

İş REIT: Turkey's leading real estate investment trust

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

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

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Annual General Meeting of Shareholders 28 March 2006 Agenda

1. Opening, formation of the chairing council and authorization of the council members to sign the minutes of the meeting.
2. Reading, deliberation, and approval of the Board of Directors' report; the statutory auditors' report, and the balance sheet and profit & loss statement for 2005.
3. Individual acquittal of each of the members of the Board of Directors and the statutory auditors of their fiduciary responsibilities for 2005.
4. Deliberation and decision on the Board of Directors' proposal concerning the distribution of 2005 profits.
5. Approval, pursuant to Capital Market Board Communiqué IV: 27, to transfer the amount of YTL 312,627 that was booked as a special reserve for unrealized capital gains when calculating 2004-year profits to the "Prior-year profits" account since they were realized in 2005.
6. Presentation of information to the general assembly of shareholders on the grants and donations made in 2005.
7. Submission, for approval by the general assembly of shareholders pursuant to article 24 of the CMB Communiqué X:16, of the independent auditors chosen by the Board of Directors for one-year terms of office.
8. Election of Board of Directors members and of statutory auditors pursuant to articles 11 and 19 of the articles of incorporation.
9. Determination of the fees to be paid to members of the Board of Directors and to the statutory auditors.
10. Petitions and suggestions.

General Meeting of Shareholders and Participation

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

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

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

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

Prerequisites for Participation in Meetings

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

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

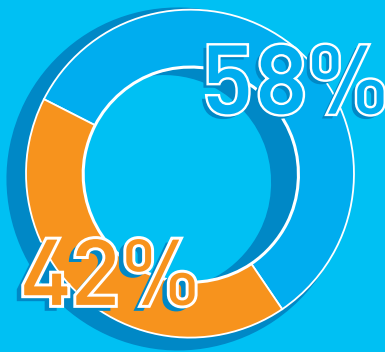
- Identity documents and evidence of the shares they own
- In the case of shareholders whose shares are held in the custody of banks or brokerages, custody statements
- In the case of shareholders who are corporate entities, documents authorizing an individual to represent them.

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

Financial Highlights

USD million	2005
Total Assets	627.3
Total Equity	592.9
Net Profit	25.4
Portfolio Net Asset Value	598.5
Net Asset Value per Share (YTL)	2.43
ISGYO Share Price (YTL)	2.94
Market Capitalization (USD million)	727.9

Shareholder Structure



■ İşbank □ Others

Shareholder	YTL	% Percent
İşbank	139,360,970	42.23
Others	190,605,030	57.77
Total	329,966,000	100.00

Maintaining a high degree of profitability from rental income on a robust portfolio of properties, İş REIT possesses net assets worth **USD 598 million** and enjoys a market capitalization of **USD 727 million**.

Company Profile

Name: İş Real Estate Investment Trust Co.
Date of incorporation: 6 August 1999
Issued capital: YTL 329,966,000
Registered capital ceiling: YTL 500,000,000
Date of initial public offering: 1-3 December 1999
IPO price: TL 1,400
Company headquarters: İstanbul

History

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

Field of Business

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

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

Our Mission

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

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

We aim to maximize the collective value of our portfolio for our shareholders through **stable growth** and **high profitability**.



1 Gürman Tevfik

Chairman of the Board of Directors

Dr. Tevfik holds a bachelor's degree from the Eskişehir Academy of Economic and Commercial Sciences, a master's degree in business management from the University of Colorado, and a doctorate in international management from İstanbul University. He began his career as an assistant inspector for İşbank and subsequently served as an assistant manager in the bank's Investment Securities Department and then as a group manager. He has been general manager of İş Portföy Yönetimi A.Ş., İşbank's portfolio management subsidiary, since 14 December 2000.

18 April 2005-28 March 2006

2 Emre Cankorel

Vice Chairman

Mr. Cankorel graduated from Şişli Political Sciences School in 1975 and started his career as an assistant inspector trainee for İşbank. He held positions as assistant manager in the bank's Deposits Department, assistant manager and group head in Organization Department, manager of Balmumcu, Sirkeci, Beşiktaş, Levent branches, and marketing manager for Retail Banking. He currently serves as the manager of Rihim Kadıköy branch.

18 April 2005-28 March 2006

3 İrfan Tufan Karaoğlu

Independent Board Member

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

18 April 2005-28 March 2006



4 Haldun Baydar

Independent Board Member

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

18 April 2005-28 March 2006

5 Kemal Şahin

Board Member

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

18 April 2005-28 March 2006

Committee Responsible for Audit

2 Emre Cankorel

18 April 2005-28 March 2006

5 Kemal Şahin

18 April 2005-28 March 2006

Audit Board

6 Tuncay Güler

18 April 2005-28 March 2006

7 Sezai Sevgin

18 April 2005-28 March 2006

8 Haluk Giray

18 April 2005-28 March 2006

Senior Management



1	2	3
4	5	6

- 1 Turgay Tanes General Manager
- 2 Hülya Demir Assistant General Manager
- 3 Tuğrul Gürdal Manager, Financial and Administrative Affairs
- 4 T. Aydan Ormancı Manager, Investment and Project Development
- 5 Att. Pınar Ersin Kollu Legal Consultant
- 6 Ayşegül Şahin Kocameşe Assistant Manager, Risk Management and Investor Relations

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

Tax Consultant

DRT Denetim Revizyon Tasdik Yeminli Mali Müşavirlik A.Ş.

Independent Auditors

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

Independent Appraisal Firm

Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.

Declaration of Interest by the Independent Board Members

I declare that, within the last two years, neither I nor any persons, including my spouse, with whom I have any kinship whether by blood or marriage unto the third degree, have had any direct or indirect relationship from the standpoint of employment, capital, or commercial interests with the lead entrepreneur Türkiye İş Bankası A.Ş.;

or with any company in which the lead entrepreneur owns more than a 10% share or possesses voting rights in that percentage; or with any shareholder in the Company that owns more than a 10% share or possesses voting rights in that percentage; or with any shareholder that owns a shareholding interest incorporating a right to designate a candidate for a seat on the board of directors; or with the operating company İş Merkezleri Yönetim ve İşletim A.Ş., or with any company in which any person cited in subparagraphs (c) and (d) of article 18 of the Communiqué on Principles concerning Real Estate Investment Trusts owns more than a 10% share or possesses voting rights in that percentage.

İrfan Tufan Karaoğlu Haldun Baydar




Changes in the Company's Organization, Capital, Shareholder Structure, or Management Structure That Took Place During the Year

The Company's Capital and Shareholder Structure:

Türkiye İş Bankası A.Ş. (İşbank) owns 42.23% shareholding interest in our Company's capital as of 31 December 2005, and nearly 50% of our shares in circulation are held by foreign investors.

At the beginning of 2005, the capital increase procedures that were initiated at the end of the prior year were completed, and our issued capital was registered as YTL 329,966,000.

Changes in Management Team and in Organizational Structure:

The members of the Board of Directors who were elected at the Annual General Meeting of Shareholders and served during 2005 and

the CVs for these persons are presented in the report, and no changes occurred to the members of our Board of Directors within the time that followed the General Meeting of Shareholders.

In keeping with corporate governance principles, work has been completed on creating an in-house risk management mechanism for the purpose of minimizing company-related risks that could have an impact on company shareholders in particular and stakeholders in general, and also on setting up an independent unit that will be responsible for relations with investors, and the "Risk Management and Investor Relations Department" was set up and started its operations.



The Turkish Economy

Regarded as the major actor in the growth of the Turkish economy in 2005, the construction industry recorded a growth close to 20% in the year under review and played a key role in the total GNP increase as well.



The Turkish Economy

In the period that followed 2004, steps taken to guarantee permanent stability continued to have an effect on macroeconomic indicators. Although we are still in a transition phase from a high-inflationary environment to creating a climate of permanent price stability, major progress has been made in the last four years.

Down to single-digits in the last four years, the inflation continued its downward course in 2005. With the achievement of the targeted figures in the growth rate in 2005, firm steps have been taken to create the long looked-for climate of sustainable stability. This environment of stability will be permanent only if the monetary discipline and structural reforms are brought to completion and are adhered to persistently.

The expanded current account deficit makes up the soft belly of the economy. The recent developments in the economy and the optimistic expectations inspired by the EU process led to a significant amount of foreign fund inflow. In line with these optimistic expectations, the outlook for 2006 is that foreign fund inflow, both in the form of portfolio investments and as direct investments, will continue on an increasing basis.

In general, the structural reforms made in 2005, the developments in foreign capital, the combat against unrecorded economy, privatization and employment mark the significant steps towards ensuring permanent betterment in the economy.

Sectoral Developments

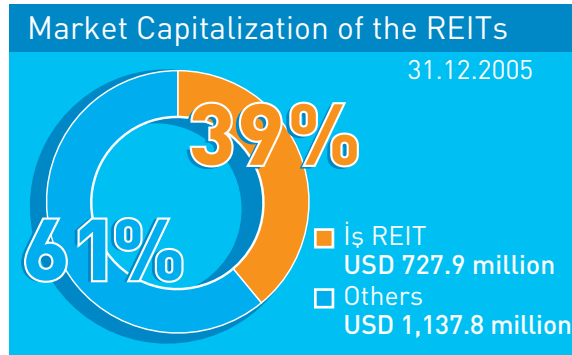
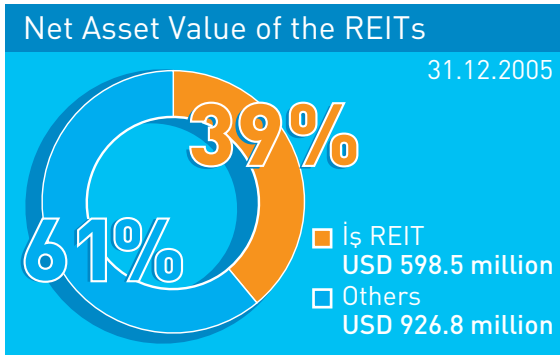
Regarded as the major actor in the growth of the Turkish economy in 2005, the construction sector recorded a growth close to 20% in the year under review and played a key role in the total GNP increase as well. It was further observed that the "building materials industry" linked to construction also revived and all the sub- and side-branches of the construction industry benefited from this revitalization.

The resurgence in the real estate market, along with the contribution of the projects developed by the public as well as the private sector to the housing production were the key factors in the stir-up in the construction sector. The recovery in the construction sector triggered the building materials manufacturing industry in general, within which cement took the lead. The strong relations between the developments in the sectors providing the main inputs for the construction industry and the added-value of construction are anticipated to contribute significantly to growth in the period ahead.

