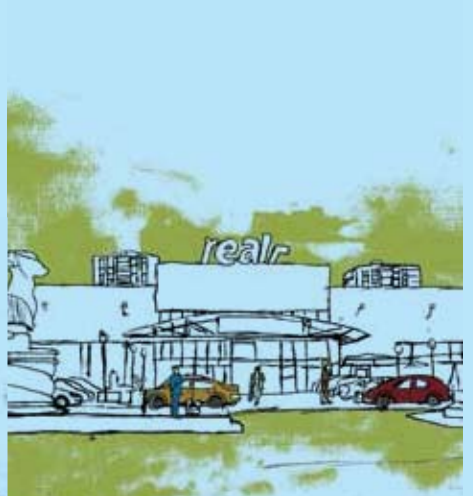




İŞ REAL ESTATE INVESTMENT TRUST CO.  
ANNUAL REPORT 2009

# The architect of change

We create places that fit modern society and modern cities.





İş REIT is Turkey's largest real estate investment trust in terms of net asset value.

İş REIT has played a leading, determining and directing role in the creation of a dynamic, stable and professional real estate market in Turkey with a portfolio which meets global standards.

TRY million

1,250

net asset value

60.3

net profit

951.6

shareholders' equity

## İş REIT in Brief

İş Real Investment Trust Co. (İş REIT) is a portfolio management company which invests in real estate properties and real estate development projects.

İş REIT was established on August 6th, 1999 when İş Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. took over all the assets and liabilities of Merkez Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. and was reincorporated into a real estate investment trust.

### **Setting itself apart with its professional management approach and new investments**

Achieving a continuous growth since its foundation, İş REIT engages in activities set out within the objectives and scope stipulated in regulations issued by the Capital Markets Board in a market where competition is intensifying each passing day.

### **Aiming to maintain an optimum risk-return balance**

İş REIT focuses on ensuring the best possible risk-return balance for its investors in all of its activities, especially in its investments.

Financing its new investment projects through the stable rental income earned on its qualified portfolio, İş REIT aims to maintain and further strengthen its leading status in the sector.

## İş REIT- at a glance

Name	: İş Gayrimenkul Yatırım Ortaklığı A.Ş. (İş Real Estate Investment Trust Co.)
Date of Incorporation	: August 6, 1999
Issued Capital	: TRY 450,000,000
Authorized Capital	: TRY 2,000,000,000
Date of Initial Public Offering and IPO Price	: 01-03 December 1999/TRY 1.4
Head Office	: İstanbul

## Vision, Mission and Objectives

### Vision

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

### Mission

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

### Objectives

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

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

1. Opening, formation of the Chairing Council and authorization of the Council to sign the minutes of the meeting
2. Reading and ratification of the Board of Directors' Report on 2009 activities and Statutory Auditors' Report and Independent Auditor's Report
3. Reading, deliberation and ratification of the balance sheet and profit & loss statement relating to the fiscal year 2009
4. Deliberation and decision on the Board of Directors' proposal concerning the distribution of profit for the year 2009
5. Release of the Board Members and the Auditors from their responsibilities for the activities and operations of the company in 2009
6. Approval of Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of KPMG International) chosen by the Board of Directors to get independent auditing services
7. Submission of the appointment made to the Board during the year for the approval of the General Assembly
8. Election of the members of the Board of Directors and of Auditors pursuant to article 11 and article 19 of the Articles of Association
9. Determination of the fees to be paid to the members of the Board of Directors and auditors
10. Presenting information on the Company Disclosure Policy that was revised during the year.
11. Informing the General Assembly on the grants and donations made in 2009
12. Wishes and suggestions



## General Meeting of Shareholders and Participation

General meetings of shareholders convene in ordinary and extraordinary sessions. Annual 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 decide upon the agenda prepared by the Board of Directors, taking into account the provisions of Article 369 of the Turkish Commercial Code.

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 of shareholders. No decision taken at a general meeting of shareholders convened in the absence of a Ministry representative shall be 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, are entitled to exercise the voting rights of the shares they are representing as well as those of their own. The form of proxy statements is determined by the Board of Directors within the framework of the regulations laid down by the CMB. Proxy statements must be in written form. A proxy must vote in accordance with the wishes of the shareholder who has assigned his voting rights to the proxy holder on condition that such a stipulation is made in the assigning shareholder's proxy statement. CMB regulations governing 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 regulations. When proxies cast their votes, they must also show their proxy statements. However, votes may also be cast by a secret ballot at the request of those controlling at least one-tenth of the capital represented by the 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.

Before close of business hours at least one week prior to the date of the meeting, shareholders who intend to participate in the general meeting personally or by sending a proxy must submit the following documents as appropriate;

- Custody statements of the shares they own,
  - In the case of shareholders who are corporate entities, documents authorizing an individual to represent them,
- and obtain an entry pass at the Company's headquarter or complete a proxy statement.

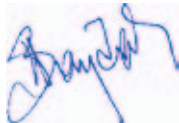
Balance Sheet, Income Statement and the Board of Directors Proposal Concerning the Distribution of the Net Profit are made available for examination by the shareholders at the Company's headquarters twenty-one days prior to the date of the General Meeting of Shareholders.

## Declaration of Interest by the Independent Board Members

I hereby declare that I am independent, in the context defined in Article 4 paragraph (g) of the Communiqué on Principles Regarding Real Estate Investment Companies (trusts), from other shareholders holding 10% or higher share in the Company or possessing voting rights in that percentage; or from any shareholder in the Company holding a shareholding interest incorporating a right to nominate for a seat on the Board of Directors; or from companies from which consultancy services are procured, operating companies, or from any company in which any person cited in subparagraphs (a) and (b) of Article 18 of the Communiqué on Principles regarding Real Estate Investment Companies (trusts) owns more than a 10% share or possesses voting rights in that percentage; or from the subsidiaries of the Company.



Turgut Sungur



Haldun Baydar

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

### **Tax Consultant**

Başaran Nas Yeminli Mali Müşavirlik A.Ş.

### **Independent Auditors**

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

### **Independent Appraisal Firm**

Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş.



## Dividend Policy

The Dividend Policy of İŞ REIT is presented below:

İŞ REIT's Articles of Association sets out the principle of distributing first dividend out of the distributable profit, at the percentage and amount determined by the Capital Markets Board of Turkey (CMB). The Board of Directors adopts the following principles with respect to dividend distribution proposals to be laid down before the General Assembly for approval:

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

1998 2000  
2003

## İş REIT: Milestones from a Sustainable Growth

### 1998

- Ankara İş Tower and İstanbul İş Towers were included in the portfolio.

### 2000

- The Company's stock started to be traded on ISE-30 Index.

### 2001

- The first step was taken for the Kanyon Project with the purchase of the project's property so as to develop a joint project with the Eczacıbaşı Group.
- Maslak Building was included in the portfolio.
- Antalya Seven Seas Hotel, Marmaris Solaris Plaza (Mallmarine), Tatilya Theme Park and the adjacent project land with an area of 50,000 square meters were included in the portfolio.

### 2003

- The Company "Code of Ethics", already in practice, was disclosed to the public.
- International rating agency Fitch Ratings assigned İş REIT a long term national rating of A (tur), with a "stable" outlook.

### 2004

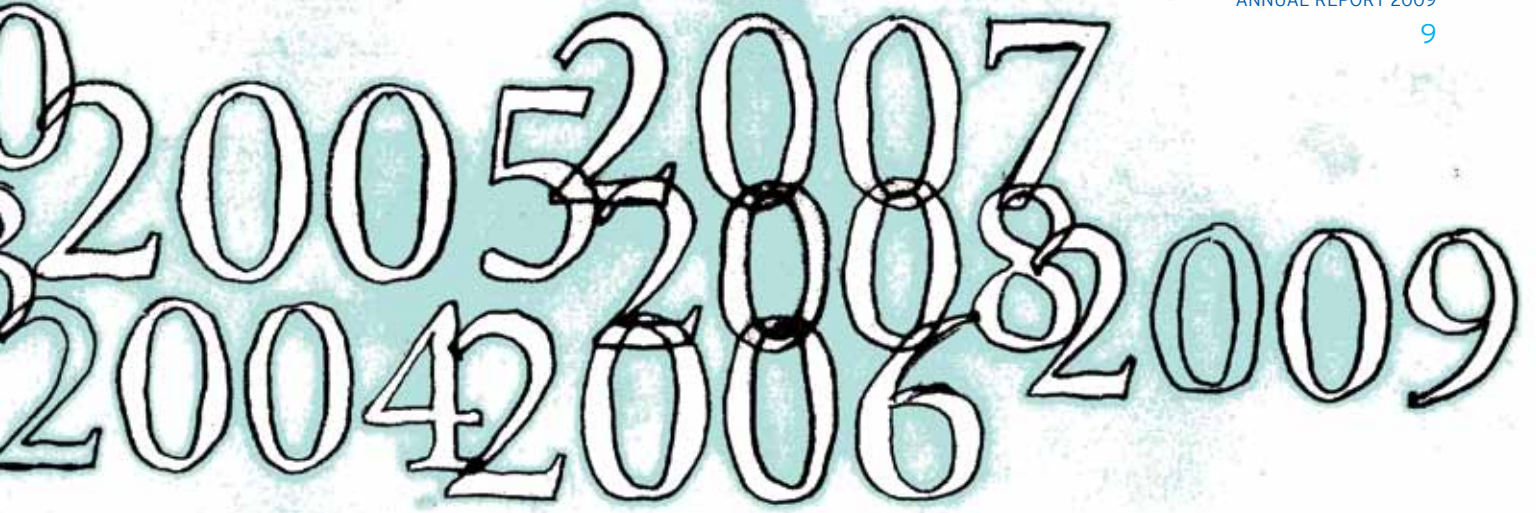
- İş REIT and Eczacıbaşı Holding jointly established Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.
- Ankara Ulus Office Building, Ankara Kızılay Office Building and Antalya Office Building were included in the portfolio.

