340.976
İstanbul Esenyurt (Marmarapark)	4.816.249	2.459.527	-	7.275.776
İş Bankası Güneşli Building	1.338.375	824.382	-	2.162.757
İş Bankası Sirkeci Building	799.314	456.748	-	1.256.062
Lykia Lodge Kapadokya Hotel	-	121.907	-	121.907
Antalya Kemer Imperial Hotel	-	234.789	-	234.789
<b>Total</b>	<b>169.331.558</b>	<b>22.901.636</b>	<b>-</b>	<b>192.233.194</b>
<b>Net Carrying Value</b>	<b>864.748.860</b>	<b>-</b>	<b>-</b>	<b>1.004.459.189</b>

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 10. Investment property (continued)

The fair values of the Group's investment properties at 31 December 2011 have been arrived at on the basis of valuations carried out as of December 2011 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.

During the period, the property rental income earned by the Group from its investment properties amounted to TL 91.355.973 (31 December 2010: TL 74.407.859). Direct operating expenses arising on the investment properties in the current period amounted to TL 43.686.826 (31 December 2010: TL 29.513.081). There are no pledges or mortgages on the investment properties held as of the reporting date.

#### Investment property purchases

An investment property located in Beyoglu district, block 408, lot 24, was purchased by the Company at an amount US Dollar 8.800.000 on 24 August 2010. Property includes Türkiye İş Bankası Taksim branch on the ground floor and office parts in the up floors. The Company projects to demolish the building and construct a new business center including a bank branch and new office floors.

The Company purchased an investment property with a hotel building on it , located in Nevşehir, Narderesi district, block 122, lots 2 and 3 from Silkar Turizm Yatırım ve İşletmeleri A.Ş. on 7 October 2010. The cost of the property is Euro 7.000.000. The hotel is leased to Silkar Turizm Yatırım ve İşletmeleri A.Ş. which will operate it. The Company expects rented income from the hotel as the district is a well known tourism location.

The Company purchased land and buildings on it from the owners, Türkiye Şişe ve Cam Fabrikaları A.Ş., Paşabahçe Cam Sanayi A.Ş., Trakya Cam Sanayi A.Ş. and Anadolu Cam Sanayi A.Ş., on 26 November 2010 at an amount of TL 53.600.000. The location of the property is in Tuzla district, block 7301, lots 1 and 2. The Company plans to construct operation center on lot 1 and to lease it to Türkiye İş Bankası for 25 years. Project development stage continues for the other lot.

The Company purchased an investment property with a hotel located in Kemer district, block 120, lot 3, at an amount of Euro 18.625.000 on 6 December 2010. The property was previously owned by Turcotel Turizm A.Ş. The Company leased the hotel, named Club Magic Life Kemer Imperial Hotel, to Magic Life Der Club International Turizm Hizmetleri A.Ş. for 10 years. Rental revenue of the hotel is expected to improve the total rent revenues of the Company by %4.



## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 11. Tangible assets

	<b>Machinery and equipment</b>	<b>Vehicles</b>	<b>Fixtures</b>	<b>Construction in progress</b>	<b>Total</b>
<b>Cost</b>					
1 January 2011 opening balance	482.947	162.497	1.164.331	-	1.809.775
Purchases	289.510	107.479	77.540	-	474.529
Disposals	-	-	(209)	-	(209)
Transfers	-	-	-	-	-
<b>31 December 2011 closing balance</b>	<b>772.457</b>	<b>269.976</b>	<b>1.241.662</b>	<b>-</b>	<b>2.284.095</b>
<b>Accumulated Depreciation</b>					
1 January 2011 opening balance	179.055	70.415	677.684	-	927.154
Current year charge	78.031	52.321	176.988	-	307.340
Disposals	-	-	(209)	-	(209)
Transfers	-	-	-	-	-
<b>31 December 2011 closing balance</b>	<b>257.086</b>	<b>122.736</b>	<b>854.463</b>	<b>-</b>	<b>1.234.285</b>
<b>Net carrying value as of 31 December 2010</b>	<b>303.892</b>	<b>92.082</b>	<b>486.647</b>	<b>-</b>	<b>882.621</b>
<b>Net carrying value as of 31 December 2011</b>	<b>515.371</b>	<b>147.240</b>	<b>387.199</b>	<b>-</b>	<b>1.049.810</b>
<b>Cost</b>					
1 January 2010 opening balance	400.874	85.637	952.198	17.830	1.456.539
Purchases	82.073	76.860	194.303	-	353.236
Transfers	-	-	17.830	(17.830)	-
<b>31 December 2010 closing balance</b>	<b>482.947</b>	<b>162.497</b>	<b>1.164.331</b>	<b>-</b>	<b>1.809.775</b>
<b>Accumulated Depreciation</b>					
1 January 2010 opening balance	138.174	39.692	507.653	9.131	694.650
Current year charge	40.881	30.723	160.900	-	232.504
Transfers	-	-	9.131	(9.131)	-
<b>31 December 2010 closing balance</b>	<b>179.055</b>	<b>70.415</b>	<b>677.684</b>	<b>-</b>	<b>927.154</b>
<b>Net carrying value as of 31 December 2009</b>	<b>262.700</b>	<b>45.945</b>	<b>444.545</b>	<b>8.699</b>	<b>761.889</b>
<b>Net carrying value as of 31 December 2010</b>	<b>303.892</b>	<b>92.082</b>	<b>486.647</b>	<b>-</b>	<b>882.621</b>

As of 31 December 2011 and 31 December 2010, there is no pledge on tangible assets.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 12. Intangible assets