Housing ownership grew to become attractive with the positive developments in economy and with the continued decline of interest rates in 2005. The housing-loan utilization that stood at USD 1.9 million at year-end 2004 significantly rose at year-end 2005.

The anticipations infused with the mortgage financing system, for which the related work is underway to put the system into practice in 2006, constitute one of the reasons of the revival in the construction sector. The bill sent to the parliament in November 2005 is expected to be enacted into law during 2006.

The housing supply still remains below the level to meet the delayed demand, despite the revival in the construction industry. It is believed that due to the increasing population and growing need for urbanization, the demand for housing will acquire even higher proportions, and in parallel, the increase in the investments in buildings and residential units, along with the construction activities will be ongoing, which in turn will become one of the factors contributing to growth and employment. On the other hand, the augmented level of investment outlays depending on the decreased level of economic uncertainties led to construction of increased number of industrial and commercial buildings, even if they fall short of that in housing, and contributed to greater added-value of the construction industry. In this context, it is estimated that the increases in building and housing investments will continue, in order to fulfill the delayed housing needs and to respond to fast urbanization in the coming days.



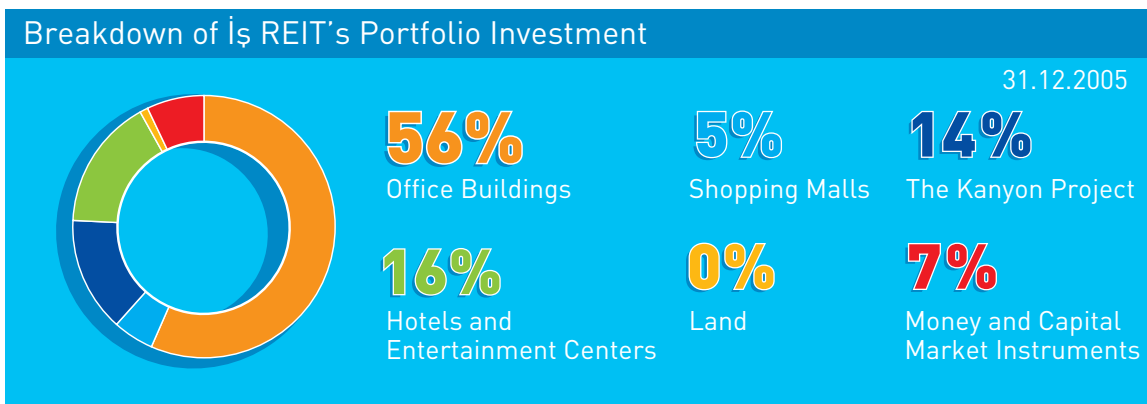
Principles Relating to Real Estate Investment Trusts

Discussed below is some of the data on the founders and procedures of incorporation of real estate investment trusts, registration of REIT shares under the CMB records, their public offering, the qualities required in their management and managers, their fields of activity and portfolio exposures and periodical public disclosure. Further details may be found at www.spk.gov.tr.

- REITs are required to hold investment portfolios at least 50% of which consists of real estate properties, rights backed by real estate properties, and real estate development projects. By the same token, no more than

50% (by value) of their portfolios may be invested in other types of assets such as capital market instruments or cash assets.

- General-purpose REITs must diversify their portfolios in terms of sector, region, and type of property.
- REITs must take into account the appraisal values set by the independent appraisal firm authorized by the CMB in the leasing and selling properties in their portfolios and in buying them for their portfolios.
- REITs may in no way undertake the construction works of the real estate properties and may not employ personnel and acquire equipment for such purpose.
- REITs may borrow up to three times of their net-asset values.



Looking at our own portfolio as of 31 December 2005, 56% of its value was in office buildings, 16% was in hotels and entertainment centers, 14% was in the ongoing project (the "Kanyon" project), 5% was in shopping centers, and 7% was in money and capital market instruments. As required by law, the ongoing project is shown in terms of the realized cost of

investment outlays incurred as of the portfolio valuation date. 93% of our Company's portfolio investments are in the real estate sector and concentrated on its core business.

With the completion of the Kanyon project, our net-asset value will increase significantly.



Activities in 2005

2005 was a year in which the investments continued on track and new investments to diversify the portfolio and to maximize the yields on the Company's portfolio were made.



Investment Activities

2005 was a year in which the investments continued on track and new investments to diversify the portfolio and to maximize the yields on the Company's portfolio were made.

The Kanyon Project

Undertaken as a joint venture in which costs and proceeds are to be shared 50-50 and financed entirely out of our Company's own equity resources, the Kanyon project proceeded in 2005, with the final phases reached in most of the mechanical and installation works, elevators and escalators, electrical installations, aluminum siding, architectural and finishing construction works and stone facading. Nearly all the tenders have been finalized and the project is expected to be completed in 2006 as scheduled.

The residential units in the project have all been sold and as of year-end 2005, our Company collected USD 32,459,171 as its share. The sales prices are presently followed-up under the "Short Term Liabilities/Other Liabilities" in our balance sheet and will be related to our income statement following the completion of the project in 2006.

Given that the ownership sharing approach has been adopted for the Kanyon Office Building, the floors are shared in a manner to produce equal number of independent sections. Accordingly, floors 2 through 13 (2 and 13 inclusive) passed to our Company's

ownership and floors 15 through 26 (15 and 26 inclusive) to the ownership of Eczacıbaşı İlaç Sanayi ve Ticaret A.Ş. Goodwill difference in the amount of USD 3,117,000 was collected from our project development partner in relation to ownership sharing.

About 30% of our customers who bought residential apartments used the long-term housing loan extended by İşbank specifically for this project.

A total of USD 100,688,385 (including VAT) has been incurred as project-related outlays to date including the price of the project's land and the outlays in 2005 amounting USD 30,808,866 (including VAT).

Real Project

The negotiations with Real Hipermarketler Zinciri A.Ş., a member of the Metro Group, were finalized and the agreement whereby a Real Hypermarket will be constructed on lot 105 located in the vicinity of the Tatilya Indoor Theme Park and rented under a twenty-year lease was signed on 22 December 2005 and disclosed to the public. Work is currently in progress in relation to this project. Approval has been obtained from the relevant municipality for the preliminary drawings, upon which constructional drawings are commenced. Following the approval of the constructional drawings, the contract will be awarded and construction will start.

During 2006 our **Company** will again be keeping a close lookout for new investment opportunities that will maximize the returns on its portfolio.

Rental Activities

There were no substantial changes in the occupancy rates of the real estate properties in the Company's portfolio during 2005 and the high rate of occupancy averaging 99% throughout our entire portfolio was maintained.

During the year, marketing efforts were initiated for renting the shops in the shopping center in the Kanyon Project which targets to secure itself a place among the topnotch projects not only in Turkey but also in the world with its inventive architecture and unique concept. Most of the shops were rented as of year-end 2005 on five-year leases in average due to the intense demand by worldwide renowned international and national brands. Assessment is ongoing for the heavy load of demands for the remaining shops, and work is underway to finalize the rentals as soon as possible.

Believed to turn out to be the originator of drastic changes in the consumers' shopping preferences following its inauguration, the Kanyon Shopping Center already receives much attention from the press and the media. Greatly differing from the ordinary enclosed-box shopping center style and featuring open-air circulation, the Kanyon Shopping Center will also host cultural and artistic activities throughout the year.

On the other hand, part of the office blocks that passed to our Company's ownership due to ownership sharing were let to national and international tenants, each a leader in its respective sector. Negotiations for the remaining office spaces are underway and leases are expected to be finalized very soon.

The Outlook for 2006

The goals in 2006 are to complete the Kanyon project, to deliver the residential units to their owners, to finalize the leases for the shopping center and office spaces, resulting in significantly increased rental income.

Within the scope of the comprehensive alterations made prior to the opening of the 2005 tourism season, the Seven Seas Hotel was completely renovated and is poised to offer even better service to meet all modern needs.

As a prerequisite of its general policy, our Company will be keeping a close lookout for new investment opportunities that will maximize the returns on its portfolio.

Other issues

Information on Lawsuits to Which Our Company is a Party

In 2005, there were no warnings, notices or administrative fines issued against the Company by the public authorities.

A lawsuit has been brought with Büyükçekmece 2nd Civil Court of First Instance for determination of the right of ownership in the lands registered at lots 101, 102, 103, 105 and 107 located in İstanbul, Büyükçekmece, Beylikdüzü Locality, which lands are covered in our portfolio.

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

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

Statement concerning foreseeable risks inherent in our activities

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

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

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

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

The year-on increase in our Company's share price was about **54%**, which therefore paralleled both the national and the sectoral indexes.