### 2005

- The Company Disclosure Policy was accepted.
- İş REIT was granted "Best Developer in Turkey" award by Euromoney.
- Steps were taken to develop new projects on Tatilya and adjacent lands in order to improve the returns on Tatilya investment. An agreement was made at the end of the same year with Metro Group for development of a hypermarket project.

### 2006

- Dividend Policy was accepted.
- 1/2 share of the 32,081 m<sup>2</sup> land in Altunizade, İstanbul was included in the portfolio for USD 13.5 million in order to co-develop a mixed-use housing project with Tecim Yapı, for which project development was commenced.
- Turkey's first open-air mall Kanyon Shopping Mall was opened.
- Negotiations were initiated with ECE/GGP (CURA/GGP), which wishes to develop a shopping mall on Tatilya's adjacent lands, for transfer of construction right in the concerned lands.
- The foundation was laid for Real Hypermarket Project, slated for being the largest hypermarket in the area.
- The Kanyon Project endorsed its success, receiving the "Cityscape 2006 Architectural Review" award which is regarded as the Oscar of architecture.
- Fitch Ratings upgraded İş REIT's National Long Term Credit rating from A (tur) to A+ (tur), with a "positive" outlook.



## 2007

- Regarding the right of construction, a preliminary contract was signed with ECE/GGP, which would construct a shopping mall on a plot of land adjacent to Real Hypermarket and the promise of giving the right of construction was established to register office on behalf of ECE/GGP within the framework of the agreement reached.
- The share of İş REIT in Kanyon Office Block, constructed as part of the Kanyon Project was sold to Eczacıbaşı İlaç Sanayi ve Ticaret A.Ş. for USD 67.5 million, excluding VAT.
- Real Hypermarket Project was opened for service.
- It was decided to purchase the 18,392 m<sup>2</sup> land in İzmir owned by İşbank for the development of a mixed-use project.
- Fitch Ratings upgraded the national long-term credit rating of İş REIT by two grades from AA-(tur) to AA+ (tur), with a long-term "stable" outlook.

## 2008

- Sirkeci Office Building with a gross area of 4,170 m<sup>2</sup> located in a neighborhood with commercial development potential in the Eminönü district, İstanbul was purchased from İşbank for TRY 22.5 million.
- Güneşli Office Building with a gross area of 20,805 m<sup>2</sup> located in the Küçükçekmece district in İstanbul was purchased from İşbank for a price of nearly TRY 37.5 million and included in the rental properties portfolio.
- The land with a total area of 77,327 m<sup>2</sup> located in İstanbul Kartal was purchased from Tecim Yapı on 18 June 2008 to develop a large-scale project that will cover housing units and a shopping mall.

## 2009

- An independent and permanent construction right was established for a property located in Esenyurt, İstanbul, on behalf of ECE/GGP; the second USD 6.5 million installment of the total USD 13 million amount was collected.
- A plot of land with an area of 53,200 m<sup>2</sup>, located in Tuzla, İstanbul, and the immovable located on it, were purchased from Paşabahçe Cam Sanayii ve Ticaret A.Ş. for a price of TRY 22.5 million.

## Financial and Operational Highlights

**Shareholders' Equity**  
(TRY '000)



**Total Assets**  
(TRY '000)



**Net Period Profit**  
(TRY '000)



**Portfolio Value**  
(TRY '000)



**Net Asset Value**  
(TRY '000)

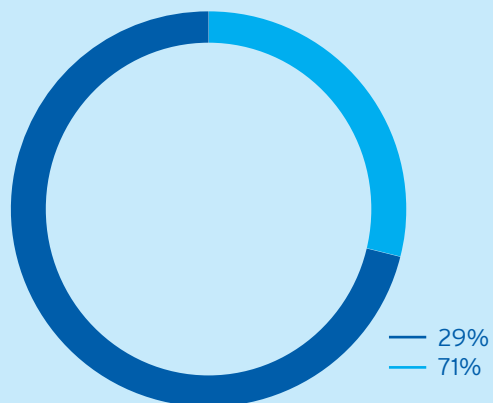
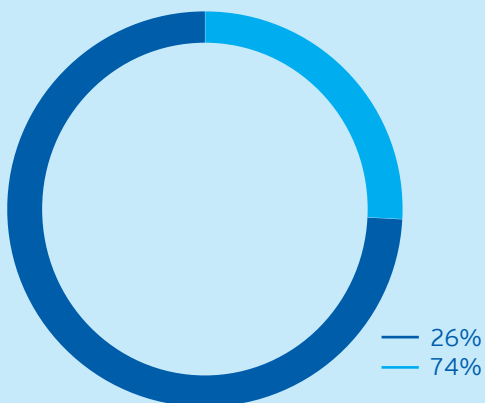


**Market Capitalization of the REITs**  
(TRY '000)

İş REIT	742,500
Other REITs	2,106,201
Market Total	2,848,701

**Net Asset Value of the REIT Market**  
(TRY '000)

İş REIT	1,250,325
Other REITs	3,095,705
Market Total	4,346,030

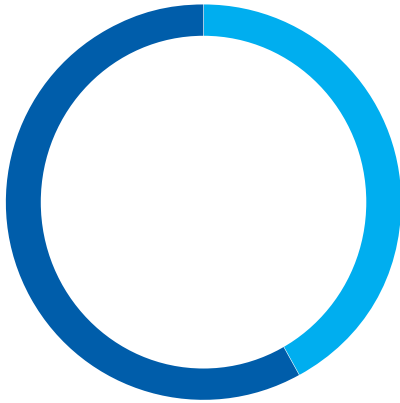


### Net Asset Value per Share and Market Value (31.12.2009)

2009	TRY
Net Asset Value per Share	2.78
İş REIT Share Closing Price	1.65
Total Market Capitalization	742,500,000

2009/ (TRY)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Net Asset Value per Share	2.61	2.63	2.67	2.78
İş REIT Share Closing Price	0.96	1.07	1.64	1.65

### Capital and Shareholder Structure

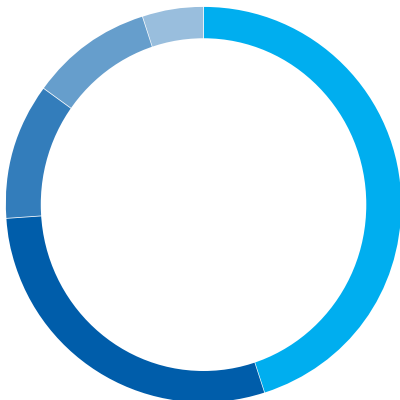


	TRY
İşbank	190,057,270
Others	259,942,730
Total	450,000,000

As of December 31st, 2009, the Company's free-float, based on ownership, was 42%. According to floatation of shares, the free float is 55%, and based on figures released by the ISE Settlement and Custody Bank for the same date, foreign investors held nearly 34% of İş REIT shares in circulation (31% as of December 31st, 2008).

- 42% İşbank
- 58% Others

### Portfolio Breakdown (31.12.2009)



The portfolio table of İş REIT as of December 31st, 2009 reveals that 45% of portfolio investments consisted of office buildings, 29% were shopping malls & hypermarkets, 5% were hotels, 11% consisted of land with money & capital market instruments accounting for the remaining 10% of the portfolio.

- 45% Office Buildings
- 29% Shopping Malls & Hypermarkets
- 11% Lands\*
- 10% Money & Capital Market Instruments
- 5% Hotels

\*In the portfolio table as of December 31st, 2009, ECE/GGP's land (parcel no 110), where the shopping centre project will be built, and adjacent parcels, are recorded under "Buildings".

## Message from the Chairman



Distinguished shareholders,

### **We must analyze the crisis well.**

The crisis, which first emerged in the US housing loan market in 2007 and then spread to the global financial system, continued to affect all primary developed and developing economies in 2009.

In order to clearly understand the impacts of the global crisis on the Turkish economy and the real estate sector, it is important to adopt a holistic approach when analyzing developments in the global economy.

There were two main reasons behind the unexpectedly severe and deep crisis which hit the global economy. The first was the long presence of an imbalanced global trading environment. The gradual

deterioration in conditions, itself a result of the financing of international foreign trade imbalances and current deficits, was one of the core factors triggering the crisis. The second factor was financial actors' preference for products with high leverage and a disproportionate increase in the risk-taking appetite.

The bubble was caused by the fact that financial positions taken in asset portfolios substantially exceeded shareholders' equity and real figures, and the bubble on the value of financial and non-financial assets became unsustainable after a certain point.