	Computer programs	Total
<b>Cost</b>		
1 January 2011 opening balance	1.603.167	1.603.167
Purchases	206.444	206.444
<b>31 December 2011 closing balance</b>	<b>1.809.611</b>	<b>1.809.611</b>
<b>Accumulated Depreciation</b>		
1 January 2011 opening balance	950.980	950.980
Current year charge	462.057	462.057
<b>31 December 2011 closing balance</b>	<b>1.413.037</b>	<b>1.413.037</b>
<b>Net carrying value as of 31 December 2010</b>	<b>652.187</b>	<b>652.187</b>
<b>Net carrying value as of 31 December 2011</b>	<b>396.574</b>	<b>396.574</b>
<b>Cost</b>		
1 January 2010 opening balance	1.382.422	1.382.422
Purchases	220.745	220.745
<b>31 December 2010 closing balance</b>	<b>1.603.167</b>	<b>1.603.167</b>
<b>Accumulated Depreciation</b>		
1 January 2010 opening balance	510.491	510.491
Current year charge	440.489	440.489
<b>31 December 2010 closing balance</b>	<b>950.980</b>	<b>950.980</b>
<b>Net carrying value as of 31 December 2009</b>	<b>871.931</b>	<b>871.931</b>
<b>Net carrying value as of 31 December 2010</b>	<b>652.187</b>	<b>652.187</b>

As of 31 December 2011 and 2010, the Group does not have any internally generated intangible assets.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 13. Provisions, contingent assets and liabilities

	<b>31 December 2011</b>	<b>31 December 2010</b>
Provisions	50.620	44.016
	<b>50.620</b>	<b>44.016</b>
	<b>31 December 2011</b>	<b>31 December 2010</b>
Letter of guarantees obtained (*)	53.245.705	7.252.034
	<b>53.245.705</b>	<b>7.252.034</b>

(\*) Letter of guarantees consist of the letters obtained from the tenants and suppliers of the Company.

Details of guarantees, pledges and mortgages given by the Company as of 31 December 2011 and 31 December 2010 are as follows:

<b>CPM's given by the Company (Collaterals, Pledges, Mortgages)</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
A. CPM given for companies own legal personality	273.761	225.620
B. CPM given in behalf of fully consolidated companies	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-
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	-	-
<b>Total</b>	<b>273.761</b>	<b>225.620</b>

#### Operational leasing

The Group, as the lessor in the operational leasing transactions

The Group 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 2011 and 31 December 2010 are as follows:

	<b>31 December 2011</b>	<b>31 December 2010</b>
Less than 1 year	106.968.247	80.091.190
Between 1-5 years	279.241.004	179.091.729
More than 5 years	649.821.209	181.059.944
	<b>1.036.030.460</b>	<b>440.242.863</b>

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 14. Provision for employee benefits

	31 December 2011	31 December 2010
Short-term employee benefits		
Unused vacation provisions	187.327	86.333
	<b>187.327</b>	<b>86.333</b>
Long-term employee benefits		
Severance pay indemnity	461.945	412.646
	<b>461.945</b>	<b>412.646</b>

Under Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay who retired by gaining right to receive according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered with 60th article that has been changed. Some 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 2.731,85 TL for each period of service as of 31 December 2011. (31 December 2010: 2.517,01 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 Group arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as of 31 December 2011, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective reporting dates have been calculated assuming an annual inflation rate of 5,00% and a discount rate of 8,96%, resulting in a real discount rate of approximately 3,77% (31 December 2010: 5,10% inflation rate, 10,00% discount rate, 4,66% real discount rate). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of 2.731,85 TRY effective from 31 December 2011 has been taken into consideration in calculation of provision from employment termination benefits.

The Group recognizes the actuarial differences through profit or loss.

	1 January- 31 December 2011	1 January- 31 December 2010
Opening balance, 1 January	412.646	281.487
Service cost	28.977	31.628
Interest cost	50.705	44.293
Payment	(27.942)	(24.479)
Actuarial difference	(2.441)	79.717
Closing balance at the period end	<b>461.945</b>	<b>412.646</b>

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 15. Other assets and liabilities

<b><i>Other current assets</i></b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Job advances (*)	16.252.896	263.539
Prepaid expenses	1.442.602	1.426.267
Prepaid taxes and dues payable	8.419	190.038
Income accruals	-	10.488
Other	312.777	176.841
	<b>18.016.694</b>	<b>2.067.173</b>
<b><i>Other non-current assets</i></b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Deposits and guarantees given	20.010	-
Prepaid expenses	2.990	5.361
	<b>23.000</b>	<b>5.361</b>
<b><i>Other short-term liabilities</i></b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Deferred revenue (**)	3.101.864	9.416.094
Taxes and dues payable	853.844	744.386
Advances received	106.338	151.480
Unearned insurance income (Note 25)	448.738	414.438
	<b>4.510.784</b>	<b>10.726.398</b>
<b><i>Other long-term liabilities</i></b>	<b>31 December 2011</b>	<b>31 December 2010</b>
Deferred revenue (**)	3.574.058	3.352.147
	<b>3.574.058</b>	<b>3.352.147</b>

(\*) The Group 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 2011, job advances given to Mesa Mesken Sanayi A.Ş. under the agreement terms is TL 14.989.069 (31 December 2010: None).