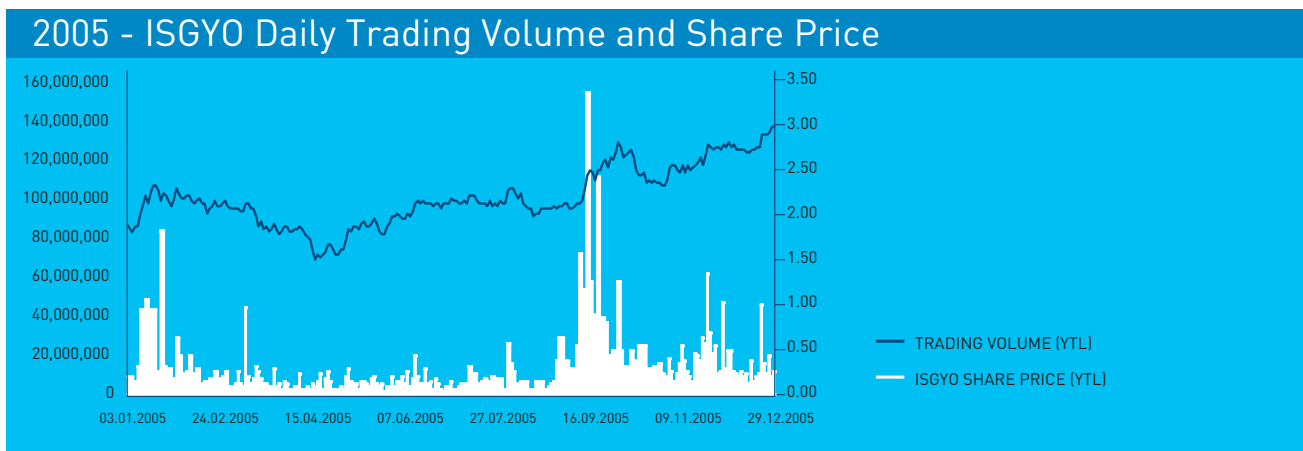
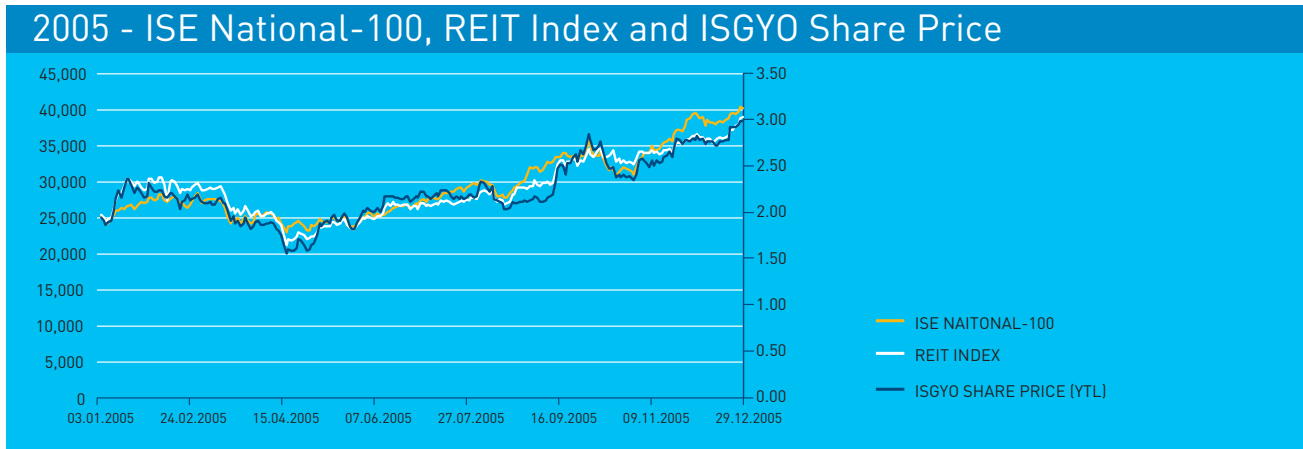
Financial Standing ISE Performance

The total value of all the money and capital market instruments shown in our portfolio value table dated 31 December 2005 is USD 45.7 million, which corresponds to about 7% of the portfolio's value. 68% of these instruments are fixed-term and demand foreign currency deposit accounts, 25% are government bonds and T-bills, and the remainder are shares in "Type B" liquid mutual funds and reverse repo transactions.

While the İstanbul Stock Exchange's (ISE) Ulusal-100 (National-100) index rose 59% on a Turkish lira basis in 2005, the index based on all REITs traded on the exchange was up 54%. The year-on increase in our Company's share price was about 54%, which therefore paralleled both the national and the sectoral indexes.

Our Company's stock is included in the ISE's National-30 index. Average daily trading volumes in our Company's shares in 2005 were worth USD 9.2 million.

The year-end 2005 closing price of our stock was YTL 2.96 or about 22% above the YTL 2.43 per-share value of our Company's net assets, which increased approximately 5% year-on on a Turkish-lira basis to USD 598 million. Assuming no significant changes take place in other variables, we can expect to see a substantial increase in our net asset value with the completion of the Kanyon project.



Properties Portfolio

With a portfolio size nearing 210,000 m² of leasable area and with the financial strength to develop new projects, İş REIT contributes to the creation of a dynamic, sound, and professional real estate market in Turkey.





CARŞI



Properties Portfolio

The Sources of Our Rental Income

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

Properties Under Development

- Kanyon Project (shopping center with cinema & entertainment block, office block, housing block)
- Real Hypermarket Project to be developed on a 50,309 m² of land in the vicinity of the Tatilya Theme Park.

Other Properties

- Project-developable land (7,613 m²) adjacent to İş Towers in 4. Levent

With a portfolio size nearing 210,000 m² of leasable area and with the financial strength to develop new projects, İş REIT contributes to the creation of a dynamic, sound, and professional real estate market in Turkey.



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

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

Gross Leasable Area (GLA): 63,324 m². Two 34-story office towers containing 27 leasable stories and the Kule Çarşı shopping center containing 30 stores.

Portfolio Entry Date: 2000

Appraised Value: USD 249.7 million (including parking space)

Rental income in 2005 (not including VAT): USD 15.6 million

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

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

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

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

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

Land Adjacent to İş Towers

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

Area: 7,613 m²

Description: Land

Portfolio Entry Date: 1999

Appraised Value: USD 2.4 million



Ankara İş Tower

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

Gross Leasable Area (GLA): 26,488 m²

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

Portfolio Entry Date: 1999

Appraised Value: USD 70.1 million

Rental income in 2005 (not including VAT): USD 3.3 million

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

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



Maslak Building

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

Gross Leasable Area (GLA): 12,904 m²

Description: Twelve-story office building

Portfolio Entry Date: 2001

Appraised Value: USD 25.5 million

Rental income in 2005 (not including VAT): USD 2 million

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



İyi Eğlenceler

Mutlu Tatiller

Tatilya

Location: İstanbul-Büyükçekmece, Beylikdüzü district

Gross Leasable Area (GLA): 39,867 m² (Tatilya Theme Park and indoor parking facility);
50,309 m² of project-developable land

Description: Tatilya containing the indoor theme park, indoor parking facility, studio building, and four adjacent developable sites

Portfolio Entry Date: 2001

Appraised Value: USD 42.2 million (Tatilya building and parking facility);
USD 22.2 million (project-developable land)

Rental income in 2005 (not including VAT): USD 0.55 million

Other Information: : Located in an area whose population density is increasing steadily, the Tatilya indoor theme park is the first example of its kind and still the biggest and most original complex of this nature in Turkey. It has attracted visitors of every age and description since opening its doors in 1996. Tatilya is the first and only indoor theme park in Turkey, the biggest in Europe and the fourth biggest one in the world.

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



Seven Seas Hotel

Location: Antalya-Manavgat, Sorgun village, Titreyen Göl district

Gross Leasable Area (GLA): 52,699 m²

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

Operators: Magic Life, a leading European tour operator

Portfolio Entry Date: 2001

Appraised Value: USD 35.8 million

Rental income in 2005 (not including VAT): USD 4.4 million

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



Solaris Plaza Shopping Center

Location: Muğla-Marmaris, Kemeraltı district on Atatürk Caddesi

Gross Leasable Area (GLA): 3,172 m²

Description: Shopping center with 30 independent units

Portfolio Entry Date: 2001

Appraised Value: USD 7.8 million

Rental income in 2005 (not including VAT): USD 0.35 million

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



Ankara-Ulus Office Building

Location: Ankara-Altındağ, Ulus district

Gross Leasable Area (GLA): 6,418 m²

Description: Office building in a central location with commercial development potential

Portfolio Entry Date: December 2004

Appraised Value: USD 15.0 million

Rental income in 2005 (not including VAT): USD 1.4 million

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



Ankara-Kızılay Office Building

Location: Ankara-Kızılay

Gross Leasable Area (GLA): 5,193 m²

Description: Office building in a central location with commercial development potential

Portfolio Entry Date: 2004

Appraised Value: USD 12.7 million

Rental income in 2005 (not including VAT): USD 1.2 million

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



Antalya Office Building

Location: Antalya-Central

Gross Leasable Area (GLA): 3,353 m²

Description: Office building in a central location with commercial development potential

Portfolio Entry Date: 2004

Appraised Value: USD 6.2 million

Rental income in 2005 (not including VAT): USD 0.596 million

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



Kanyon Project

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

Project Scope: The office block has 29,903 m² of usable space located on 25 stories averaging 1,167 m² each. The shopping center occupies 50,841 m² of grounds and is laid out according to a unique design concept incorporating outdoor circulation and performance spaces. The housing block contains 179 units ranging from 75 m² to 210 m² in area. The cinema complex contains 9 film theaters and can accommodate 1,579 people at the same time.

Project Area: Approximately 250,000 m² of construction on grounds measuring 29,427 m², half of which belongs to our Company.

Anticipated Opening Date for the Project: 2006

Other Information: Commissioned by İş REIT, the Kanyon project was shaped by Jerde Partnership International, a trend-setting architectural firm with a worldwide reputation for excellence, and Tabanlıoğlu Mimarlık. It is being realized with the global engineering knowledge and skills of Arup. The Kanyon project's design concept of integrating everything into the surrounding environment makes it unique among all other İstanbul development projects.

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

İş Gayrimenkul Yatırım Ortaklığı A.Ş. Portfolio Table

Portfolio Table as of 31.12.2005	USD million	%
Office Buildings		56%
İstanbul İş Towers	223.3	
Ankara İş Tower	70.1	
Maslak Building	25.5	
Ankara Ulus Office Building	15.0	
Antalya Office Building	6.2	
Ankara Kızılay Office Building	12.7	
Sub Total	352.9	
Hotel&Entertainment		16%
Seven Seas Hotel	35.8	
Tatilya Entertainment Center	42.2	
Tatilya Project-Developable Land	22.2	
Sub Total	100.2	
Shopping Centers		5%
Solaris Plaza Shopping Center	7.8	
Kule Çarşısı Shopping Center	26.4	
Sub Total	34.2	
Project Under Development		14%
Kanyon Project (*)	89.6	
Shopping Center with 198 independent units, 9 film theaters		
Residential Block with 179 Apartments		
Office Block (GLA: 29,903 m ²)		
Land (in front of İstanbul İş Towers)	2.4	0%
General Total of Properties	579.4	93%
Participations	0.04	0%
Cash and Marketable Securities	45.8	7%
TOTAL PORTFOLIO VALUE	625.2	100%
Trade Receivables and Other Assets	7.2	
Liabilities	-34.0	
TOTAL NET ASSET VALUE	598.4	

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

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Statement by Board Members Responsible from Audit

We hereby declare that the financial statements concerning the Company's activities for the period 1 January 2005 to 31 December 2005 inclusive prepared by Denetim Serbest Mali Müşavirlik A.Ş. have been prepared in accordance with the Capital Markets Board communiqué XI:25 concerning the accounting standards in the capital market, and that they also incorporate the adjustments and classifications made according to the Company's legal records; we also declare that the legal books of account and legal financial statements have been prepared in accordance with the principles stipulated by the Turkish Commercial Code and by the applicable tax legislation.

Member
Emre Cankorel



Member
Kemal Şahin



İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Board of Directors Recommendation Concerning The Distribution of 2005 Year Profit (Values in YTL)

The Company's net profit for the period as of 31 December 2005 is YTL 34,094,657.- in the financial statements prepared in accordance with the Capital Markets Board legislation, and is YTL 17,405,741.- in the legal records maintained in accordance with the Tax Procedures Law. Pursuant to the CMB decision dated 25.02.2005 and no. 7/242, our legal records will be taken as basis in the distribution of 2005 profit.