Towards the end of 2008, the crisis was triggered by a rapid deterioration in loan repayments, and long established financial institutions found themselves mired in difficulty or even with bankruptcy. The



A comparison of the 2008 crisis with the Great Depression of 1929, clearly shows that the 2009 crisis is more severe, deeper and broader than expected, and the sharpest fluctuation that the modern world has encountered.

worsening picture precipitated a global confidence crisis and, consequently, a global financial crisis.

A comparison of the 2008 crisis with the Great Depression of 1929, clearly shows that the 2009 crisis is more severe, deeper and broader than expected, and the sharpest fluctuation that the modern world has encountered. This result is not surprising when we consider the extent of globalization in our century.

On the other hand, the extent and the chain effect of globalization became apparent in the measures taken and practices implemented to resolve the crisis. The problem was understood to be multidirectional and it was therefore apparent that the circumstances of the crisis were not sustainable for any actor of the global economy, including those countries with a current surplus.

Substantial precautionary packages were introduced in a simultaneous and coordinated manner by supranational institutions, governments and central banks in 2008 and 2009. The concrete data and developments that could be seen in the figures,

particularly in 2Q 2009, support the view that the global proactive fight against the crisis has shortened the post-crisis recession to less than it had originally been estimated.

#### **Real sector in Turkey hit hardest by crisis**

The pressure from the negativities in global markets was felt on the Turkish economy as of the second half of 2008, while the direct impacts of the crisis were reflected to macroeconomic data from the last quarter of the year.

The real sector in Turkey bore the brunt of the crisis, while there was a significant increase in unemployment.

In the same period, the real estate sector was also hit hard by the recession. Moreover, although the recession in the Turkish economy eased in the last quarter of 2009, the real estate sector continued to contract rapidly. However, there are other factors besides the global crisis, which are unique to Turkey and the effects of these factors on the real sector are undeniably high.

## Message from the Chairman

Despite the contraction in the Turkish real sector, the robust structure of the Turkish finance sector played a major role in preventing the crisis from wreaking damage to Turkey's macro economy.

The Turkish banking system's total assets to the GDP ratio is lower than that in developed countries. The loans/GDP ratio reflects a similar picture. Although the low level of such indicators is considered negative under normal circumstances, as a measure of economic development and the depth of the markets, they helped protect the Turkish economy against the external shockwaves of the 2008 global crisis. The strong and sound structure of the financial sector in terms of exchange rates, interest rates and derivatives - in complete contrast with the conditions of 2001 - played a key role in overcoming the external shocks. The high capital adequacy ratio of the banking system was another important source of strength.

Decisiveness demonstrated by the government in Turkey after 2001, as well as the new designed legal framework and advantages introduced by legal

implementations were the basic foundations of this strong attitude demonstrated in 2008.

At this point, I would like to mention an important matter that must be stressed with regard to real estate investment trusts. The fact that the banking sector preferred not to reflect the problems that it encountered during the crisis period to the debtors in the balance sheets and pursued a constructive policy prevented any pushing pressure to emerge in our sector. It was clearly apparent that the system is capable of solving problems over a period of time; parties were protected against any substantial damage by resolving the difficulties in loan repayments during the crisis, predominantly through loan restructuring.

### **The real estate sector in recession following the economic contraction**

As I mentioned above, in addition to the reasons related to the global crisis, there are also problems stemming from the structural features of the Turkish economy and the real estate sector, which led to a severe contraction in the sector.

## When it comes to the supply of housing in our country, the first thing that must be done is to offer the market affordable projects which address the masses.

The real estate sector, which underwent such a bright era between 2002-2007, was subject to a boom in demand fuelled by housing loans, while the supply side responded to this situation belatedly. In 2008, however, the real estate sector, which had reached a specific level of satisfaction on the demand side, began to face supply-oriented pressure under crisis circumstances. At this point, thanks to the strong and robust standing of the banking sector, recourse to assets was not necessary to eliminate emerging risks and, as a result, there was no sales pressure in the real estate market.

All these developments ensured that real estate prices fell by less than had been expected, ensuring that prices held up relatively firmly in the sector in 2009.

By the end of 2009, the environment of low inflation and low interest rates had essentially set the stage for a recovery in the real estate sector. On the other hand, a combination of declining individual purchasing power and negativities caused by economic woes -mainly unemployment- on households' projections and expectations may lead

to a negative impact on the demand side. In the light of these realities, it seems that in short-term in 2010, the real estate sector will not grow as much as it did in previous years.

### **Projects must be developed which fit consumer expectations.**

When it comes to the supply of housing in our country, the first thing that must be done is to offer the market affordable projects which address the masses. The projects currently in the market and which successfully adopt these criteria have proven highly popular among those with moderate purchasing power, both for investment and for residential use. In our sector, it is predicted that such projects that will ensure the supply-demand balance will continue in the coming period.

There have been some changes in the retail segment, which played a key role in the sector during the pre-crisis period. Shopping centre investments had gone ahead by putting selectivity to one side in the full expectation of high penetration, and had paid scant regard to consumer behavior. These have been replaced by a more balanced supply structure,

## Message from the Chairman

for which feasibility parameters are continuously updated.

As we go into 2010, all of the players in the sector must rapidly adopt a “contribution to the solution” approach to rehabilitate the system and head towards an understanding that attaches importance to consumer expectations. If this is done successfully, it would suggest that the real estate sector has effectively reflected the experience it has achieved during crisis to its strategies and practices.

### **What will the economic environment bring to real estate investment trusts in 2010?**

The Central Bank’s interest rate cuts in 2009 were not reflected equally to deposit account and loan interest rates. Moreover, we are very close to the end of the positive base effect from the inflation rate, particularly in short-term interest rates. Unless events now take an unexpected turn, we should not expect any significant interest rate cuts. Moreover, as well as interest rates, we also have to take into account the fact that the Turkish banking system’s fund procurement is now turning to shorter maturity structure, a situation brought about by the difficulties in global liquidity.

The banking sector, which had borrowed from international markets with maturities of around 10 years, and through various instruments, could easily call upon securitization and was able to provide long-term funding in TRY terms until the last quarter of 2008. However, its maturity profile was dramatically shortened with the onset of crisis, a situation reminiscent of the high inflation era in Turkey.

This situation and the short maturity resource structure constitute a substantial barrier for the development of the real estate sector. When interest rates and short maturities are considered together, the financial system is most unlikely to achieve a quick-fix solution for the sector in 2010.

In the light of this prediction, we believe all participants in the sector must keep a very close view of developments in the real estate sector based on

- global economic developments
- the performance of the Turkish economy and
- level of foreign capital’s interest in our country and its priorities.

Within these guidelines, the fundamental tendency in the sector will be to develop projects identified under the appropriate parameters and on an appropriate

As a company with high liquidity and a robust financial structure, İŞ REIT is determined to make use of opportunities to emerge as its primary strategic target, including acquisition opportunities.

scale, whose features comply with consumer needs and the present economic situation.

**Looking to the future with İŞ REIT...**

İŞ REIT will continue to shape its projections and plans for the near future by interpreting the macroeconomic and sectoral framework in a proactive point of view.

As a company with high liquidity and a robust financial structure, İŞ REIT is determined to make use of opportunities to emerge as its primary strategic target, including acquisition opportunities. One of our Company's primary strategic targets is to develop business initiatives both in Turkey and beyond its borders, which will create portfolio diversity in terms of geographical and qualitative aspects.

We stand ready to put our mid-term strategy into practice and wait for the availability of the national and international economic environment in order. The appropriate economic climate is of great importance to us in terms of offering our projects to the market.

**Based on its expertise and broad experience, İŞ REIT is able to predict that the current conjuncture is not "adjournment", but a period of "preparation for exit".**

Deeming the crisis as a preparatory period, as an investment strategy that fits our vision, we exist in the market with projects ready to be offered to the market after the crisis and in the recovery period.

In the coming periods, İŞ REIT will continue to strengthen its portfolio, paying regard to the risk-reward balance, productivity and profitability as well as creating value for its sector, shareholders and other social stakeholders.

On behalf of our Board of Directors, I would like to extend my gratitude to our distinguished shareholders who have always been supportive in our efforts and to our employees who have contributed significantly to our achievements.

Yours sincerely,



Adnan Bali  
Chairman of the Board

## Message from the CEO



Distinguished shareholders, colleagues and business partners,

**The global economy entered a recovery in 3Q 2009.**

The rapid and simultaneous implementation of financial and monetary precautionary packages, the interest rate cuts by a number of central banks throughout the world and the abundance of liquidity all helped the global economy emerge from the crisis, while signs of recovery appeared throughout the world as of 3Q 2009.

While Japan and the US emerged from the crisis, the Euro zone is expected to be out of recession by the second half of 2010. The effects of the crisis were far reaching, exacting a particularly heavy toll on employment; the fact that unemployment in the USA and the Euro zone reached 10% indicates that it will take some time to recover from the structural problems wrought by the crisis.

On the other hand, the cautious and gradual implementation of policies designed to tackle the crisis is of great importance in eliminating “delayed impacts”.



## The cautious and gradual implementation of policies designed to tackle the crisis is of great importance in eliminating “delayed impacts”.