(\*\*) The procedures in relation to the sale of the right of construction agreement in favour of ECE/GGP Gayrimenkul İnşaat ve Geliştirme A.Ş. over the Company's land located at Yakuplu Mahallesi Plot, F21D24D4B, Block 21, Plot 110 in Esenyurt, İstanbul is completed in June 2009. US Dollar 13 million is recognized under the deferred revenue account. Remaining balance includes the contribution received from Real Hipermarketler Zinciri A.Ş. in relation to the Real Project and other rental payments received for future periods.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 16. Equity

##### Share capital

The composition of the Company's paid-in share capital as of 31 December 2011 and 31 December 2010 is as follows:

	31 December 2011		31 December 2010	
	(%)		(%)	
<b>İş Gayrimenkul Yat. Ort. A.Ş.</b>				
T. İş Bankası A.Ş.	42,23	253.409.693	42,23	190.057.270
Anadolu Hayat Emeklilik A.Ş.	7,11	42.650.356	7,11	31.987.767
Anadolu Anonim Türk Sigorta A.Ş.	4,77	28.636.488	4,77	21.477.366
İş Net Elektronik Hizm. A.Ş.	1,33	7.953.899	1,33	5.965.424
Other	2,60	15.579.794	2,92	13.118.557
Publicly traded	41,96	251.769.770	41,64	187.393.616
<b>Historic share capital</b>	<b>100</b>	<b>600.000.000</b>	<b>100</b>	<b>450.000.000</b>
<b>Kanyon Yön. İşl. Paz. Ltd. Şti</b>				
The Company	50	50.000	50	50.000
Eczacıbaşı Holding	50	50.000	50	50.000
<b>Historic share capital</b>	<b>100</b>	<b>100.000</b>	<b>100</b>	<b>100.000</b>
<b>Nest in Globe</b>				
The Company	50	20.761	-	-
Kayı Holding	50	20.761	-	-
<b>Historic share capital</b>	<b>100</b>	<b>41.522</b>	<b>-</b>	<b>-</b>

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 share holders have the privilege to nominate candidates during the Board of Directors member elections. One member of Board of Directors is selected among the candidates nominated by Group B shareholders while the rest is selected among the candidates nominated by Group A shareholders. 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 consolidated 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 consolidated financial statements during investment-capital elimination. In addition, the Company has given Euro 50.000 (TL 125.795) as capital advance to Nest in Globe as of the reporting date.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 16. Equity (continued)

##### Adjustment to share capital

Revaluation surplus amount is TL 240.146.090 as of 31 December 2011 and 31 December 2010. The revaluation surplus comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

##### Share premium

As of 31 December 2011, 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 2010: TL 423.981).

##### Restricted reserves

	<u>31 December 2011</u>	<u>31 December 2010</u>
Legal reserves	13.554.165	11.015.848
	<b>13.554.165</b>	<b>11.015.848</b>

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

	<u>31 December 2011</u>	<u>31 December 2010</u>
Retained earnings	113.396.737	227.516.789
	<b>113.396.737</b>	<b>227.516.789</b>

##### Dividend distribution

In 2011, the remaining part of 2010 net profit amounting TL 22.500.000 after first legal reserve and second legal reserves is distributed as dividend on 28 March 2011.

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.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 16. Equity (continued)

##### Dividend distribution (continued)

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 financial statements prepared in accordance with the CMB regulations or in statutory financial statements.

In the Ordinary General Shareholders' Meeting held on 25 March 2011, the distribution of 2010 net profit was determined as follows:

	Amount
First legal reserve (TCC 466/1) 5%	2.395.817
Dividend	22.500.000
Second legal reserve (TCC 466/2)	-
Transferred to retained earnings	36.022.448
<b>Total</b>	<b>60.918.265</b>

##### Foreign currency translation differences

Foreign currency translation differences is due to the translation of equity items of Nest in Globe into TL, subsidiary of the Company.

#### 17. Sales and cost of sales

##### Revenue

	1 January- 31 December 2011	1 January- 31 December 2010
Rent income	91.355.973	74.407.859
Tenant contribution and service income	22.726.851	13.969.859
Income from the right of construction	9.256.679	7.036.552
Other revenue	152.709	122.028
	<b>123.492.212</b>	<b>95.536.298</b>

##### Cost of sales

	1 January- 31 December 2011	1 January- 31 December 2010
Administrative expense	(25.931.883)	(15.773.108)
Depreciation charges	(24.096.858)	(22.991.671)
Taxes and dues	(3.661.893)	(3.468.751)
Insurance expense	(1.975.153)	(1.933.890)
Impairment on investment properties	(362.081)	(3.430.286)
Reversal of impairment on investment properties	11.245.495	16.715.786
Other	(534.266)	(638.769)
	<b>(45.316.639)</b>	<b>(31.520.689)</b>



## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 18. General administrative expenses

	1 January- 31 December 2011	1 January- 31 December 2010
Personnel expenses	(4.524.397)	(3.824.473)
Outsourced service expenses	(3.675.353)	(1.808.469)
Depreciation and amortization	(769.188)	(582.958)
Taxes and dues	(120.763)	(135.498)
Provision for doubtful receivables	(80.502)	(126.196)
Other	(363.750)	(619.691)
	<b>(9.533.953)</b>	<b>(7.097.285)</b>

#### 19. Expenses by nature

##### Personnel expenses

	1 January- 31 December 2011	1 January- 31 December 2010
General administrative expense	(4.524.397)	(3.824.473)
Cost of sales	(313.630)	(276.601)
	<b>(4.838.027)</b>	<b>(4.101.074)</b>

##### Depreciation and amortization

	1 January - 31 December 2011	1 January - 31 December 2010
Cost of sales	(24.096.858)	(22.991.671)
General administrative expense	(769.188)	(582.958)
	<b>(24.866.046)</b>	<b>(23.574.629)</b>

#### 20. Other operating income / expense

Details of other operating income for the years ended 31 December 2011 and 2010 are as follows:

##### Other operating income

	1 January - 31 December 2011	1 January - 31 December 2010
Gain on sale of fixed assets	216.732	212.001
Damage compensation income	65.004	954.323
Other	137.081	63.387
	<b>418.817</b>	<b>1.229.711</b>

For the year ended 31 December 2011 other operating expenses amount to TL 39.830 (31 December 2010: TL 54.254).