According to the article 30 concerning the distribution of profit and reserve funds of the Company's articles of association, it has been decided to present the distribution of net profit in cash as shown below to the approval of the General Assembly of the Shareholders.

A. DISTRIBUTION OF CURRENT-YEAR PROFIT

1- CURRENT-YEAR PROFIT	17,405,741
2- PRIOR-YEAR LOSSES	
3- TAXES DUE	
Corporation Tax	
Withholding For Income Tax	
Other Taxes And The Like	
4- FIRST LEGAL RESERVE	870,287
5- UNREALIZED CAPITAL GAINS	533,400
NET DISTRIBUTABLE PROFIT FOR THE YEAR:	16,002,054
6- FIRST SHAREHOLDERS' DIVIDEND	16,002,054
- For Common Shareholders	
- For Preferred Shareholders	
7- DIVIDEND FOR BLUE & WHITE COLLAR EMPLOYEES	
8- DIVIDEND FOR COMPANY DIRECTORS	
9- SECOND SHAREHOLDERS' DIVIDEND	
- For Common Shareholders	
- For Preferred Shareholders	
10- SECOND LEGAL RESERVE	
11- STATUTORY RESERVES	
12- SPECIAL RESERVES	
EXTRAORDINARY RESERVES	

B-DIVIDENDS PAID FROM RESERVES

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

C-PROFIT PER SHARE (YTL/%)

1- Common shareholders	YTL 0.0527 / 5.27%
2- Preferred shareholders	

D-DIVIDEND PER SHARE (YTL/%)

1- Common shareholders	YTL 0.0484 / 4.84%
2- Preferred shareholders	

İş Gayrimenkul Yatırım Ortaklığı A.Ş. 2005 Statutory Auditors' Report

Company Name	İş Real Estate Investment Trust Co
Headquarters	İstanbul
Issued Capital	329.966.000-YTL.
Principal Business Activity	The Company was established to invest in real estate properties, in capital market instruments backed by real estate properties, and in real estate projects.
Name, Term of Office, and Partnership Status of the Statutory Auditors	Tuncay Güler Sezai Sevgin Haluk Giray The statutory auditors are elected to serve until the date of the next ordinary general meeting. They are not partners in the Company.
Number of Board of Directors Meetings Participated in and Number of Times the Statutory Auditors Formally Convened	12 (twelve)
Scope, Dates, and Results of Examinations Performed on the Company's Accounts, Books, and Documents	The Company's legal books of account and documents were examined in the months of June and December and the conclusion reached was that they were in accord with records.
Number of Cash Counts Performed at the Company Cashier's Office in Accordance With the Requirements of Subparagraph 3 of Paragraph 1 of Article 353 of the Turkish Commercial Law and The Conclusions Reached	Cash counts were performed at the Company cashier's office twice in 2005 in accordance with the requirements of law. All cash balances conformed to the books of account.
Dates on Which Examinations Were Performed in Accordance With the Requirements of Subparagraph 1 of Paragraph 4 of Article 353 of the Turkish Commercial Law and the Conclusions That Were Reached	During our examinations performed each month the presence of all negotiable instruments was checked and it was established that they conformed to the records.
Charges or Complaints of Improprieties Received and the Action Taken	During our term of office as statutory auditors for İş Real Estate Investment Trust Co., no charges or complaints of improprieties were referred to us.

We have examined the accounts and transactions of the firm of İş Real Estate Investment Trust Co. for the period 1 January 2005 to 31 December 2005 for compliance with the requirements of the Turkish Commercial Law, the Company's articles of incorporation, relevant laws and regulations, and generally accepted accounting principles and standards.

In our opinion: the enclosed balance sheet for the period 1 January 2005-31 December 2005, the contents of which we certify, accurately reflects the true financial standing of the Company on the latter date; the income statement for the period 1 January 2005-31 December 2005 accurately and truly reflects the results of business activities during the same period; the proposed distribution of profits is in compliance with the requirements of law and with the Company's articles of incorporation.

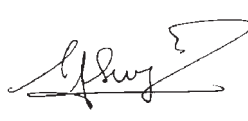

We hereby recommend that the balance sheet and income statement be approved and that the members of the Board of Directors be acquitted of their fiduciary responsibilities.

THE STATUTORY AUDITORS

Tuncay Güler

Sezai Sevgin

Haluk Giray

Auditors' Report



İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Independent Auditors' Report for the Period 1 January 2005-31 December 2005

1. We have audited the accompanying consolidated (proportionately consolidated) balance sheet of İş Gayrimenkul Yatırım Ortaklığı A.Ş. as of 31 December 2005 and the related consolidated (proportionately consolidated) statements of income, changes in shareholders' equity and cash flows for the year then ended prepared in accordance with Capital Markets Board ("CMB") standards. Our audit was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

2. In our opinion, the attached financial statements present fairly the financial position of the Company as at 31 December 2005 and the results of its operations for the year then ended, in conformity with legislation and generally accepted accounting principles determined by CMB (Note 2).

3. Additional paragraph for English translation:

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

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



Hasan Kılıç
Partner

İstanbul, 17 February 2006

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Consolidated (According to Proportionate Consolidation Method) Financial Statements as of 31 December 2005
(Amounts are expressed in New Turkish Lira ("YTL") unless otherwise indicated)

ASSETS	Note	31 December 2005 YTL	31 December 2004 YTL
Current Assets		70.650.953	66.780.784
Cash and cash equivalents	4	38.502.663	37.020.398
Marketable securities (net)	5	22.947.411	22.285.386
Trade receivables (net)	7	1.979.523	525.879
Due from related parties (net)	9	475.793	275.662
Other receivables (net)	10	5.694.989	5.544.506
Deferred tax assets (net)	11	-	-
Other current assets (net)	12	1.050.574	1.128.953
Long-term Assets		771.060.421	733.607.056
Trade receivables (net)	7	-	-
Due from related parties (net)	9	-	-
Other receivables (net)	10	-	-
Financial assets (net)	13	-	-
Positive/(negative) goodwill (net)	14	-	-
Investment Property (net)	15	620.132.386	617.182.331
Tangible assets (net)	16	150.856.211	116.317.595
Intangible assets (net)	17	71.824	88.257
Deferred tax assets (net)	11	-	-
Other long-term assets	12	-	18.873
Total Assets		841.711.374	800.387.840

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

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Consolidated (According to Proportionate Consolidation Method) Balance Sheet as of 31 December 2005
(Amounts are expressed in New Turkish Lira ("YTL") unless otherwise indicated)

LIABILITIES	Note	31 December 2005 YTL	31 December 2004 YTL
Short-term Liabilities		46.083.448	2.133.776
Short-term borrowings (net)	6	-	-
Short-term portions of long-term borrowings (net)	6	-	-
Finance lease payables (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	36.886	377.562
Due to related parties (net)	9	803.641	565.572
Advances received	18	-	-
Provisions	20	3.344	304
Deferred tax liabilities (net)	11	-	-
Other short-term liabilities (net)	10	45.239.577	1.190.338
Long-term Liabilities		110.218	19.903.634
Long-term borrowings (net)	6	-	-
Finance lease payables (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	-	-
Due to related parties (net)	9	-	-
Advances received	18	-	-
Provisions	20	108.184	75.587
Deferred tax liabilities (net)	11	2.034	-
Other long-term liabilities	10	-	19.828.047
Minority interest	21	-	-
Shareholders' Equity		795.517.708	778.350.430
Capital	22	329.966.000	329.614.634
Treasury stock	22	-	-
Capital reserves	23	344.148.611	343.744.469
- Premium in excess of par		423.981	19.839
- Gain on cancellation of equity shares		-	-
- Revaluation fund		-	-
- Valuation fund on financial assets		-	-
- Shareholders' equity inflation restatement differences		343.724.630	343.724.630
Profit reserves	24	1.566.511	371.190
- Legal reserves		1.095.099	-
- Statutory reserves		-	-
- Extraordinary reserves		571	-
- Special reserves		470.841	371.190
- Gain on sale of properties and equity participations which will be transferred to capital	-	-	-
- Currency translation reserve		-	-
Net profit for the period		34.094.657	104.173.496
Retained earnings	25	85.741.929	446.641
Total Liabilities and Shareholders' Equity		841.711.374	800.387.840

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

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Consolidated (According to Proportionate Consolidation Method) Income Statement
for the Year Ended 31 December 2005

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

INCOME STATEMENT	Note	2005 YTL
OPERATING INCOME		
Sales revenue (net)	33	39.535.502
Cost of sales (-)	33	(22.177.642)
Income from services (net)	33	-
Other operating income (net)	33	41.654
GROSS PROFIT/(LOSS)		17.399.514
Operating expenses (-)	34	(3.912.611)
NET OPERATING PROFIT/(LOSS)		13.486.903
Other income and profits	35	27.118.263
Other expenses and losses (-)	35	(6.500.110)
Finance expenses (net)	36	-
PROFIT BEFORE MONETARY GAIN/(LOSS) AND TAX		34.105.056
Net monetary gain/(loss)	37	-
Minority interest	21	-
PROFIT/(LOSS) BEFORE TAXATION		34.105.056
Taxation	38	(10.399)
NET PROFIT/(LOSS) FOR THE PERIOD		34.094.657
EARNINGS PER SHARE	39	0,1033

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

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Consolidated (According to Proportionate Consolidation Method) Statement of Changes in Shareholders' Equity for the Year Ended 31 December 2005

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

	CAPITAL YTL	PREMIUM IN EXCESS OF PAR YTL	SHAREHOLDERS' EQUITY		LEGAL RESERVES YTL	EXTRAORDINARY RESERVES YTL	SPECIAL RESERVES YTL	NET PERIOD PROFIT/(LOSS) YTL	RETAINED EARNINGS YTL	TOTAL YTL
			RESTATEMENT DIFFERENCES YTL	INFLATION						
As of 1 January 2005	329.614.634	19.839	343.724.630	-	-	-	371.190	104.173.496	446.641	778.350.430
Transfers:										
Capital increase	351.366	-	-	-	-	-	-	-	-	351.366
Profit on shares sold	-	404.142	-	-	-	-	-	-	-	404.142
Legal reserves	-	-	-	1.095.099	-	-	-	-	(1.095.099)	-
Extraordinary reserves	-	-	-	-	571	-	-	-	(571)	-
Transfers to special reserves	-	-	-	-	-	451.660	-	-	(451.660)	-
Transfers to retained earnings	-	-	-	-	-	-	(352.009)	(104.173.496)	104.525.505	-
Dividends paid	-	-	-	-	-	-	-	-	(17.682.887)	(17.682.887)
Net period income	-	-	-	-	-	-	34.094.657	-	-	34.094.657
Balance as of										
31 December 2005	329.966.000	423.981	343.724.630	1.095.099	571	470.841	34.094.657	85.741.929	795.517.708	