The global economy grew at an average annual rate of 4% between 2002 and 2007. The most important factor driving this acceleration was the consistent growth demonstrated in the Asian region, especially China and India. Again, Asia will stand out in raising the average growth rate in the coming period. While the global economy is estimated to have contracted by 1.1% in 2009, the Chinese economy, which had grown at an astonishing average annual rate of 10% before the crisis, grew by only 6% in 2009.

### Outlook for the Turkish economy

The Turkish economy continued to contract in the first three quarters of 2009, while the contraction began to slow down in the third quarter. The Turkish economy contracted by 8.4% in the first nine months of 2009. Unemployment, which had reached 15% in the midst of the economic recession, stands as one of the most important threats to the growth potential of the Turkish economy.

The decline in consumption tendency and total demand were combined with a sharp fall in

commodity prices, precipitating a rapid decline in price indices in Turkey as in the whole world. Foreign trade volume, which noted a significant fall in the first half of 2009, began to climb again in the last quarter of the year. The extent of the recovery in Turkey's exports to the EU is the basic factor which will determine the pace of the recovery.

The current deficit continued to fall throughout the year as a proportion of GDP, but this rate is expected to rise, albeit slowly, in parallel with the upward movement in energy prices and imports.

The Central Bank cut its interest rates to as low as 6.50% through a series of cuts in 2009. Meanwhile, the ISE National 100 index had climbed by 97% by the end of 2009, in parallel with the developments in international asset prices.

The government's medium-term program, covering the 2010-2012 period, placed a focus on policies aimed at increasing production, investment and exports in economy in a sustainable manner.

## Message from the CEO

### **2009-A difficult year for the real estate sector.**

Although the crisis is defined in financial aspects, the very fact that it stemmed from housing sector and housing loans meant that the real estate markets was hit especially hard.

Real estate markets throughout the world contracted in 2009. The slowdown in real estate investments, in parallel with slowing demand for real estate, declining real estate financing facilities and tightening circumstances were all behind the contraction in the markets.

### **After the era of high growth...**

The 2003-2007 period was a hectic one for the real estate sector with increasing investments in a variety of fields, such as shopping malls, residences, offices, logistics and tourism. In this period, in which the Turkish economy grew at an average rate of 6%, the construction sector demonstrated growth rates between 10-17%. Investments in shopping malls surged, spurred on by the growth in retailers' growth appetite, and were followed by housing investments triggered by delayed demand. The investments in shopping malls peaked in 2007, while the sustained demand for housing was the key factor that delayed the peak in the housing sector.

As the impacts of the crisis on our country's economy became apparent in 2008, the economy began to contract. The construction sector was hit hardest

during contraction, just as it booms during periods of growth. The construction sector contracted by 8.2% in 2008 and by 19.5% in the first three quarters of 2009.

An analysis of the developments in the real estate sector, based on data for 3Q 2009, illustrates that the Turkish construction sector continues to contract, despite the recovery and improvement in economic activity. A 15% decline in the number of building licenses received in 2009, when compared to the 2005-2007 period, is one of the most apparent indicators of such a contraction.

Sales of homes, on the other hand, increased by 24% in the first three quarters of 2009 when compared to the same period of the previous year, a development supported by cuts in stamp duty and V.A.T.

Housing loan rates fell to below 1% while the loan volume had climbed by 10% to TRY 41 billion as of November 2009. Although the decline in housing loan rates and the growth in the volume of loans issued have helped stimulate demand for housing, housing sales remain well below the desired levels.

Housing prices fell by 20-25% from their 2008 levels, and now stand at more attractive and affordable levels for consumers. In contrast with the property boom period, the housing stock is now at a level in which demand is unlikely to cause sharp hikes in

The real estate sector's share in employment is higher than 10% when its subsectors are included. In the light of this fact, it is important to support the sector for the Turkish economy to overcome the crisis with minimum damage.

house prices. A 15-20% fall was observed in house supply in 2009, while it is expected to increase by 5-10% in 2010. The office demand will keep increasing at a limited rate in 2010, while activity in shopping mall investments is expected to begin in 2012.

Foreign investors' net real estate purchases fell by 43% from USD 2.9 billion + V.A.T. in 2008 to USD 1.3 billion in Q3/2009. While recession continued in new investments in the commercial real estate sector, it is also observed that the decline in asset prices, rental incomes and returns considerably slowed down.

**The real estate sector is one of economy's driving forces.**

The real estate sector takes the 1st place in terms of contribution to the GDP, with more than 250 subsectors creating job and employment, mainly including construction and tourism. The real estate sector's share in employment is between 5-7%, whereas it is higher than 10% when its subsectors are included.

In the light of this fact, it is important to support the sector for the Turkish economy to overcome the crisis with minimum damage. Paying regard to domestic and international supply-demand to make the sector gain good conditions in terms of

investment and finance, implementation of following measures will pave the way for the sector:

- establishment of institutions which determine, arrange, and audit national housing policies and fund markets,
- paying attention that no disadvantageous investment environment is created for foreign investors,
- implementation of subsidies to house loan interest payments of low-incomers for stimulus and continuity on the demand side,
- avoiding legal arrangements that make real estate investments unattractive (for instance, stamp tax applied in sale-purchase contracts), etc.

**İŞ REIT operated with high liquidity even during the crisis.**

İŞ REIT has a robust financial structure which is fed by the revenues generated from real estate sales before the crisis, as well as regular rental incomes stemming from the strong and balanced tenant composition with occupancy rates up to 99%. The high liquidity level played a significant role for İŞ REIT to overcome the crisis without having any problems and by further growing stronger. The fact that there was no project started or left half finished during the crisis was advantageous for İŞ REIT.

## Message from the CEO

### **Preparations of our new projects were completed.**

İş REIT utilized the recession environment in 2009 as a preparation period for the post crisis growth period. Within this framework, necessary actions were conducted in current projects, while necessary revisions were made on the development and design of our new projects by taking market realities into account.

İş REIT realizes its projects at the right time and on lands that it adds to its portfolio by making incisive purchases in regions that are open to development. This strategy plays an important role in overcoming one of such problems as “unable to find appropriate land”, which is frequently encountered in the sector.

On our agenda, there are projects that we plan to realize in Altunizade, Kartal and Tuzla in Istanbul and the Bayraklı Project in Izmir.

Permission taking efforts were continued in 2009 for the project, which shall predominantly contain houses, planned to be realized on the land in Altunizade, which was included to the portfolio by purchasing 50% of it.

Moreover, our big-scaled composite project addressing the middle class, which we plan to realize on a land of 77,327 m<sup>2</sup> in Kartal, will be diversified based on the needs of the region.

Another important investment activity is the mixed-use project, to be developed on a plot of land belonging to İşbank and located in Bayraklı, Izmir. While the contract for land purchase was signed, combinations and architectural changes were made to the project throughout the year. The project, which is planned to include a residential area of around 28,000 m<sup>2</sup> and a shopping centre with an area of 30,000 m<sup>2</sup>, is expected to be highly popular. It aims for a much higher level of integration between the shopping centre and the environment than in any of its peers in Turkey, thanks to its unique architecture. We plan to start working on this project by the end of 2010.

Construction rights were obtained for the regional shopping centre planned to be built by ECE/GGP on parcel no. 110 located next to the Real Hypermarket in the Yakuplu district. The construction rights were worth a total of USD 13 million + V.A.T., and the second installment of USD 6.5 million + V.A.T. has been collected. Moreover, the license period related to the project in question has been completed and construction is planned to get underway in the second half of 2010.

The fixed property with an area of 53,200 m<sup>2</sup>, owned by Paşabahçe Cam Sanayii ve Ticaret Anonim Şirketi and located in the district of Tuzla in Istanbul, was purchased in 2009 to create a project. We plan

İş REIT utilized the recession environment in 2009 as a preparation period for the post crisis growth period.

to develop a turnkey project, designed for special purposes, on the land.

**We believe in the strong growth potential of our sector and İş REIT.**

The Turkish economy is now going through a new period, which can be seen throughout the global economy and best summed up as a "limited growth period". Our sector will be seeking for a new balance in parallel with economic developments in this normalization and recovery period.

It is estimated that the Turkish real estate sector will become active after 2010, while a new balance will only be established by 2012. However, it will take some time for the economy to return to its previous growth rates.

Turkey has a young population and the Turkish real estate sector, a market which has not yet reached maturity, is highly attractive. This illustrates the potential development that the sector is expected to demonstrate going forward.