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 21. Finance income

	1 January - 31 December 2011	1 January - 31 December 2010
Foreign exchange gains	26.005.634	9.650.840
Interest income on bank deposits	4.877.073	5.354.322
Gain on sale of marketable securities	668.947	871.332
Gain on interest income from government bonds and treasury bills	276.391	798.532
Interest income from reverse repo	45.308	13.090
	<b>31.873.353</b>	<b>16.688.116</b>

#### 22. Finance expense

	1 January - 31 December 2011	1 January - 31 December 2010
Foreign exchange losses	(29.508.549)	(13.261.559)
Interest expense on loans and borrowings	(3.192.901)	(51.713)
Derivative trading loss	(849.221)	-
Loss on sale of marketable securities	(259.072)	(455.136)
	<b>(33.809.743)</b>	<b>(13.768.408)</b>

#### 23. Tax asset and liabilities

	31 December 2011	31 December 2010
<b>Tax provision:</b>		
Previous period tax	21.362	18.855
Corporate tax provision	133.072	100.236
Prepaid taxes and surcharges	(107.599)	(97.729)
	<b>46.835</b>	<b>21.362</b>

	1 December- 31 Aralık 2011	1 December- 31 Aralık 2010
<b>Tax expense:</b>		
Corporate tax provision	133.072	100.236
Deferred tax (benefit) / charge	(2.386)	(5.012)
	<b>130.686</b>	<b>95.224</b>

	31 December 2011	31 December 2010
<b>Deferred tax assets/(liabilities):</b>		
Difference between tax base and carrying amount of tangible and intangible assets	(22.169)	(16.742)
Provision for employee termination benefits	14.558	15.460
Provision for unused vacation	13.453	5.875
Other	1.137	-
Deferred tax assets, net	<b>6.979</b>	<b>4.593</b>

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 23. Tax assets and liabilities (continued)

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.

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 consolidated financial statements.

	1 January - 31 December 2011	1 January - 31 December 2010
<u>Tax reconciliation:</u>		
The Company's share on profit before tax of the jointly controlled entities	639.713	362.522
Tax at the effective rate 20% (2010: 20%)	127.943	72.504
- Tax effect of non-deductible expenses	2.743	22.720
Tax charge	<b>130.686</b>	<b>95.224</b>

#### 24. Earnings per share

	1 January - 31 December 2011	1 January - 31 December 2010
Number of shares in circulation as of 1 January (total)	600.000.000	450.000.000
Bonus shares	-	150.000.000
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 owners of the parent	66.953.531	60.918.265
<b>Earnings per share</b>	<b>0,1116</b>	<b>0,1015</b>
<b>Diluted earnings per share</b>	<b>0,1116</b>	<b>0,1015</b>

(\*) Capital increase is made through internal resources and prior period's earnings per share figure is revised by using the number of shares subsequent to the capital increase.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 25. Related party disclosures

Related parties of the Group are direct or indirect subsidiaries of Türkiye İş Bankası and the directors and personnel of the Group.

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 2011	31 December 2010
Demand deposits	307.891	77.184
Time deposits	101.561.472	71.748.627
Receivables from reverse repo transactions	3.217.110	59.518
B type mutual funds	1.225.699	1.303.692
	<b>106.312.172</b>	<b>73.189.021</b>

The Group has letters of guarantee amounting TL 273.761 (31 December 2010: TL 225.620) from İş Bankası A.Ş.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 25. Related party disclosures (continued)

	31 December 2011		
	Trade receivables	Trade payables	Other liabilities
	Short-term	Short-term	Short-term
<b>Balances with related parties</b>			
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	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	-
	<b>4.232</b>	<b>1.091.605</b>	<b>448.738</b>

	31 December 2011	
	Loans and borrowings	
	Short-term	Long-term

T. İş Bankası A.Ş.	5.926.215	47.409.720
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	Interest expense on loans	
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T. İş Bankası A.Ş.		3.192.901
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## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 25. İlişkili taraf açıklamaları (devamı)

	31 December 2010		
	Trade receivables	Trade payables	Other liabilities
	Short-term	Short-term	Short-term
<b>Balances with related parties</b>			
İş Merkezleri Yönetim ve İşletim A.Ş.	-	48.997	8.601
Türkiye Şişe ve Cam Fab. A.Ş.	-	-	86.036
Anadolu Anonim Türk Sigorta A.Ş.	-	764.872	47.736
Anadolu Hayat Emeklilik A.Ş.	-	-	34.405
İş Portföy Yönetimi A.Ş.	-	-	7.527
Avea İletişim Hizmetleri A.Ş.	-	2.956	25.021
İş Net Elektronik Hizmetler A.Ş.	-	7.500	-
Paşabahçe Mağazaları	-	-	2.041
İş Faktoring Finans. Hiz. A.Ş.	-	-	2.914
İş Finansal Kiralama A.Ş.	-	-	14.288
İş Girişim Sermayesi Yat. Ort. A.Ş.	-	-	2.148
İş Yatırım Menkul Değerler A.Ş.	-	-	27.245
İş Yatırım Ortaklığı A.Ş.	-	-	1.074
Anadolu Cam Sanayi A.Ş.	-	-	25.691
Camiş Elektrik Üretim A.Ş.	-	-	3.475
Camiş Madencilik A.Ş.	-	-	9.203
Paşabahçe Cam San. Ve Tic. A.Ş.	-	-	57.781
Soda Sanayi A.Ş.	-	-	22.216
Trakya Cam Sanayi A.Ş.	-	-	35.086
Şişecam Sigorta Hizmetleri A.Ş.	-	-	1.917
Payables to shareholders (dividend)	-	18.719	-
Other	-	29.313	33
	-	<b>872.357</b>	<b>414.438</b>