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

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Consolidated (According to Proportionate Consolidation Method) Statement of Cash Flow
for the Year Ended December 2005

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

	Note	2005 YTL
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period		34.094.657
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation of tangible assets	16	69.305
Depreciation of investment properties	15	19.078.453
Amortization of intangible assets	17	32.883
Provisions released related to investment properties	15, 35	(14.745.140)
Provisions released related to other tangible assets	16, 35	(29.161)
Losses on sale of investment properties		(2.171)
Losses on sale of other tangible assets		58.468
Losses on sale of intangible assets	17	397
Retirement pay provision	20	39.784
Tax provision	38	10.399
Cash provided by operating activities before changes in working capital		38.607.874
Changes in working capital	40	22.411.578
Cash provided by operations		61.019.452
Taxes paid	20	(5.324)
Retirement pay provision paid during the period	20	(7.187)
Net cash provided by operating activities		61.006.941
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in marketable securities (net)	5	(662.025)
Purchases of tangible assets	16	(34.674.728)
Purchases of investment properties (net)	15	(7.340.642)
Proceeds from sale of investment properties		59.445
Proceeds from sale of other tangible assets		37.500
Purchases of intangible assets	17	(16.847)
Net cash used in investing activities		(42.597.297)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital increase	22	351.366
Premium in excess of par	23	404.142
Dividends paid		(17.682.887)
Net cash used in financing activities		(16.927.379)
NET CHANGES IN CASH AND CASH EQUIVALENTS		1.482.265
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	4	37.020.398
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	4	38.502.663

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

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of 31 December 2005

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

İş Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") was established on 6 August 1999 by İş Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. taking over all assets and liabilities of İş Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. and Merkez Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. both of which operated separately and was established in 1998.

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

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

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

2. BASIS OF THE FINANCIAL STATEMENTS

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

The Company maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. The accompanying financial statements include adjustments and reclassifications to the statutory records in accordance with accounting standards issued by the Communiqué No: XI/25.

The Company's financial statements were prepared in accordance with the CMB rules for accounting and reporting (CMB Accounting Standards).

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

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

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of 31 December 2005

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

Preparation of Financial Statements in Hyperinflationary Periods

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

CMB resolved in the meeting numbered 11/367 dated 17 March 2005 that hyperinflationary period, as defined in the Communiqué No: XI/20 paragraph 6 and the Communiqué No: XI/25 paragraph 375, is over. In addition, the other criteria regarding the continuation of hyperinflationary period deemed to be no longer valid and therefore, preparation of financial statements according to inflation accounting has been ceased in 2005 and inflation accounting has not been applied in the accompanying consolidated financial statements for the period ended 31 December 2005.

Company's financial statements prepared as of 31 December 2004 included the restatement adjustments to compensate for the effect of changes in the general purchasing power of the Turkish Lira in accordance with the Communiqué No: XI/20. Communiqué No: XI/20 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date.

Restatement adjustments as of 31 December 2004 have been made according to the wholesale price index published by the State Institute of Statistics. Such index and the conversion factors used to restate the accompanying financial statements as of 31 December 2004 are given below:

	Index	Conversion Factor
31 December 2001	4.951,7	1,697155
31 December 2002	6.478,8	1,297123
31 December 2003	7.382,1	1,138402
31 December 2004	8.403,8	1,000000

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

Year:	12/2005	2004	2003	2002	2001	2000
Currency Devaluation US \$ (%)	0.02	(3,9)	(14,6)	13,5	114,3	24,4
WPI Inflation - (%)	4.5	13,8	13,9	30,8	88,6	32,7

As at 31 December 2005 the exchange rate announced by the Turkish Central Bank was YTL = 1,3406 (31 December 2004: YTL 1,3421 = 1 US\$).

The main guidelines for the Communiqué No: XI/20 as of 31 December 2004 is as follows:

- All balance sheet amounts as of 31 December 2004 expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (the WPI).
- As of 31 December 2004, monetary assets and liabilities were not restated because they are already expressed in terms of the measuring unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
- As of 31 December 2004 non-monetary assets and liabilities were restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets are restated from the date of their purchase, not to exceed their market value. Depreciation is calculated at their restated amounts. The components of shareholders' equity are restated by applying the applicable general price index from the dates when components were contributed or otherwise arose.

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- As of 31 December 2004 all items in the statement of income were restated by applying the relevant conversion factors from the dates when the income and expense items were initially recorded in the consolidated financial statements, except for restatement of certain specific income statement items which arise from the restatement of non-monetary assets and liabilities like amortization, gain or loss on sale of fixed assets which are included as restated values.
- The gain or loss on the net monetary position as of 31 December 2004 was the result of the effect of general inflation and is the difference resulting from the restatement of non-monetary assets, shareholders' equity and income statement items. The gain or loss on the net monetary position was included in net income.

The New Turkish Lira:

A new law number 5083 on the Monetary Unit of the Republic of Turkey was enacted with effect from 1 January 2005, which deletes six zeroes from the former currency of the Turkish Republic, the Turkish Lira ("TL"), to form a new currency the New Turkish Lira ("YTL"). Thus 1 YTL = 1.000.000 TL. The New Turkish Lira is divided into 100 New Turkish cents ("YKr"). As per the CMB decision MSD-10/832-43399 dated 1 December 2004, the financial statements to be publicly announced in 2005 should be prepared in YTL monetary unit including comparatives. Accordingly, the accompanying consolidated financial statements are presented in YTL.

Consolidation:

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

Comparative information and adjustments made in previous periods' financial statements:

The adjustments below have been made to the Group's consolidated opening financial statements as of 31 December 2004 in accordance with the CMB Communiqué No: XI/25.

Adjustment	YTL
Marketable securities adjustment	389.022
Retirement pay adjustment	57.619
Total	446.641

Whenever needed, comparative information is reclassified to be in conformity with the presentation of the current year financial statements.

Offsetting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Revenue recognition:

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

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b. Tangible Assets:

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

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

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

c. Intangible Assets:

Intangible assets that are acquired before 1 January 2005 are carried with their restated costs as of 31 December 2004; and intangible assets that are acquired after 1 January 2005 are carried with their costs, less accumulated amortization and impairment.

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

d. Impairment of Assets:

At each balance sheet date, assets other than deferred tax and financial assets are investigated whether there is an indication which requires impairment of the asset or not. If there is such an indication, recoverable amount of that asset is estimated. If the carrying amount of an asset exceeds its recoverable amount, allowance for impairment should be provided. Recoverable amount of an asset is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flow expected to arise from the continuing use of an asset and from its disposal at the end of its life.

e. Borrowing Costs:

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

f. Financial Instruments:

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

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

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

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

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

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

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

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

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

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

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

Borrowings: Interest-bearing bank loans are subject to the interest rates which are fixed on an entry value basis. Bank loans are recorded at the proceeds received. Finance charges are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

Credit Risk

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

Price Risk

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

Liquidity Risk

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

g. Mergers and Acquisitions:

None.

h. Foreign Currency Transactions:

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

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i. Earnings per Share:

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

j. Subsequent Events:

Subsequent events cover any events which arise between the reporting date and the balance sheet date, even occurred after any declaration of the net profit for the period or specific financial information publicly disclosed. The Company adjusts its consolidated financial statements if such subsequent events arise which require to adjust financial statements.

k. Provisions, Contingent Liabilities and Contingent Assets:

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

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

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

m. Financial Lease:

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

n. Related Parties:

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

o. Segmental Information:

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

p. Discontinued Operations:

None.

q. Government Grant and Incentives:

None.

r. Investment Properties

Investment property, which is property held to earn rentals and/or for capital appreciation is carried at cost less accumulated depreciation and any accumulated impairment losses in the consolidated financial statements as at the balance sheet date. As the Ankara İş Tower Building, İstanbul İş Towers Complex, Seven Seas Hotel, Maslak Petrol Ofisi Building, Tatilya Entertainment Center, Solaris Plaza, the Ankara Merkez and the Kızılay Branch buildings of İş Bank, and

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the Antalya Merkez Branch Building of İş Bank, owned by the Company, are held to earn rentals and/or capital gain, these are included as investment properties as of the balance sheet date. Other properties under Company's own use and properties under construction for use as investment property in the future are included in tangible assets.

s. Taxation and Deferred Tax:

The income earned from real estate investment management by the Company, having acquired the status of the real estate investment trust, is exempt from Corporate Tax according to Article 8 section 4-d of the Corporate Tax Law. Furthermore, the income earned by real estate investment trusts is also exempt from advance corporate taxes.

According to Income Tax Law 94 article 6/a clause and the Cabinet decision, withholding tax rate out of portfolio management income of real estate investment trusts is 0%.

t. Employee Benefits/Retirement Pay Provision:

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

u. Pension Obligations:

None.

v. Agricultural Operations:

None.

y. Statement of Cash Flows:

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

z. Marketable securities:

The Company designates its securities portfolio as follows:

Securities held for trading:

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

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

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

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

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4. CASH AND CASH EQUIVALENTS

	31 December 2005 YTL	31 December 2004 YTL
Cash	81	3
Demand deposits	93.655	26.958
Time deposits	38.408.927	36.993.437
	38.502.663	37.020.398

Time deposits:

Original Currency	Interest Rate	Maturity	31 December 2005 YTL
YTL	14,22%	2.01.2006	90.571
Euro	3,25 - 4,75%	15.01.2006-30.01.2006	28.622.695
US Dollars	3,00%	4.01.2006-18.01.2006	9.695.661
			38.408.927

Original Currency	Interest Rate	Maturity	31 December 2004 YTL
YTL	18,00%	03.01.2005	3.501.415
US Dollars	3,00%	06.01.2005-31.01.2005	30.689.903
Euro	3,00 - 3,50%	06.01.2005-31.01.2005	2.802.119
			36.993.437

5. MARKETABLE SECURITIES (NET)

	31 December 2005 YTL	31 December 2004 YTL
Securities held for trading	22.947.411	22.285.386
	22.947.411	22.285.386

Securities held for trading	Cost YTL	31 December 2005 Fair Value YTL	Carrying Value YTL
Euro Bills	10.596.380	8.175.665	8.175.665
Treasury Bills	5.524.723	5.663.546	5.663.546
Government Bonds	8.655.864	9.050.441	9.050.441
Investment Funds	57.774	57.759	57.759
	24.834.741	22.947.411	22.947.411

Securities held for trading	Cost YTL	31 December 2004 Fair Value YTL	Carrying Value YTL
Euro Bills	10.458.574	9.926.688	9.926.688
Government Bonds	1.692.460	1.796.320	1.796.320
Treasury Bills	6.461.037	6.573.706	6.573.706
Investment Funds	3.951.757	3.988.672	3.988.672
	22.563.828	22.285.386	22.285.386

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6. BORROWINGS (NET)

As of 31 December 2005 and 31 December 2004, there are no borrowings.