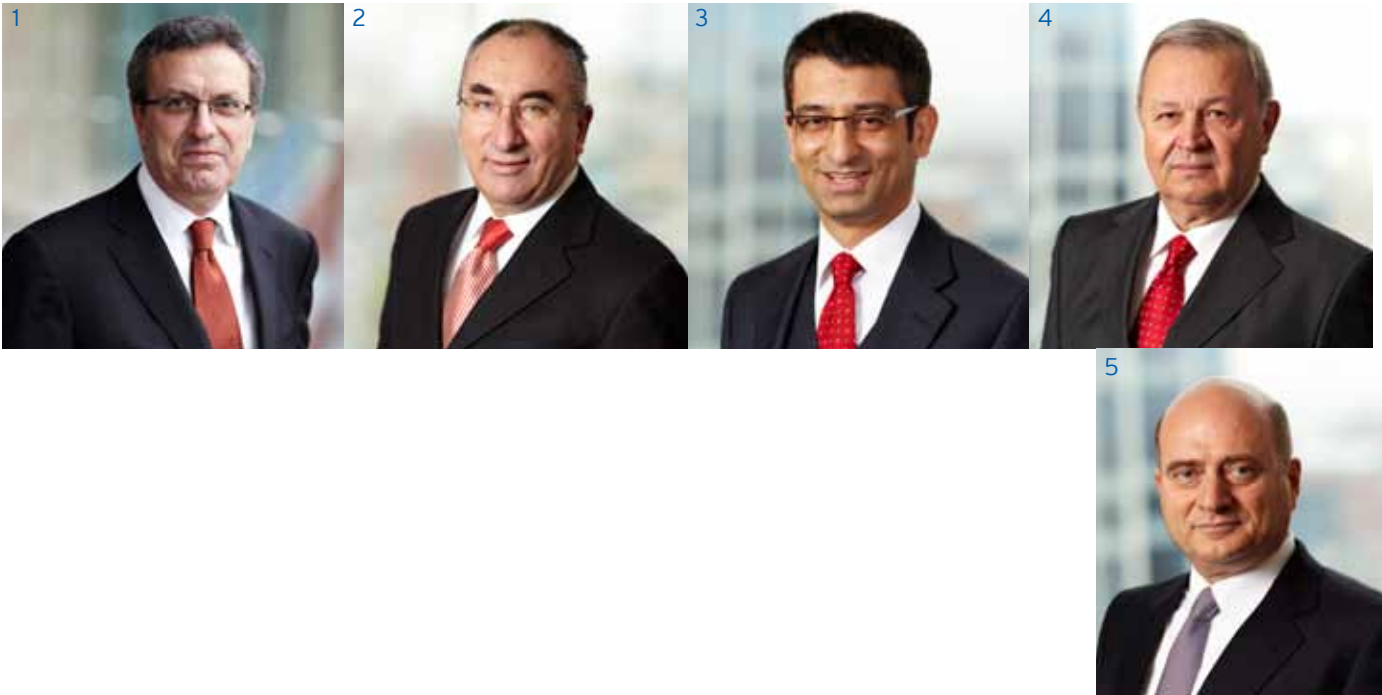
İş REIT's perspective is to maintain a selective portfolio comprised of Turkey's most valuable properties and to achieve growth with new projects. As such, the Company's objective is to remain one of the leading REITs, with a voice in the future of our country and our sector, thanks to its profitable and robust financial structure, as well as its organization and corporate identity supported by the values of the İşbank Group, which it is a member of.

I would like to extend my sincerest gratitude to our shareholders for their unyielding trust and support, to our business partners, and to our employees who have always proven their distinction in their professional abilities.



**Turgay Tanes**  
**CEO**

## Board of Directors and Board of Auditors



### **Adnan Bali - Chairman (1)**

**Term of office: 27.03.2009-26.03.2010**

After graduating from the Department of Economics at the Middle East Technical University in 1986, Mr. Bali studied Global Leadership at Harvard University Graduate School of Business. He attended many other training programs and seminars both in Turkey and abroad on treasury, markets and risk management offered by the Banks Association of Turkey, Euromoney, FED Training, DC Gardner and International Investment and Commercial Banks. Having started his career as an assistant inspector at İşbank in 1986, he served as assistant manager in Fund Management Department in 1994, where he rose to group manager in 1997 and to manager in 1998. He was appointed the manager of Şişli Branch in 2002 and of Galata Branch in 2004. Mr. Bali has been serving as the Deputy Chief Executive of İşbank since May 2006.

### **Turgut Sungur - Independent Vice Chairman (2)**

**Term of office: 27.03.2009-26.03.2010**

Turgut Sungur graduated from the Faculty of Political Sciences at Ankara University. He worked in the Board of Inspectors of İşbank in 1973, followed by various posts, in order as assistant manager in the Loans Department, Vice Chairman of the Board of Inspectors, regional manager in the I. Loans Department, and manager of the II. Loans Department and of the I. Loans Department. He served as the Deputy Chief Executive of İşbank from 1998 to 2004.

### **Kemal Şahin - Board Member (3)**

**Term of office: 27.03.2009-26.03.2010**

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

### **Haldun Baydar - Independent Board Member (4)**

**Term of office: 27.03.2009-26.03.2010**

Haldun Baydar graduated from the Faculty of Architecture at the Middle East Technical University. He holds a master's degree in urban planning from Université de Paris VIII and a doctorate degree from Paris I. Panthéon Sorbonne. He worked as an architect in various firms in Paris, and in the Planning Directorate of the Ministry of Public Works and Settlement, as Planning Manager for Orta Doğu Şehircilik ve Yatırım A.Ş., and also as the planning and production coordinator for Konteks A.Ş. He is the founder of Form Mimarlık Ltd. Şti. where he is presently involved in project and application activities.

### **Sezai Sevgin - Board Member**

**Term of office: 27.03.2009-12.06.2009**

Sezai Sevgin graduated from the Department of Business Administration at Marmara University, Faculty of Economics and Administrative Sciences in 1990. The same year, he joined İşbank





as a trainee inspector on the Board of Inspectors where he rose to inspector in 1995. He was assigned in the setting up of İşbank GmbH Paris Branch in 1997, functioned as assistant manager in this branch in 1998 and promoted to manager in March 2002. He was appointed as group manager of İşbank's Corporate Marketing Department in July 2004. Since 2007, he has been serving as department manager in İşbank's Commercial Banking Marketing Department.

**Mehmet Sırrı Erkan - Board Member (5)**

**Term of office: 18.06.2009-26.03.2010**

M. Sırrı Erkan is a graduate of Ankara University (Faculty of Political Sciences). He joined İşbank in 1981 as an Assistant Inspector. In the Bank's Accounting Department he was appointed assistant manager in 1991, group manager in 1993, and manager in 1995. He served as deputy chief executive between 2001-2009 in the bank.

**Süleyman H. Özcan - Statutory Auditor (6)**

**Term of office: 27.03.2009- 26.03.2010**

Süleyman H. Özcan graduated from the Department of Economics at Boğaziçi University in 1993. He started his career in the same year in İşbank as an assistant inspector on the Board of Inspectors. He subsequently worked as assistant manager and group manager in the Accounting Department, and currently serves as unit manager in the Bank's Investor Relations Department.

**Nil Sepetçi - Statutory Auditor (7)**

**Term of office: 27.03.2009-26.03.2010**

Nil Sepetçi graduated from the School of Press and Publishing at Marmara University in 1982. She joined İşbank in 1983 as a trainee clerk in Yenicami-Istanbul Branch, where she later served as assistant branch head and branch service head. She functioned

as the II. manager in Zincirlikuyu Branch in 1994 and as assistant manager in Taksim Branch in 1996. She worked as the manager of Acıbadem Branch in 1998, Nişantaşı Branch in 2003 and Kozyatağı Branch in 2006. She has been serving as Maltepe Regional Retail Banking Sales Director in Retail Banking and Sales Department since September 2007.

**Burak Sezercan - Statutory Auditor (8)**

**Term of office: 27.03.2009-26.03.2010**

Burak Sezercan graduated from the Department of Political Science and International Relations at Boğaziçi University. He started working in the Board of Auditors of İşbank in 1996. He pursued master's studies in banking and international finance at the City University Cass Business School in 2001 and 2002. He served as assistant manager in the Risk Management Department of İşbank from April 2005. He has been appointed a unit manager in the same Department in April 2008.

**Turgay Tanes - General Manager (9)**

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

## Senior Management



**Turgay Tanes (1)**  
General Manager

**Hülya Demir (2)**  
Assistant General Manager

**T. Aydan Ormancı (3)**  
Assistant General Manager

**Tuğrul Gürdal (4)**  
Financial and Administrative Affairs Manager

**Bülent Otuz (5)**  
Electrical and Mechanical Project  
Application Manager

**Av. Pınar Ersin Kollu, LL.M (6)**  
Legal Consultant

**Ayşegül Şahin Kocameşe (7)**  
Risk Management and Investor Relations Manager

**Gökhan Temel (8)**  
Construction and Architecture Project  
Application Manager

**Ömer Barlas Ülkü (9)**  
Internal Audit and Control Manager

**Gülfem Sena Tandoğan (10)**  
Corporate Communications and Marketing  
Assistant Manager

**Kaan Özsoy (11)**  
Construction and Architecture Project  
Application Assistant Manager



İş REIT realizes its projects at the right time and on lands that it adds to its portfolio by making incisive purchases in regions that are open to development.

The projects that are planned to be developed on the properties in Altunizade, Kartal and Tuzla in Istanbul and the Bayraklı Project in Izmir have been the new projects of İş REIT in its agenda in 2009.

Tuzla

53,200 m<sup>2</sup>

Altunizade

32,081 m<sup>2</sup>

Kartal

77,327 m<sup>2</sup>

Bayraklı

18,392 m<sup>2</sup>

## An Overview of 2009 and Expectations for 2010

İş REIT pressed ahead with its investments in 2009, pursuing a proactive strategy in the management of its portfolio of fixed properties, by taking account of market data.