	31 December 2010	
	Loans and borrowings	
	Short-term	Long-term
<b>Balances with related parties</b>		
T. İş Bankası A.Ş.	5.020.781	44.721.608

	Interest expense on loans	
T. İş Bankası A.Ş.		51.713

As of 31 December 2011, the Group's financial assets at fair value through profit or loss include private sector bonds comprising İş Bankası amounting to TL 3.467.000 nominal amount and TL 3.384.139 fair value amount (31 December 2010: None).

As of 31 December 2011, the Group entered into interest option derivative transaction with İş Bankası and TL 707.099 derivative transaction accrual is recognised in the Group's consolidated statement of financial position and also TL 849.221 derivative trading loss is recognised in the Group's consolidated income statement for this transaction.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 25. Related party disclosures (continued)

Transactions with related parties	1 January - 31 December 2011				
	Purchases (*)	Interest received	Rent income	Other income	Other expenses
T. İş Bankası A.Ş.	-	4.910.230	14.339.432	367.552	13.132
Anadolu Anonim Türk Sigorta A.Ş.	2.050.293	-	3.286.406	67.375	-
Anadolu Hayat Emeklilik A.Ş.	44.424	-	2.292.533	41.153	-
İş Faktoring A.Ş.	-	-	59.441	2.590	1.850
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 Yatırım Menkul Değerler A.Ş.	-	-	2.494.789	35.615	9.705
T.Şişe ve Cam Fabrikaları A.Ş.	-	-	4.571.765	112.467	-
İş Yatırım Ortaklığı A.Ş.	-	-	75.385	1.404	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	151.130	2.808	-
İş Net Elektronik Hizmetler A.Ş.	18.345	-	7.363	-	89.553
İş Portföy Yönetimi A.Ş.	-	-	600.617	10.732	24.119
Paşabahçe Mağazacılık A.Ş.	-	-	491.867	2.668	-
Avea İletişim Hizmetleri A.Ş.	37.020	-	38.965	-	-
Paşabahçe Cam San. ve Tic. A.Ş.	1.463	-	3.066.743	75.532	-
Trakya Cam Sanayi A.Ş.	-	-	1.857.958	45.864	-
Soda Sanayi A.Ş.	-	-	1.176.574	29.041	-
Anadolu Cam Sanayi A.Ş.	-	-	1.360.984	33.584	-
Camiş Elektrik Üretim A.Ş.	-	-	183.949	4.543	-
Camiş Madencilik A.Ş.	-	-	487.799	12.030	-
Şişecam Sigorta Hizmetleri A.Ş.	-	-	101.591	2.506	46.449
Softtech Yazılım Teknolojileri A.Ş.	43.200	-	-	-	-
	<b>3.737.857</b>	<b>4.910.230</b>	<b>38.278.462</b>	<b>877.295</b>	<b>184.808</b>

(\*) 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.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 25. Related party disclosures (continued)

<i>Transactions with related parties</i>	1 January - 31 December 2010				
	Purchases (*)	Interest received	Rent income	Other income	Other expenses
T.İş Bankası A.Ş.	31.134.186	5.382.714	12.982.712	-	12.474
Anadolu Anonim Türk Sigorta A.Ş.	1.597.966	-	3.080.536	1.018.933	-
Anadolu Hayat Emeklilik A.Ş.	37.806	-	2.132.732	46.567	-
İş Faktoring A.Ş.	-	-	169.265	3.944	-
İş Finansal Kiralama A.Ş.	-	-	829.881	19.339	-
İş Merkezleri Yönetim ve İşletim A.Ş.	1.566.959	-	901.081	11.641	-
İş Yatırım Menkul Değerler A.Ş.	-	-	2.088.222	37.244	16.879
T.Şişe ve Cam Fabrikaları A.Ş.	1.620.782	-	4.038.803	115.994	-
İş Yatırım Ortaklığı A.Ş.	-	-	63.874	1.453	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	130.714	2.907	-
İş Net Elektronik Hizmetler A.Ş.	32.605	-	5.407	-	98.982
İş Portföy Yönetimi A.Ş.	-	-	385.459	10.188	92.679
Camiş Menkul Değerler A.Ş.	-	-	39.357	2.828	-
Paşabahçe Mağazacılık A.Ş.	1.590	-	467.167	2.761	-
Avea İletişim Hizmetleri A.Ş.	28.677	-	39.867	-	-
Paşabahçe Cam San. Ve Tic. A.Ş.	49.007.797	-	2.709.014	78.307	9.471
Trakya Cam Sanayi A.Ş.	810.387	-	1.701.389	49.070	-
Soda Sanayi A.Ş.	-	-	1.022.835	29.651	-
Anadolu Cam Sanayi A.Ş.	2.161.034	-	1.213.356	35.083	-
Camiş Elektrik Üretim A.Ş.	-	-	190.079	5.422	-
Camiş Madencilik A.Ş.	-	-	434.911	12.573	-
Şişecam Sigorta Hizmetleri A.Ş.	-	-	75.637	639	-
Softtech Yazılım Teknolojileri A.Ş.	192.020	-	-	-	49.092
	<b>88.191.809</b>	<b>5.382.714</b>	<b>34.702.298</b>	<b>1.484.544</b>	<b>279.577</b>

(\*) Türkiye İş Bankası A.Ş., Türkiye Şişe ve Cam Fabrikaları A.Ş., Paşabahçe Cam Sanayi A.Ş., Trakya Cam Sanayi A.Ş. and Anadolu Cam Sanayi A.Ş. balances are related to purchases of investment properties. 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.



## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 25. Related party disclosures (continued)

Benefits provided to key management personnel:

Benefits provided to board of directors, general manager and assistant general managers are as follows:

	<b>1 January- 31 December 2011</b>	<b>1 January- 31 December 2010</b>
Salaries and other short-term benefits	1,468.185	1,555.024
Employee termination benefits	82.441	75.990
	<b>1.550.626</b>	<b>1.631.014</b>

#### 26. Nature and level of risks arising from financial instruments

##### a) Capital risk management

The Group manages its capital to ensure that the Group 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 Group's capital and funding structure consists of cash and cash equivalents, share capital and retained earnings.

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

##### b) Financial risk factors

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

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, use of derivative and non-derivative financial instruments and the assessment of excess liquidity.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 26. Nature and level of risks arising from financial instruments (continued)

##### b.1) Credit risk management

Exposure to maximum credit risk as of reporting date	Receivables				Bank deposits	Financial investments	Derivative instruments	Other (***)
	Trade receivables	Other parties	Related parties	Other parties				
<b>31 December 2011</b>								
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. Bilanço dışı kredi içeren unsurlar

(\*) 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.

(\*\*\*) Mutual 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.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

### 26. Nature and level of risks arising from financial instruments (continued)

#### b.1) Credit risk management (continued)

Exposure to maximum credit risk as of reporting date	Receivables							
	Trade receivables		Other Receivables		Bank deposits	Financial investments	Derivative instruments	Other (***)
31 December 2010	Related parties	Other parties	Related parties	Other parties				
Maximum net credit risk as of the reporting date (*)	-	1.796.405	-	352.577	71.827.262	12.822.707	-	1.363.672
- The part of maximum risk under guarantee with collateral etc. (**)	-	615.194	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	-	1.375.111	-	352.577	71.827.262	12.822.707	-	1.363.672
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	-	393.947	-	-	-	-	-	-
- The part under guarantee with collateral etc	-	226.057	-	-	-	-	-	-
D. Net book value of impaired assets	-	27.347	-	-	-	-	-	-
- Past due (gross carrying amount)	-	334.650	-	-	-	-	-	-
- Impairment (-)	-	(307.303)	-	-	-	-	-	-
- 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.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 26. Nature and level of risks arising from financial instruments (continued)

##### ***b.1) Credit risk management (continued)***

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure to credit risks is monitored on a consistent basis.

The aging of the overdue receivables are as follows:

	<b>Receivables</b>		<b>Total</b>
	<b>Trade Receivables</b>	<b>Other Receivables</b>	
<b>31 December 2011</b>			
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	-	-	-
<b>Total overdue receivables</b>	<b>204.916</b>	<b>-</b>	<b>204.916</b>
<b>Total collateralized portion</b>	<b>165.301</b>	<b>-</b>	<b>165.301</b>

	<b>Receivables</b>		<b>Total</b>
	<b>Trade Receivables</b>	<b>Other Receivables</b>	
<b>31 December 2010</b>			
Past due 1-30 days	240.428	-	240.428
Past due 1-3 months	124.368	-	124.368
Past due 3-12 months	29.094	-	29.094
Past due 1-5 years	57	-	57
<b>Total overdue receivables</b>	<b>393.947</b>	<b>-</b>	<b>393.947</b>
<b>Total collateralized portion</b>	<b>226.057</b>	<b>-</b>	<b>226.057</b>

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 26. Nature and level of risks arising from financial instruments (continued)

##### ***b.1) Credit risk management (continued)***

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 2011		31 December 2010	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Letters of guarantee	155.321	155.321	208.882	208.882
Blocked deposits	-	-	-	-
Cash collaterals	9.980	9.980	17.175	17.175
	<b>165.301</b>	<b>165.301</b>	<b>226.057</b>	<b>226.057</b>

##### ***b.2) Liquidity risk management***

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. 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.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 26. Nature and level of risks arising from financial instruments (continued)

##### ***b.2) Liquidity risk management (continued)***

31 December 2011

<u>Contractual maturities</u>	<u>Carrying Value</u>	<u>Total cash outflows according to contract (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
<b>Non derivative Financial liabilities</b>						
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
Other liabilities	61.449.054	61.449.054	-	2.953.758	58.495.296	-
<b>Total liabilities</b>	<b>117.717.861</b>	<b>130.396.463</b>	<b>2.932.872</b>	<b>11.426.332</b>	<b>89.516.217</b>	<b>26.521.042</b>

31 December 2010

<u>Contractual maturities</u>	<u>Carrying Value</u>	<u>Total cash outflows according to contract (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
<b>Non derivative Financial liabilities</b>						
Trade payables	3.358.806	3.358.806	3.358.806	-	-	-
Loans and borrowings	49.742.389	62.726.195	-	7.373.716	26.966.103	28.386.376
Other liabilities	38.476.626	38.476.626	-	2.327.939	36.148.687	-
<b>Total liabilities</b>	<b>91.577.821</b>	<b>104.561.627</b>	<b>3.358.806</b>	<b>9.701.655</b>	<b>63.114.790</b>	<b>28.386.376</b>

The Group makes payments at contractual maturities.