7. TRADE RECEIVABLES AND PAYABLES (NET)

	31 December 2005 YTL	31 December 2004 YTL
Trade receivables		
Receivables from customers	189.293	429.728
Notes Receivable	1.835.530	98.275
Discount on accounts and notes receivable (-)	(46.160)	(2.717)
Deposits and guarantees given	860	593
	1.979.523	525.879
Trade payables		
Payables to suppliers	36.886	377.562
	36.886	377.562

8. FINANCE LEASE RECEIVABLES AND PAYABLES (NET)

As of 31 December 2005 and 31 December 2004, there are no finance lease receivables and payables.

9. DUE FROM / TO RELATED PARTIES (NET)

	31 December 2005 YTL	31 December 2004 YTL
Due from related parties		
Kanyon Yönetim İşletim and Pazarlama Ltd. Şti.	-	3.148
İş Merkezleri Yönetim and İşletim A.Ş.	475.792	272.514
Avea İletişim Hizmetleri A.Ş.	1	-
	475.793	275.662
Due to related parties		
İş Finansal Kiralama A.Ş.	-	22.035
Anadolu Anonim Türk Sigorta A.Ş.	560.639	543.486
Eczacıbaşı İlaç Sanayi ve Ticaret A.Ş.	159.521	-
Kanyon Yönetim İşletim and Pazarlama Ltd. Şti.	40.029	-
İş Merkezleri Yönetim and İşletim A.Ş.	33.457	-
Payables to personnel	847	51
Other	9.148	-
	803.641	565.572

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	2005 YTL
Rent income from related parties	
Türkiye İş Bankası A.Ş.	4.817.079
Anadolu Anonim Türk Sigorta A.Ş.	2.148.756
Anadolu Hayat Emeklilik A.Ş.	1.468.755
Destek Reasürans A.Ş.	72.070
İş Faktoring A.Ş.	135.050
İş Finansal Kiralama A.Ş.	652.903
İş Merkezleri Yönetim ve İşletim A.Ş.	1.862.576
İş Yatırım Menkul Değerler A.Ş.	1.098.749
T. Şişe ve Cam Fabrikaları A.Ş.	9.034.148
İş Yatırım Ortaklığı A.Ş.	60.186
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	120.078
İş Net Elektronik Hizmetler A.Ş.	159.874
İş Portföy Yönetimi A.Ş.	146.327
Camış Menkul Değerler A.Ş.	111.671
Paşabahçe Mağazacılık A.Ş.	148.733
Petrol Ofisi A.Ş.	2.534.848
Avea İletişim Hizmetleri A.Ş.	1.615
	24.573.418
Income generated from exchange of floor ownership from related parties	
Eczacıbaşı İlaç Sanayi and Ticaret A.Ş.	4.200.157
	4.200.157
Deposit interest income from related parties	
Türkiye İş Bankası A.Ş.	1.397.613
	1.397.613
Insurance expenses paid to related parties	
Anadolu Anonim Türk Sigorta A.Ş.	1.370.640
Anadolu Hayat Emeklilik A.Ş.	-
	1.370.640
Building operation and management expenses paid to related parties	
İş Merkezleri Yönetim ve İşletim A.Ş.	793.725
	793.725
Bank commission and transaction expenses paid to related parties	
Türkiye İş Bankası A.Ş.	9.540
	9.540
Commission expenses paid to related parties	
İş Portföy Yönetimi A.Ş.	65.433
	65.433

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	2005 YTL
Internet service providing expenses paid to related parties	
İş Net Elektronik Hizmetler A.Ş.	19.942
	<u>19.942</u>
Board and audit committee salaries paid to related parties	
Türkiye İş Bankası A.Ş.	181.760
	<u>181.760</u>
Capital increase commission paid to related parties	
İş Yatırım Menkul Değerler A.Ş.	72.998
	<u>72.998</u>

10. OTHER RECEIVABLES AND PAYABLES (NET)

	31 December 2005 YTL	31 December 2004 YTL
Other receivables		
Short term other receivables	9.627	5.737
VAT carried forward	397.493	-
VAT deductible	1.047.382	403.888
Business advances given	4.240.487	5.134.881
	<u>5.694.989</u>	<u>5.544.506</u>
Other liabilities		
Taxes and dues payable	709.381	326.650
Social security premiums payable	52.311	17.436
VAT calculated	502.313	628.723
Deferred rent income	411.913	217.370
Other deferred income (*)	43.553.715	-
Expense accruals	7.717	159
Other payables	2.227	-
	<u>45.239.577</u>	<u>1.190.338</u>
	31 December 2005 YTL	31 December 2004 YTL
Long Term Other Liabilities		
Unearned Income (*)	-	19.828.047

(*) As the delivery of the Kanyon Residences, which are still under construction and sales process, will be done on 30 June 2006 and as the ownerships of the houses have not yet been handed over to the buyers, 50% of the proceeds generated from sales made so far as entitled by the Company, has been accounted for under the deferred income and has not been recognized in the income statement.

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11. DEFERRED TAX ASSETS AND LIABILITIES (NET)

The income earned from real estate investment management by the Company, having acquired the status of the real estate investment trust, is exempt from Corporate Tax according to Article 8 section 4-d of the Corporate Tax Law. Furthermore, the income earned by real estate investment trusts is also exempt from advance corporate taxes. Hence, the Company has no deferred tax assets and liabilities.

The subsidiary of the Company which is consolidated according to proportionate consolidation method recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported in compliance with Communiqué No: XI/25 and its statutory tax financial statements.

These differences usually result in the recognition of revenue and expenses in different reporting periods in the financial statements prepared in accordance with CMB Accounting Standards and their tax bases and set out below.

Deferred taxes are calculated at a rate of 30%.

	31 December 2005 YTL	31 December 2004 YTL
Temporary differences subject to deferred tax:		
Useful life differences on tangible and intangible assets	9.393	-
Retirement pay provision	(2.613)	-
	<u>6.780</u>	<u>-</u>
Deferred tax assets/(liabilities):		
Useful life differences on tangible and intangible assets	2.818	-
Retirement pay provision	(784)	-
Deferred tax liability	<u>2.034</u>	<u>-</u>
Movement of deferred tax asset/(liability)		
Opening balance, 1 January	-	-
Monetary loss	-	-
Deferred tax charge	2.034	-
Closing balance, 31 December	<u>2.034</u>	<u>-</u>

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

	31 December 2005 YTL	31 December 2004 YTL
Other current assets		
Prepaid insurance expenses	960.629	1.067.785
Prepaid personnel and other expenses	89.945	61.168
	<u>1.050.574</u>	<u>1.128.953</u>
Other long-term assets		
Prepaid insurance expenses	-	18.873
	<u>-</u>	<u>18.873</u>

13. FINANCIAL ASSETS (NET)

As of 31 December 2005 and 31 December 2004, there are no financial assets.

14. POSITIVE / (NEGATIVE) GOODWILL (NET)

As of 31 December 2005 and 31 December 2004, there is no positive/negative goodwill.

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15. INVESTMENT PROPERTY (NET)

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

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

The Company has generated YTL 39.535.502 rent income from its investment properties during the current year; while it has incurred YTL 705.790 management expenses. As of the balance sheet date, there are no restrictions concerning the saleability of investment properties nor any liabilities exist due to the purchase, construction, development, maintenance and repair agreements.

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of 31 December 2005

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

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

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of 31 December 2005

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

16. TANGIBLE ASSETS (NET)

	Machinery and Equipment YTL	Vehicles YTL	Furniture and Fixtures YTL	Other Tangible Assets (*) YTL	Total YTL
Acquisition cost					
Opening balance 1 January 2005	87.841	81.242	339.205	116.047.798	116.556.086
Additions	517	-	75.998	34.598.213	34.674.728
Disposals	-	-	-	(95.968)	(95.968)
Impairment Loss reversed	-	-	-	29.161	29.161
Closing balance 31 December 2005	88.358	81.242	415.203	150.579.204	151.164.007
Accumulated depreciation					
Opening balance 1 January 2005	63.463	24.827	150.201	-	238.491
Charged for the period	13.036	16.248	40.021	-	69.305
Disposals	-	-	-	-	-
Closing balance 31 December 2005	76.499	41.075	190.222	-	307.796
Net book value as of 31 December 2004	24.378	56.415	189.004	116.047.798	116.317.595
Net book value as of 31 December 2005	11.859	40.167	224.981	150.579.204	150.856.211

(*) Other tangibles consist of the costs of the continuing real estate projects and land in front of İş Towers Complex. According to Section 27, Part 1, Provision 587 of the CMB Communiqué No: XI/25, real estates under the construction and development in progress are subject to the same standards in Tangible Assets Section, until the construction and development procedures are completed.

	31 December 2005 YTL	31 December 2004 YTL
İstanbul, Beşiktaş, I. Region 81, 981 572-629-630-631 numbered plot of land	18.687.546	18.687.546
İstanbul Şişli 303, 1946, 136 numbered plot of land	63.250.980	63.250.980
Construction expenses	68.334.387	36.333.062
Research and project expenses	4.045.203	3.855.217
Land arrangement expenses	3.761.539	3.761.539
Other	8.810.288	6.499.354
	166.889.943	132.387.698
Impairment loss (-)	(16.310.739)	(16.339.900)
Total	150.579.204	116.047.798

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of 31 December 2005

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

Movement of impairment loss:

	2005 YTL	2004 YTL
Opening balance 1 January	(16.339.900)	(25.522.849)
Loss for the period	-	-
Impairment loss reversed during the period	29.161	6.079.984
Monetary gain/(loss)	-	3.102.965
Closing balance 31 December	(16.310.739)	(16.339.900)

17. INTANGIBLE ASSETS (NET)

	Establishment Costs YTL	Other Intangible Assets YTL	Total YTL
Acquisition Cost			
Opening balance 1 January 2005	661	162.120	162.781
Additions	-	16.847	16.847
Disposals	(661)	-	(661)
Closing balance 31 December 2005	-	178.967	178.967
Accumulated Amortization			
Opening balance 1 January 2005	132	74.392	74.524
Charged for the period	132	32.751	32.883
Disposals	(264)	-	(264)
Closing balance 31 December 2005	-	107.143	107.143
Net book value as of 31 December 2004	529	87.728	88.257
Net book value as of 31 December 2005	-	71.824	71.824

18. ADVANCES RECEIVED

As of 31 December 2005 and 31 December 2004, there are no advances received.