### Investment Activities

İş REIT pressed ahead with its investments in 2009, continuing to manage its portfolio of fixed properties within the scope of a proactive strategy and taking account of market data.

Within this framework,

- An independent and permanent construction right was established on the property located in Esenyurt, Istanbul, on behalf of ECE / GGP Gayrimenkul İnşaat ve Geliştirme A.Ş.

Regarding the transfer of the right of construction, of the total USD 13 million amount determined for the transfer of the construction right, the second installment of USD 6.5 million was collected.

- A payment of TRY 22.5 million was completed for the purchase of a 53,200 m2 plot of land in Tuzla, Istanbul and the property on it. The decision to purchase the plot was announced to the public through the public disclosure dated October 7th, 2009.

### New Projects

- In the project which İş REIT plans to develop in Bayraklı, Izmir, which will consist of residences, home-offices and a shopping centre, İş REIT will receive consultancy services from MLM Management and Organization Company to support the Company's efforts to rent out the shopping centre section of the project.

### Rental Activities

- The number of visitors to the Kanyon Shopping Centre, which completed its third year in service, continues to increase steadily. With its shop mix strengthened by some minor replacements throughout the year, Kanyon continued to operate with a high occupancy rate at the end of 2009.
- The 100% occupancy rate at İş Towers (Tower II, Tower III and Kule Çarşı), the Ankara-Ulus Office Building, the Ankara-Kızılay Office Building, the Antalya Office Buildings, the Ankara İş Tower and the Maslak Building was maintained as of the end of 2009.

### Expectations for 2010

"Placing its signature on brand projects" in its sector, İş REIT will unstintingly press forward with its research and studies to design new real estate projects in 2010, while taking into account the developments in the economy and the real estate market.



#### **Shareholder Relations Unit**

The Risk Management and Investor Relations Department (Shareholder Relations Unit) actively and systematically handled the exercise of shareholders' rights, public disclosure and information provision activities, while also placing special emphasis on the procedures regarding General Meeting in 2009.

The Annual General Meeting of the Company convened on March 27th, 2009 with 56.10% attendance, and all attending shareholders were represented in person.

Documents that may be of use to shareholders were made available at the General Meeting for review by shareholders in hard copy as well as in an electronic medium.

In 2009, the interest of the foreign investors and funds towards İş REIT continued to increase. Throughout the year, 70 one-on-one meetings were held with domestic and international investment companies, investment funds and intermediary institutions, whereby 93 people were contacted at the company headquarters.

Meeting requests received by the Company are primarily handled via intermediary institutions, and almost equal number of meeting requests has been

directed from domestic and foreign intermediary institutions during the reporting period.

During the year, approximately 155 information requests forwarded to the Department mostly by emails have been fulfilled and almost 255 questions have been replied in this frame.

Comprehensive information requests on the Company received from numerous domestic, foreign, individual and corporate investors have been handled in a multi-faceted and detailed manner, observing the applicable legislation and the Company's Disclosure Policy, in particular, as well as all other considerations relating to public disclosure. 55% of information requests have been directed by foreign investors, while individual investors accounted for 10% of all information queries.

The questions asked during investor meetings and information requests submitted to the Shareholder Relations Unit mostly concerned İş REIT's financial statements, rental income, projects, future strategies and profit distribution policy.

Records of such written and verbal information requests, and their responses, are maintained by the Shareholder Relations Unit.

Information requests from universities and various government organizations in addition to investors are also fulfilled within the scope of their research.

During the reporting period, the Company's Disclosure Policy has been revised in accordance with the CMB Communiqué Serial: VIII No: 54 on the Principles of Public Disclosure of Material Events, and the "Material Event Disclosures Guide" prepared under the said Communiqué. The revised policy has been shared with the public. The aim of the policy is to achieve compliance with the Corporate Governance Principles published by the CMB, Capital Market Legislation and other applicable regulations at a minimum, thus ensuring timely, complete, accurate and efficient information provision to the public.

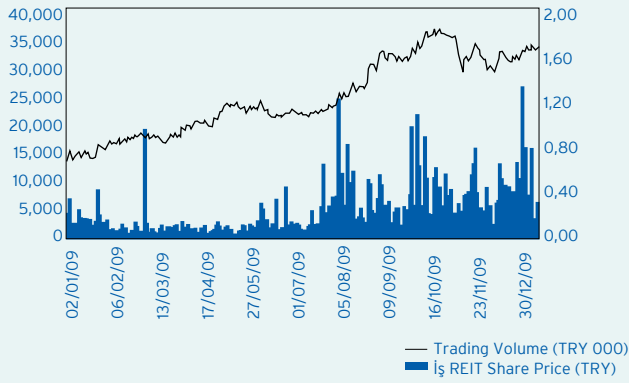
The Company prepared a list of people working for the Company based on an employment contract or otherwise who have regular access to insider information, and obtained a letter of undertaking concerning the protection of insider information from each one of these individuals.

Within the scope of the same regulation, a list of individuals responsible for making material event disclosures on behalf of our Company were specified and disclosed to the public. These individuals are identified in the Company's list of authorized signatures who are empowered to represent and bind our Company.

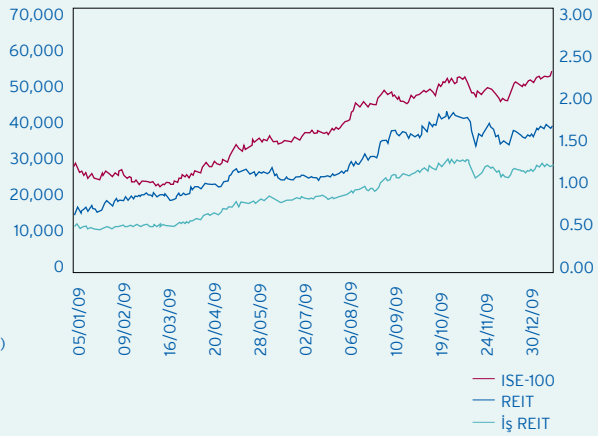
A regulation in the Capital Markets Board's "Communiqué on the Principles Regarding Public Disclosure of Material Events", stating "If an opinion is formed that the material event disclosures to be made by corporations may impact the value of the capital market instrument, corporations shall request temporary suspension of the capital market instrument's transactions from the Istanbul Stock Exchange before completing the material event disclosure." Within this scope, any officials who had submitted requests for the suspension of the trading of İŞ REIT stocks would have been named and their names disclosed to the public. İŞ REIT made no request for the temporary suspension of the trading of its stocks during the reporting period.

## ISE Share Performance

2009 İŞ REIT Daily Trading Volume and Share Price



2009 ISE-100 Index and İŞ REIT Share Price



In 2009, ISE-100 Index, Real Estate Investment Trusts Index and İŞ REIT share price increased by 97%, 138% and 150%, respectively, in Turkish Lira terms.

In 2009, the average daily volume of İŞ REIT shares traded in the ISE was TRY 4.3 million in value. The closing price of the İŞ REIT's share was TRY 1.65 at year-end 2009 and it ended the year with a discount of 41% in comparison with net asset value per share that was TRY 2.78.

### Shareholding period

According to the figures under the heading of "transactions realized on behalf and account of foreign banks, brokerage houses or individuals" announced by the ISE on a monthly basis, foreign investors purchased USD 125 million of İŞ REIT shares and sold USD 121 million of İŞ REIT shares during the reporting period, while the net purchase amount was USD 4.2 million for the İŞ REIT shares in 2009.

The share holding period<sup>1</sup> of foreign investors, which was 248 days (8.3 months) in 2008, plunged to approximately 176 days (5.9 months) in 2009. The share holding period of domestic investors, which was 379 days (12.6 months) in 2008, plunged to approximately 164 days (5.5 months) in 2009.

It is believed that this decline in the share holding periods was caused by volatility and profit taking in the stock market.

İŞ REIT shares, a member of ISE-100 Index, have begun to be traded in the "Collective Products Market (CPM)", a national market established by the ISE as of November 13th, 2009. Stocks of securities investment trusts and real estate investment trusts, as well as venture capital investment trusts, stock exchange investment funds certificates, warrants which are trading on the ISE and other reconfigured instruments are traded in the CPM. The CPM aims to provide a special market where such products can be traded, with their prices determined in an organized and transparent market and within competitive conditions.

<sup>1</sup> Calculated based on the data announced by the Istanbul Stock Exchange (ISE) and ISE Settlement and Custody Bank's data on exchange remainders.



## Brief Information of İŞ REIT's Organizational Structure

İŞ REIT operates under six individual departments and Legal Counseling.

### **Investment and Project Development Department**

The Department is authorized to handle project development, evaluation of new investment offers, technical responsibility for existing properties, maintenance and renewal investments. The Department also closely monitors its field of activity and pursues and evaluates new investment opportunities in the real estate sector.

### **Project Application Department**

The construction-architecture and mechanical-electrical sections of the Department undertake the management and coordination of projects and their constructions; collaborate with all other Departments of İŞ REIT as required with respect to the technical, financial, legal and marketing subjects in project development, implementation and marketing phases.