##### ***b.3) Market risk management***

###### ***b.3.1) Foreign currency risk management***

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

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

Foreign currency transactions lead to currency risks.

The exchange rates applied as of 31 December 2011 and 31 December 2010 are as follows:

	<b>US Dollar</b>	<b>Euro</b>
31 December 2011	1,8889	2,4438
31 December 2010	1,5460	2,0491

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

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 26. Nature and level of risks arising from financial instruments (continued)

##### b.3) Market risk management (continued)

##### b.3.1) Foreign currency risk management (continued)

31 December 2011

	TL Equivalent (Functional currency)	US Dollar	Euro
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
<b>4. CURRENT ASSETS</b>	<b>61.423.845</b>	<b>7.958.284</b>	<b>18.983.322</b>
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non Monetary Financial Assets	-	-	-
7. Other	-	-	-
<b>8. NON CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. TOTAL ASSETS</b>	<b>61.423.845</b>	<b>7.958.284</b>	<b>18.983.322</b>
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
<b>13. CURRENT LIABILITIES</b>	<b>11.869.419</b>	<b>1.684.365</b>	<b>3.555.046</b>
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
<b>17. NON CURRENT LIABILITIES</b>	<b>50.983.778</b>	<b>-</b>	<b>20.862.500</b>
<b>18. TOTAL LIABILITIES</b>	<b>62.853.197</b>	<b>1.684.365</b>	<b>24.417.546</b>
19. Net asset/liability position of Off balance sheet derivatives (19a-19b)	-	-	-
19.a Off-balance sheet foreign currency derivative Assets	-	-	-
19.b. Off-balance sheet foreign currency derivative Liabilities	-	-	-
20. Net foreign currency asset / liability position	(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	-	-	-

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 26. Nature and level of risks arising from financial instruments (continued)

##### ***b.3) Market risk management (continued)***

##### ***b.3.1) Foreign currency risk management (continued)***

31 December 2010

	TL Equivalent (Functional currency)	US Dollar	Euro
1. Trade Receivables	-	-	-
2a. Monetary Financial Assets	35.183.281	5.554.254	12.979.554
2b. Non Monetary Financial Assets	-	-	-
3. Other	193.188	124.960	-
<b>4. CURRENT ASSETS</b>	<b>35.376.469</b>	<b>5.679.214</b>	<b>12.979.554</b>
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non Monetary Financial Assets	-	-	-
7. Other	-	-	-
<b>8. NON CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. TOTAL ASSETS</b>	<b>35.376.469</b>	<b>5.679.214</b>	<b>12.979.554</b>
10. Trade Payables	755.123	457.458	23.372
11. Financial Liabilities	5.020.781	-	2.450.237
12a. Other Monetary Liabilities	-	-	-
12b. Other Non Monetary Liabilities	12.817.338	4.761.714	2.662.500
<b>13. CURRENT LIABILITIES</b>	<b>18.593.242</b>	<b>5.219.172</b>	<b>5.136.109</b>
14. Trade Payables	-	-	-
15. Financial Liabilities	44.721.608	-	21.825.000
16a. Other Monetary Liabilities	-	-	-
16b. Other Non Monetary Liabilities	1.858.965	1.202.435	-
<b>17. NON CURRENT LIABILITIES</b>	<b>46.580.573</b>	<b>1.202.435</b>	<b>21.825.000</b>
<b>18. TOTAL LIABILITIES</b>	<b>65.173.815</b>	<b>6.421.607</b>	<b>26.961.109</b>
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	(29.797.345)	(742.393)	(13.981.555)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(15.314.231)	5.096.796	(11.319.055)
22. Fair Value of foreign currency hedged Financial assets	-	-	-
23. Hedged foreign currency assets	-	-	-
24. Hedged foreign currency liabilities	-	-	-



## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 26. Nature and level of risks arising from financial instruments (continued)

##### ***b.3) Market risk management (continued)***

##### ***b.3.1) Foreign currency risk management (continued)***

##### Foreign currency sensitivity

The Group is mainly exposed to foreign currency risk on Euro and US Dollar.

The following table details the Group'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.

<b>31 December 2011</b>		
	<b>Appreciation of foreign currency</b>	<b>Devaluation of foreign currency</b>
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	1.409.296	(1.409.296)
Portion hedged against US Dollar risk (-)	-	-
<b>US Dollar net effect</b>	<b>1.409.296</b>	<b>(1.409.296)</b>
<u>If Euro changes against TL by 10%</u>		
Euro net asset / liability	(703.142)	(703.142)
Portion hedged against Euro risk (-)	-	-
<b>Euro net effect</b>	<b>(703.142)</b>	<b>(703.142)</b>

<b>31 December 2010</b>		
	<b>Appreciation of foreign currency</b>	<b>Devaluation of foreign currency</b>
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset / liability	787.964	(787.964)
Portion hedged against US Dollar risk (-)	-	-
<b>US Dollar net effect</b>	<b>787.964</b>	<b>(787.964)</b>
<u>If Euro changes against TL by 10%</u>		
Euro net asset / liability	(2.319.388)	2.319.388
Portion hedged against Euro risk (-)	-	-
<b>Euro net effect</b>	<b>(2.319.388)</b>	<b>2.319.388</b>

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 26. Nature and level of risks arising from financial instruments (continued)

##### ***b.3) Market risk management (continued)***

##### ***b.3.2) Interest rate risk management***

Interest rate risk represents the risk of fair value decrease in the Group's interest rate sensitive assets due to market fluctuations.