19. RETIREMENT BENEFITS

As of 31 December 2005 and 31 December 2004, there is no retirement plan.

20. PROVISIONS

	31 December 2005 YTL	31 December 2004 YTL
Short-term		
Provision for corporate tax (Note 38)	8.364	304
Advance taxes	(5.020)	-
	3.344	304
Long-term		
Retirement pay provision	108.184	75.587
	108.184	75.587

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of 31 December 2005

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

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

The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The retirement pay provision ceiling as at the balance sheet date, is subject to a maximum of YTL 1.727,15 per month for the year 2005 (31 December 2004: YTL 1.574 per month).

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

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

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

Retirement pay provision has been calculated with the annual inflation rate of 6.175% and discount rate of 12% resulting in approximately 5.49% of reel discount rate. (31 December 2004: 5.45%)

	31 December 2005 YTL	31 December 2004 YTL
Provision as of 1 January	75.587	63.320
Charge for the period	39.784	39.173
Retirement pay provision paid	(7.187)	(20.127)
Monetary gain	-	(6.779)
Provision as of 31 December	108.184	75.587

21. MINORITY SHARES

As of 31 December 2005 and 31 December, there are no minority shares.

22. CAPITAL/TREASURY STOCK

As of 31 December 2005 and 31 December 2004, the capital structure of İş Gayrimenkul Yatırım Ortaklığı A.Ş. is as follows:

İş Gayrimenkul Yat. Ort. A.Ş.	[%]	31 December 2005 YTL	[%]	31 December 2004 YTL
Türkiye İş Bankası A.Ş.	42,23	139.360.970	50,93	167.867.885
Anadolu Hayat Emeklilik A.Ş.	7,11	23.455.279	7,12	23.455.279
Anadolu Anonim Türk Sigorta A.Ş.	4,77	15.748.446	4,78	15.748.446
İş Net Elektronik Hizm. A.Ş.	2,05	6.774.194	2,06	6.774.194
Other	4,26	14.037.712	4,25	14.037.712
Public share	39,58	130.589.399	30,86	101.731.118
Historical capital	100,00	329.966.000	100,00	329.614.634

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of 31 December 2005

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

Kanyon Yön.İşl.Paz.Ltd.Şti

	31 December 2005		31 December 2004	
	(%)	YTL	(%)	YTL
İş Gayrimenkul Yat. Ort. A.Ş.	50,00	50.000	50,00	50.000
Eczacıbaşı Holding A.Ş.	50,00	50.000	50,00	50.000
Historical capital	100,00	100.000	100,00	100.000

The nominal capital of the Company consists of 329.966.000 shares of YTL 1 each. YTL 471.380 of the shares are Group A issued to name, YTL 74.831.575 are Group B issued to name and YTL 254.663.045 are Group B issued to the bearer. Group A shares have privileges to nominate for the election of board members. Only one of the board members is chosen from the candidates of Group B shareholders but all other board members are chosen from the nominees of Group A shareholders.

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

23. CAPITAL RESERVES

As of 31 December 2005 and 31 December 2004, capital reserves are as follows:

	31 December 2005	31 December 2004
	YTL	YTL
Premium in excess of par	423.981	19.839
Shareholders' equity inflation restatement differences	343.724.630	343.724.630
	344.148.611	343.744.469

24. PROFIT RESERVES

As of 31 December 2005 and 31 December 2004, profit reserves are as follows:

	31 December 2005	31 December 2004
	YTL	YTL
Special Reserves	470.841	371.190
Legal Reserves	1.095.099	-
Extraordinary Reserves	571	-
	1.566.511	371.190

Special reserves consist of unrealized gains coming from year 2001 classified to reserves amounting to YTL 19.181 and unrealized gains coming from year 2004 classified to reserves amounting to YTL 451.660, in accordance with CMB Communiqué IV No:27.

25. RETAINED EARNINGS

	31 December 2005	31 December 2004
	YTL	YTL
Retained earnings	85.741.929	446.641
	85.741.929	446.641

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of 31 December 2005

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

26. FOREIGN CURRENCY POSITION

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

Bank deposits	Amount	Currency	FX Rate	YTL
Türkiye İş Bankası A.Ş.	21.397.986	US Dollars	1,3418	28.711.817
Türkiye İş Bankası A.Ş.	6.107.502	Euro	1,5875	9.695.660
				38.407.477
Marketable securities				
Euro Bills	5.150.025	Euro	1,5875	8.175.664
Notes Receivables	1.311.835	US Dollars	1,3418	1.760.220
Advances given				
	86.719	US Dollars	1,3418	116.360
	115.250	Euro	1,5875	182.959
				299.319
Total Assets				48.642.680
Due to related parties				
Anadolu Anonim Türk Sigorta	417.541	US Dollars	1,3418	(560.257)
Advances received from sale of Kanyon Residences	22.108.937	US Dollars	1,3418	(29.624.670)
Advances received from sale of Kanyon Residences	551.251	Euro	1,5875	(875.110)
Advances received from sale of Kanyon Residences	1.281	GBP	2,3121	(2.962)
				(30.502.742)
Total liabilities				(31.062.999)
Net foreign currency position				17.579.681

As of 31 December 2004, foreign currency position is as follows:

Bank deposits	Amount	Currency	FX Rate	YTL
Türkiye İş Bankası A.Ş.	22.867.279	US Dollars	1,3421	30.690.175
Türkiye İş Bankası A.Ş.	1.533.894	Euro	1,8268	2.802.118
				33.492.293
Marketable securities				
Euro bills	5.433.922	Euro	1,8268	9.926.689
Treasury bills with coupons	1.325.350	US Dollars	1,3421	1.778.752
				11.705.441
Advances given	1.386.253	US Dollars	1,3421	1.860.490
				1.860.490
Total assets				47.058.224

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of 31 December 2005

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

Due to related parties	Amount	Currency	FX Rate	YTL
Anadolu Anonim Türk Sigorta	404.305	US Dollars	1,3421	(542.618)
İş Finansal Kiralama A.Ş.	12.062	Euro	1,8268	(22.035)
				(564.653)
Deferred income				
Advances received from sale of Kanyon Residences	9.883.402	US Dollars	1,3421	(13.264.514)
Advances received from sale of Kanyon Residences	148.635	Euro	1,8268	(271.526)
				(13.536.040)
Total liabilities				(14.100.693)
Net foreign currency position				32.957.531

27. GOVERNMENT GRANTS AND INCENTIVES

As of 31 December 2005 and 31 December 2004, there are no government grants and incentives.

28. COMMITMENTS AND CONTINGENCIES

	31 December 2005	31 December 2004
	YTL	YTL
Letters of guarantee given	43.677	5.200
	43.677	5.200

29. MERGERS AND ACQUISITIONS

As of 31 December 2005 and 31 December 2004, there are no mergers or acquisitions.

30. SEGMENTAL INFORMATION

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

31. SUBSEQUENT EVENTS

There are no subsequent events.

32. DISCONTINUED OPERATIONS

As of 31 December 2005 and 31 December 2004, there are no discontinued operations.

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of 31 December 2005

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

33. OPERATING INCOME (NET)

	2005 YTL
Sales income (net)	
Rent income	39.535.502
	<u>39.535.502</u>

Cost of sales

Depreciation expenses	(19.063.219)
Insurance expenses	(1.326.477)
Management expenses	(705.790)
Taxes and dues	(973.848)
Other	(108.308)
	<u>(22.177.642)</u>

	2005 YTL
Other Operating Income (net)	
Interest income from overdue rent receivables	41.654
	<u>41.654</u>

34. OPERATING EXPENSES

	2005 YTL
General Administrative Expenses (-)	
Personnel salaries	(1.747.211)
Depreciation expenses	(117.422)
Outsourced service expenses	(793.069)
Capital increase expenses	(235.835)
Tax and dues expenses	(330.748)
Other	(688.326)
	<u>(3.912.611)</u>

35. OTHER INCOME / EXPENSE AND PROFIT / LOSSES

	2005 YTL
Income and profit from other operations	
Interest income	2.215.154
Income from sale of securities held for trading	2.781.621
Foreign exchange gains	836.560
Discount income	2.193.373
Provisions released	14.774.301
Income generated from exchange of floor ownership of Kanyon Project (*)	4.200.157
Other	117.097
	<u>27.118.263</u>

(*) Fee that was paid to the Company by Eczacıbaşı İlaç Sanayi ve Ticaret A.Ş. on 27 July 2005.

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of 31 December 2005

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

	2005 YTL
Loss and expenses on other operations (-)	
Foreign exchange losses	(2.045.183)
Discount expenses	(4.361.440)
Other	(93.487)
	<u>(6.500.110)</u>

36. FINANCE INCOME (NET)

None.

37. NET MONETARY GAIN / (LOSS)

According to the decision of the CMB dated 17 March 2005 and numbered 11/367, the application of inflation accounting has been ceased in 2005, therefore there is no monetary gain or loss in the accompanying statement of income. (2004: YTL 25.999.401)

38. TAXATION

	2005 YTL	2004 YTL
Taxation:		
Corporate tax	8.364	2.199
Deferred tax (benefit)/charge	2.035	-
	<u>10.399</u>	<u>2.199</u>

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

Although the Company has no tax liability due to its real estate investment trust status, the tax liability of the Company's jointly controlled subsidiary has been presented as current tax in the accompanying consolidated financial statements.

	2005 YTL
Tax Reconciliation:	
Company's Share in Joint Venture's Profit Before Tax	34.108
Monetary gain/(loss)	-
Profit after monetary gain/(loss), before tax	34.108
Effective tax rate	30%
Taxation based on effective tax rate	10.232
Tax effect of undeductible expenses	167
Taxation	<u>10.399</u>

İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of 31 December 2005

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

39. EARNINGS PER SHARE

The calculations of weighted average number of shares outstanding and earnings per share for the twelve months period ended as of 31 December 2005 are as follows:

	<u>2005</u>
Number of Shares Outstanding As of 1 January (Total)	329.614.634
New shares issued	351.366
Number of shares outstanding As of 31 December (Total)	329.966.000
Weighted average number of shares outstanding	329.907.439
<u>Net profit (YTL)</u>	<u>34.094.657</u>
<u>Earnings per share (YTL)</u>	<u>0,1033</u>

40. STATEMENT OF CASH FLOW

	<u>2005 YTL</u>
Changes in working capital:	
Trade receivables	(1.453.644)
Due from related parties (net)	(200.131)
Other receivables (net)	(150.483)
Other current assets	78.379
Other long term assets	18.873
Payables	(340.676)
Other liabilities	24.221.191
Due to related parties	238.069
	<u>22.411.578</u>

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

None.