The Department's other tasks include the following: project preparation; determination of design criteria; checking conformity of projects with regulations and standards; preparation of work schedules and budgets; project management and coordination activities; soil surveys and land measurement; preparation of tender documents (qualification specifications, contract, technical and administrative

specifications, etc.), receiving bids, and bringing tender proceedings to their conclusion; preparing material procurement agreements; quality control; monitoring and finalizing progress payments; handling necessary correspondence with project owners, consultants and contractors; following-up and finalizing procedures carried out before official bodies; bringing investment projects to their completion and handling provisional and final acceptance procedures; setting up the necessary organization for the operation of the building.

### **Corporate Communications and Marketing Department**

The Department carries out leasing and sales activities aimed at maximizing occupancy rates and the income potential of İŞ REIT's existing properties, and also handles post-leasing or after-sales relations, while contributing to the feasibility studies of potential projects by providing and interpreting up-to-date market data.

The Department also handles corporate communication activities, public relations, media relations, coordination of advertising activities and works to maintain and manage the corporate reputation.

## Brief Information of İş REIT's Organizational Structure

### **Legal Counseling**

The Legal Counseling Department offers legal advice on İş REIT's activities, carrying out procedures on legal matters, monitoring legal conflicts to which the Company is a party and keeping records for the same, and preparing and reviewing contracts to which the Company is a party.

In addition, the Department also resolves disputes concerning İş REIT's activities through judicial processes, prepares the legal grounds for projects and follows up on formal notices served.

### **Financial and Administrative Affairs Department**

The Department handles İş REIT's accounting, budget, balance sheet, financing and insurance-related matters in accordance with relevant legislation and takes necessary action in a timely manner, manages and follows up on relations with relevant organizations.

The Financial and Administrative Affairs Department also fulfils tasks relating to human resource planning and personnel policy; carries out procedures related to the rights of its personnel, retirement plans and similar procedures.

### **Risk Management and Investor Relations Department**

The Department performs the activities necessary for the exercise of shareholders' rights within the framework of applicable legislation, the Articles of Incorporation and other in-house arrangements; satisfies all information requests received from domestic and international shareholders, investors, analysts, and institutions as part of public disclosure and keeping relevant parties informed; and manages relations with governmental and private institutions under the framework of shareholders' rights.

The Department follows up on analysts' assessments and reports on İş REIT shares; conducts research and analysis regarding the Company and sector which may be associated with the value of the shares; manages relations with ratings agencies, manages the ratings process, and publicly discloses the rating reports produced.

The Department also develops risk policies pertaining to risks integrated in İş REIT's activities within the scope of risk management; and monitors risks within the specified limits and reports these to the Company management.

İş REIT's human resources works on an awareness that qualified human resources are vital for a productive working environment, stable growth and uninterrupted success.

#### **Internal Audit and Control Department**

The Department will primarily evaluate the efficiency and effectiveness of internal control, risk management and corporate governance systems and processes.

In this scope, the Department conducts audits and controls on compliance with legislation, internal policies and procedures, adherence to limits and on supervision of limit overruns, as well as on information and financial reporting systems, reporting its findings to the senior management. The Department also evaluates work processes related to the aforementioned.

#### **Human Resources Management at İş REIT**

İş REIT's qualified human resources are its most valuable asset.

The Company's human resources works on an awareness that qualified human resources are vital for a productive working environment, stable growth and uninterrupted success.

In this vein, the key principles of the HR policy at İş REIT are

- keeping employees motivated,
- constant improvement of financial and social benefits,
- identification and fulfillment of career development and training needs, and
- creation of a fair and professional working environment.

İş REIT practices an "open door policy" across the entire organization and pays utmost diligence to ensure effective use of communication channels.

The "Human Resources Management" section of the corporate website ([http://www.isgyo.com.tr/english/ik\\_yonetimi.asp](http://www.isgyo.com.tr/english/ik_yonetimi.asp)) provides detailed information on various topics such as terms of employment, career guidance, promotion requirements and remuneration.

## İş REIT Portfolio of Properties

11%  
land

45%  
office

29%  
shopping mall

5%  
hotel

10%  
money and  
capital markets





### **The sources of our rental income**

- Tower 2 and Tower 3 housed in the Istanbul İş Towers complex, the Kule Çarşı Shopping Mall on the platform joining these two towers, and the commercial car park
- Ankara İş Tower
- Maslak Building
- Seven Seas Hotel
- Mallmarine Shopping Mall
- Ankara-Ulus Office Building
- Ankara-Kızılay Office Building
- Antalya Office Building
- Kanyon Shopping Mall
- Real Hypermarket
- Sirkeci Office Building
- Güneşli Office Building
- ECE/GGP and the environing parcel (parcel no 110)

### **Other properties**

- Project-developable land (7,613 m<sup>2</sup>) in front of İş Towers in 4. Levent
- Üsküdar land (32,081 m<sup>2</sup>)
- Kartal land (77,327 m<sup>2</sup>)
- Tuzla land (53,200 m<sup>2</sup>)



## İstanbul, İş Towers Complex Tower 2, Tower 3 and the Kule Çarşı Shopping Mall





## A hallmark bringing together culture-art and the business worlds

İş Towers were designed to meet the requirements of contemporary Istanbul, with sound infrastructure, modern technology and a distinctive architectural style.

**Location:** İstanbul province, Beşiktaş district, 4. Levent quarter

**Gross Area:** 80,124 m<sup>2</sup>

**Acquisition Date:** 1999

**Appraised Value (TRY):** 373,405,000

**2009 Rental Income (TRY, excluding VAT):** 26,095,498

The İstanbul İş Towers Complex is comprised of two 34-storey office blocks with 27 leasable floors in each, and the shopping centre, Kule Çarşısı, covering 48 independent units.

İş Towers were designed to meet the requirements, not only of contemporary Istanbul, but also the next century, with their sound infrastructure, modern technology and distinctive architectural style, all projected in an environmentally friendly approach.

İş Towers' offices are rented out on leases averaging five years to prestigious and financially sound national and foreign companies, with a solid reputation in their respective fields. The İş Towers Complex covers the 52-storey İşbank Head Office building, an auditorium and an art gallery, which hosts the activities of the İş Art & Culture Centre, in addition to Tower 2, Tower 3 and Kule Çarşısı included in İş REIT's portfolio.

The İş Towers complex brings together culture, art and business world in one of Turkey's premier locations. Kule Çarşısı, a shopping centre located in the İş Towers Complex, is a boutique shopping and entertainment centre consisting of stores and restaurants, operating in 48 independent units.



### İstanbul, Land-1

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

**Location:** 4th Levent in front of İş Towers

**Area:** 7,613 m<sup>2</sup>

**Acquisition Date:** 1999

**Appraised Value (TRY):** 760,000

## Ankara İş Tower





## A milestone of contemporary architecture

Ankara İş Tower is an office building composed of 3 blocks and 29 storeys.

**Location:** Ankara province, Çankaya district, Kavaklıdere quarter

**Gross Area:** 26,488 m<sup>2</sup>

**Acquisition Date:** 1999

**Appraised Value (TRY):** 94,140,000

**2009 Rental Income (TRY, excluding VAT):** 6,172,246

Having initiated the advent of modern buildings in Ankara and a symbol in this sense, Ankara İş Tower possesses a nostalgic value for it has long served as the head office of İşbank.

Ankara İş Tower is an original and prestigious building, designed with an insightful and timeless architectural concept, situated in a unique location.



Istanbul, Maslak Building



## A building with tremendous commercial potential

The Maslak Building, a 12-storey office block, is located at Istanbul's most significant centre of trade and finance.

**Location:** İstanbul province, Şişli district, Ayazağa quarter

**Gross Area:** 12,904 m<sup>2</sup>

**Acquisition Date:** 2001

**Appraised Value (TRY):** 38,700,000

**2009 Rental Income (TRY, excluding VAT):** 3,004,397

The 12-storey office building, added to İş REIT's portfolio in 2001, is located in Maslak, Istanbul's most significant centre for trade and finance. The building enjoys a prestigious location in Maslak, a constantly developing important business centre in Istanbul, and offers a tremendous commercial potential. The building is currently leased to Petrol Ofisi and İşbank.





Antalya, Seven Seas Hotel



## The Mediterranean's finest sea and sunshine

The Seven Seas Hotel, located in Manavgat, Antalya is a distinguished building with its waterfront location.

**Location:** Antalya province, Manavgat district, Sorgun village, Lake Titreyen locality

**Covered Area:** 52,699 m<sup>2</sup>

**Acquisition Date:** 2001

**Appraised Value (TRY):** 60,715,000

**2009 Rental Income (TRY, excluding VAT):** 6,653,697

The 5-star seaside resort hotel, with 366 rooms and 861 beds, is located in an area of spectacular natural wonders, next to Lake Titreyen and surrounded by historical sites and natural beauties, embraced by the sea and bathed in sunshine. A magnet for Turkish and foreign tourists, the Seven Seas Hotel is located in an area of high commercial potential.

Surrounded by some of Turkey's top-notch centers of tourism, the Seven Seas Hotel is a focal point of attraction for both domestic and foreign guests. The Hotel is operated by Magic Life, a leading European tour operator.





## Marmaris, Mallmarine Shopping Mall



## A contemporary shopping centre serving the people of Marmaris and tourists

Marmaris Mallmarine is a shopping mall with 30 independent units.