As of 31 December 2011, the maturity of the Group's assets and liabilities for refinancing is in line with the maturity analysis provided in the liquidity risk management section stated above. 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 consolidated 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 2011, the net profit will decrease by TL 78.627, increase by TL 84.791, respectively (31 December 2010: TL 132.453 decrease, TL 129.800 increase).

As the %1 increase or decrease in TL interest for floating interest rate financial instruments of the Group affects the profit before tax decreasing TL 451.003 or increasing TL 224.244 with the assumption of other variables stay constant according to analyzes of the Company (31 December 2010: TL 10.768 decrease and TL 10.818 increase).

#### Interest rate position table

		<u>31 December 2011</u>	<u>31 December 2010</u>
<b>Fixed Interest Rate Financial Instruments</b>			
Financial Assets	Financial assets classified at fair value through profit or loss	6.524.603	12.822.707
	Time deposits at banks	101.561.472	71.748.627
	Receivables from reverse repo transactions	3.217.110	59.518
Financial Liabilities		-	-
<b>Floating Interest Rate Financial Instruments</b>			
Financial Assets		-	-
Financial Liabilities		53.335.935	49.742.389

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 27. Fair value of financial instruments

31 December 2011	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
<b>Financial Assets</b>						
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	25
Other financial assets	-	-	154.323	-	154.323	9
<b>Financial Liabilities</b>						
Loans and borrowings	-	-	-	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	25
Other payables	-	-	-	61.449.056	61.449.056	9
<b>31 December 2010</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	71.827.262	1.371.621	-	-	73.198.883	5
Financial investments		12.822.707	-	-	12.822.707	6
Trade receivables	-	-	1.796.405	-	1.796.405	8
Due from related parties	-	-	-	-	-	25
Other financial assets	-	-	352.577	-	352.577	9
<b>Financial Liabilities</b>						
Loans and borrowings	-	-	-	49.742.389	49.742.389	7
Trade payables	-	-	-	2.486.449	2.486.449	8
Other payables	-	-	-	38.476.626	38.476.626	9

The Group management assumes that the book value of financial assets represents their respective fair values.

#### 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.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities

### Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 27. Fair value of financial instruments (continued)

The levels of the financial assets and liabilities presented in fair values are as follows:

Financial assets	31 December 2011	Fair Value Level As of the Reporting Date		
		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	-
	<b>7.750.302</b>	<b>7.750.302</b>	<b>707.099</b>	<b>-</b>

Financial assets	31 December 2010	Fair Value Level As of the Reporting Date		
		Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss (*)				
Held for trading	14.126.399	14.126.399	-	-
	<b>14.126.399</b>	<b>14.126.399</b>	<b>-</b>	<b>-</b>

(\*) The balance consists of government funds under financial instruments and investment funds under cash and cash equivalents.

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

### 28. Compliance control of the portfolio restrictions

The main accounts of separate financial statements		31 December 2011	31 December 2010
<b>A</b>	Capital and money market instruments	111.957.490	84.879.803
<b>B</b>	Real estates, rights supported by real estates and real estate projects <sup>(*)</sup>	1.024.268.228	1.004.459.189
<b>C</b>	Affiliates <sup>(**)</sup>	196.556	50.000
	Due from related parties (other receivables)	-	-
	Other assets	21.431.670	3.837.978
<b>D</b>	<b>Total assets</b>	<b>1.157.853.944</b>	<b>1.093.226.970</b>
<b>E</b>	Loans and borrowings	53.335.935	49.690.676
<b>F</b>	Other financial liabilities	44.108	95.731
<b>G</b>	Financial lease obligations	-	-
<b>H</b>	Due to related parties (other payables)	-	-
<b>I</b>	Equity	1.033.355.410	988.775.223
	Other liabilities	71.118.491	54.665.340
<b>D</b>	<b>Total liabilities and equity</b>	<b>1.157.853.944</b>	<b>1.093.226.970</b>
Other separate financial information		31 December 2011	31 December 2010
<b>A1</b>	Capital and money market instruments amount held for 3-year real estate payments	-	-
<b>A2</b>	Time balances / demand balances TL / foreign currency	101.820.907	71.804.484
<b>A3</b>	Foreign capital market instruments	-	-
<b>B1</b>	Foreign real estates, rights supported by real estates and real estate projects	-	-
<b>B2</b>	Inactive land	21.190.000	952.000
<b>C1</b>	Foreign affiliates	146.556	-
<b>C2</b>	Participating to operating company	50.000	50.000
<b>J</b>	Non-cash loans	273.761	225.620
<b>K</b>	Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	-	-

## İş Real Estate Investment Trust CO. and Its Jointly Controlled Entities Notes to the Consolidated Financial Statements For the year ended 31 December 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

### 28. Compliance control of the portfolio restrictions (continued)

Portfolio restrictions	Related regulation	31 December 2011	31 December 2010	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)	88%	92%	50%
3 Capital and money market instruments and subsidiaries	Serial: VI, No:11, Article 27 / (b)	10%	8%	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%	0%	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	5%	5%	500%
8 Time balances / demand balances TL / foreign currency	Serial: VI, No:11, Article 27 / (b)	9%	7%	10%

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