Corporate Governance Principles Compliance Report

1. Statement of compliance with corporate governance principles

Strict attention was given during the reporting period at our Company to the principles of corporate governance under the main headings of "Shareholders", "Public disclosure and transparency", "Stakeholders", and "Board of Directors", and most of the standards inherent in those principles were complied with.

Having closely followed-up the concept of Corporate Governance since its debut in the world, our Company believes in the necessity of compliance with these rules in order to maintain successful business practices and to generate long-lived added-value for the investors.

In this regard our Company espouses all the requirements of law and the "Corporate Governance Principles" adopted by the Capital Market Board under resolution 35/835 dated 4 July 2003 and published by that body. In addition, the Company identifies areas that are amenable to improvement in order to best serve the interests of investors, shareholders, and all groups with which the Company is involved and it develops and implements new practices so as to achieve the ongoing improvement of the corporate governance system.

PART I: SHAREHOLDERS

2. Investor Relations Unit

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

3. Shareholders' exercise of their right to obtain information

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

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

4. Information about general meetings

An annual general meeting was held during the reporting period; no extraordinary general meetings were convened. An invitation for the annual general meeting, the meeting's agenda, and a specimen of a proxy statement were published in two nationally circulating newspapers; invitations were sent out to registered shareholders by registered mail return receipt requested; a link concerning the meeting was placed on the corporate website; a letter concerning the meeting was also sent to corporate shareholders whose names appeared in the attendance roster of the last general meeting and to brokerages with market transaction volumes above a specified threshold. The annual report was sent to the addresses of investors requesting it and was also made available for the examination and assessment of shareholders visiting the Company's headquarters and of shareholders attending the general meeting. While complying with the provisions of the Ministry of Industry and Trade communiqué concerning the period of time in which entries must be made in the shareholders register, shareholders who applied to obtain their meeting passes after the one-week period stipulated in the communiqué were given them as well so as to achieve maximum participation in the meeting. At the general meeting held during the reporting period, 63.68% of the Company's capital was represented, all of it by the shareholders themselves.

Corporate Governance Principles Compliance Report

At every stage of the meeting, shareholders are allowed to raise questions, advance proposals, and even take the floor. All questions are answered; all proposals are given consideration.

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

5. Voting rights and minority rights

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

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

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

6. Dividend policy and timing

Under article 30 of our articles of incorporation, the Board makes the decisions concerning dividend payments and their timing within the framework of the requirements of the Turkish Commercial Code and the Capital Market Law. Our Company commenced the work on the development of the company dividend distribution policy in accord with the provisions mentioned above.

7. Transferring shares

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

PART II: PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company disclosure policy

In order to secure timely public disclosure of information on the principles of being accurate, complete, intelligible, interpretable, conveniently accessible at low cost, and equally available to all, the Company disclosure policy has been accepted and presented to the information of the General Assembly of Shareholders during the reporting period.

9. Special circumstance announcements

Pursuant to CMB regulations, our Company made thirteen (13) special circumstance announcements in 2005. During the reporting period, CMB imposed no sanctions on our Company for not having made special circumstance announcements in due time.

10. The internet site and its content

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

The website is continuously updated so as to show the latest information about the Company's shareholder and management structures. Detailed information is provided about the Company's preference shares. Thanks to a service agreement with

Corporate Governance Principles Compliance Report

Foreks Bilgi İletişim A.Ş., a link on the home page provides instantaneous access to special circumstance announcements as soon as they are published. All requests for information received via the corporate website are responded to quickly and diligently.

11. Disclosure of non-corporate ultimate shareholders who have a controlling interest

There are no non-corporate ultimate shareholders with a controlling interest in the Company. Information about shareholders who controlled at least a 10% interest in the Company as of 31 December 2005 is presented below:

Shareholder Structure	31 December 2005	
	YTL	%
İşbank	139,360,970	42.23
Others	190,605,030	57.77
Total	329,966,000	100.00

12. Public disclosure of those who may have access to insider information

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

Members of the Board of Directors

Dr Gürman Tevfik, Chairman
Emre Cankorel, Vice Chairman
İrfan T. Karaoğlu, Board Member
Haldun Baydar, Board Member
Kemal Şahin, Board Member

Senior Management

Turgay Tanes, General Manager
Hülya Demir, Assistant General Manager
Tuğrul Gürdal, Financial and Administrative Affairs Manager
T. Aydan Ormancı, Investments and Project Development Manager
Pınar Ersin Kollu, Legal Consultant
Ayşegül Şahin Kocameşe, Risk Management and Investor Relations Assistant Manager
Şenol Baban, Assistant Coordinator
Bülent Otuz, Assistant Coordinator

PART III: STAKEHOLDERS

13. Keeping stakeholders informed

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

14. Stakeholder participation in management

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

In line with this and as spelled out in the Company's Codes of Ethics, workplace policies are developed and updated through ongoing communication with employees and in light of their wishes as well. Regular meetings presided over by the general manager and attended by Company employees are held for the purpose of achieving coordination. These meetings play an important role in senior management's decision-making process.

No model has been developed concerning the participation of other stakeholders in the Company's management.

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15. Human resources policy

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

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

What is expected of employees in return is that they espouse the Company's performance-focused approach to management and recognize that their personal involvement is what will create value for customers and shareholders.

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

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

16. Relations with customers and suppliers

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

17. Social responsibility

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

PART IV: THE BOARD OF DIRECTORS

18. Structure and formation of the Board of Directors; independent board members

Members of the Board of Directors

Dr Gürman Tefvik, Chairman, non-executive

Emre Cankorel, Vice Chairman, non-executive

İrfan T. Karaoğlu, Board Member, non-executive, independent

Haldun Baydar, Board Member, non-executive, independent

Kemal Şahin, Board Member, non-executive

Senior Management

Turgay Tanes, General Manager

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

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

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

All of our Company's board members adhere strictly to these rules.

19. Qualifications of board members

The minimum qualifications required to be elected to a seat on our Company's board of directors are in full compliance with CMB's corporate governance principles. Indeed the CMB-recommended principle concerning the professional experience of board members is embodied even more explicitly in article 12 of our articles of incorporation and in line with CMB's communiqué on principles pertaining to real estate investment trusts to which our Company's activities are subject. According to article 12 of the Company's articles of incorporation, members of the Board of Directors must have at least three years of experience in matters falling within the Company's object and scope. (CMB, communiqué on principles pertaining to real estate investment trusts, article 17.)

20. Mission, vision, and strategic goals of the Company

The Board of Directors has defined and publicly announced the Company's corporate mission. Our mission is to maximize the collective value of our portfolio for our shareholders through stable growth and high profitability. The board meets regularly once a month unless warranted by unusual circumstances and during these meetings the degree to which the Company is achieving its objectives, its activities, and its performance are reviewed. A detailed activity report concerning these matters is prepared in advance and made available for board members to study at least a week before the date of each meeting.

21. Risk management and internal control mechanisms

On 28 January 2005, the Risk Management and Investor Relations Department was set up, and a manager and a specialist were assigned to this unit.

During the reporting period, works were intensified to create a risk management mechanism. The Company Risk Policy, the Risk Catalogue defining the risks, and the Procedure on Following-up Limit Over-runs have been approved by the Board of Directors. During the Board meeting held on 2 December 2005, the Company Risk Committee to be presided by the Chairman of the Board was created, to ensure systematic management of the risks to which our Company is exposed, which committee will function as the top level body in risk management and represent the risk management system against the board of directors. During the reporting period, major progress has been made in determination of the policies and limits in relation to the Company's exposures and draft work has been undertaken.

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

22. Authorities and responsibilities of board members and executives

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

Corporate Governance Principles Compliance Report

23. Operating principles of the Board of Directors

Board meeting agendas are determined on the basis of recommendations made by the general manager and with the knowledge of the chairman of the board. The chairman or vice chairman calls upon the other members to convene. All members have the right to call for a meeting of the board under article 13 of the Company's articles of incorporation. The Company's statutory auditors are invited to board meetings and they also receive the same pre-meeting reports that board members do. An executive assistant and specialist have been assigned to keep board members and statutory auditors informed and maintain communication with them. The Board of Directors met thirty-one times during the reporting period.

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

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

24. Prohibition on doing business or competing with the Company

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

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

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

25. Codes of ethics

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

26. Numbers, structures, and independence of committees within the Board of Directors

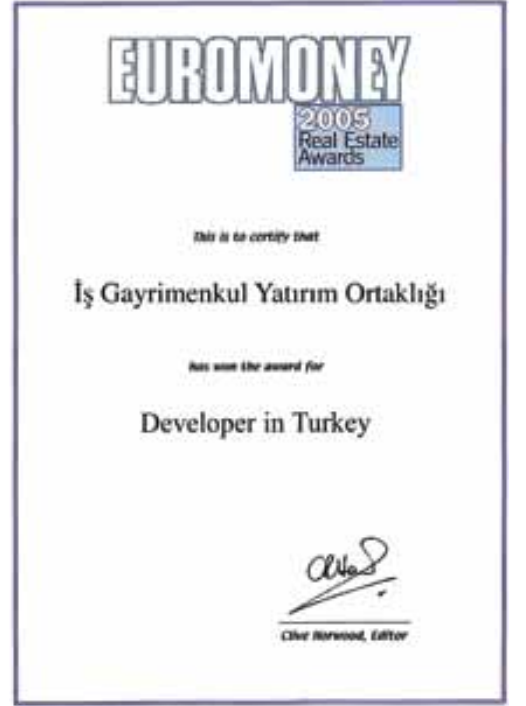
As required by CMB Communiqué X: 19, an audit committee consisting of two non-executive board members has been set up within the board. Neither of these committee members are independent board members.

27. Financial rights provided to the Board of Directors

The salaries of the members of the Board of Directors are determined by the general assembly of shareholders. At the annual general meeting held on 18 April 2005, shareholders voted to pay board members a monthly salary of YTL 2,200 (gross) and statutory auditors a monthly salary of YTL 1,540 (gross).

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

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The "Best Developer in Turkey" award granted by Euromoney, 2005

The international credit rating agency Fitch Ratings confirmed the national long term credit rating of İş REIT as "A(tur)" and its outlook as stable.