**Location:** Muğla province, Marmaris district, Kemeraltı quarter, Atatürk Street

**Net Area:** 3,172 m<sup>2</sup>

**Acquisition Date:** 2001

**Appraised Value (TRY):** 9,470,000

**2009 Rental Income (TRY, excluding VAT):** 435,389

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

Mallmarine serves both the local population and visiting tourists with its professionally planned tenant mix.





## Ankara, Ulus Office Building





## A symbolic landmark carefully preserved from the past to present...

Ulus Building is situated in a central location with commercial development potential.

**Location:** Ankara province, Altındağ district, Ulus quarter

**Gross Area:** 6,194 m<sup>2</sup>

**Acquisition Date:** 2004

**Appraised Value (TRY):** 23,535,000

**2009 Rental Income (TRY, excluding VAT):** 2,671,508

The office building in Ulus situated in a central location of Ankara and offers commercial development potential. It is a symbolic landmark, which has been carefully preserved from the past to present. Built in 1924, the Ulus Building formerly served as the İşbank's second head office, and is as architecturally exceptional as it is commercially valuable.

The building has been rented out to İşbank on a 15-year lease.



## Antalya, Office Building



## A property with high commercial value at the centre of the city

The Office Building in Antalya boasts modern features and is easily accessible.

**Location:** Antalya province, Merkez district

**Gross Area:** 3,353 m<sup>2</sup>

**Acquisition Date:** 2004

**Appraised Value (TRY):** 12,575,000

**2009 Rental Income (TRY, excluding VAT):** 1,157,803

Centrally located in an easily accessible area of Antalya with tremendous commercial development potential, the office building boasts modern features. The Office Building, with a high commercial value, has been rented out to İşbank on a 15-year lease.





## Ankara, Kızılay Office Building



## A prestigious property in the heart of Ankara

The Office Building in Kızılay offers strong commercial potential.

**Location:** Ankara province, Çankaya district, Kızılay quarter

**Gross Area:** 5,175 m<sup>2</sup>

**Acquisition Date:** 2004

**Appraised Value (TRY):** 19,925,000

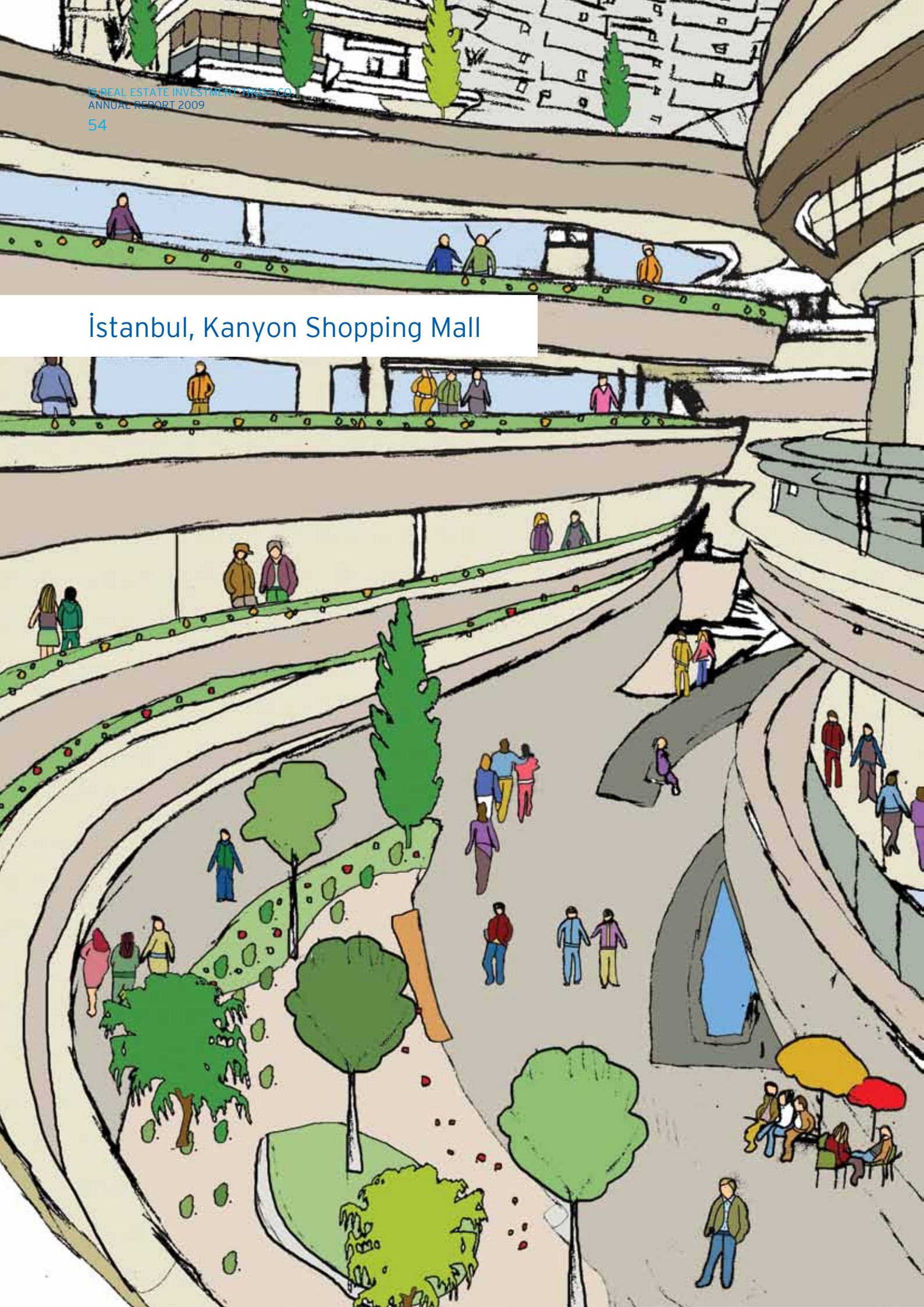
**2009 Rental Income (TRY, excluding VAT):** 2,249,735

Located in Kızılay, Ankara's centre of business and trade, the office block offers tremendous commercial potential. The office block has been rented out to İşbank on a 15-year lease.





# Istanbul, Kanyon Shopping Mall



## Kanyon - transforming shopping habits in Istanbul...

Located in Levent, Istanbul, Kanyon is considered as one of the world's leading shopping malls.

**Location:** İstanbul province, Şişli district, Levent quarter

**Net Area:** 38,940 m<sup>2</sup>\*

**Opening Date:** 31 May 2006

**Appraised Value (TRY):** 262,850,000

**2009 Rental Income (TRY, excluding VAT):** 18,206,185

\* İŞ REIT has title to 19,470 m<sup>2</sup> in the shopping mall, which forms the basis in the computation of the appraisal value and rental income.

Aiming to bring the finest brands in Turkey and the world together, and to be the heart of the city, the four-storey shopping centre is established on an area of 38,940 m<sup>2</sup>. Kanyon is home to 152 stores, one gourmet supermarket, 9 cinemas, restaurants, cafés, bars, a sports and wellness centre, as well as indoor and outdoor swimming pools.

While offering a pleasant shopping experience in open air, providing a feeling of walking along the streets of Istanbul, Kanyon offers a setting blending water, greenery and natural materials in a sophisticated manner.

Offering a different concept on each level, Kanyon addresses people of all ages, from every segment. Kanyon goes beyond a shopping mall and represents a living space for Istanbul. Kanyon is where people can take a deep breath of the city, have fun, rejuvenate themselves, meet friends and spend a pleasant day. The Kanyon shopping experience gains a whole new dimension with frequent live performances, a wide variety of events and street shows addressing all ages.





## İstanbul, Real Hypermarket





## 40,000 types of food and non-food products under the same roof

The Real Hypermarket building is located in Beylikdüzü, one of Istanbul's rapidly growing areas.

**Location:** İstanbul province, Esenyurt district, Yakuplu locality

**Project Area:** parcel no 109

**Covered Area:** 53,479 m<sup>2</sup>

**Opening Date:** 15 August 2007

**Appraised Value (TRY):** 63,800,000

**2009 Rental Income (TRY, excluding VAT):** 3,926,464

The hypermarket building is located in Esenyurt, a rapidly growing suburb of Istanbul, and is operated by the world-famous Real. A Metro Group company operating in the retail sector, Real is part of Turkish holdings of SB Warenhaus Holding GmbH.

The Project was started by İş REIT on August 15th, 2007. Subsequently operated by the tenant, the Real Hypermarket offers its customers a comfortable and convenient shopping atmosphere with its 6 meter-wide aisles and 8 meter-high ceilings.

Real provides approximately 40,000 types of food and non-food products under the same roof and aims to offer quality products at affordable prices.



## Istanbul, Sirkeci Office Building



## At the traditional heart of Istanbul's commerce and trade

### A 6-storey office building

**Location:** İstanbul province, Fatih district, Sirkeci quarter

**Leasable Area:** 4,170 m<sup>2</sup>

**Acquisition Date:** 18 April 2008

**Appraised Value (TRY):** 22,935,000

**2009 Rental Income (TRY, excluding VAT):** 2,140,426

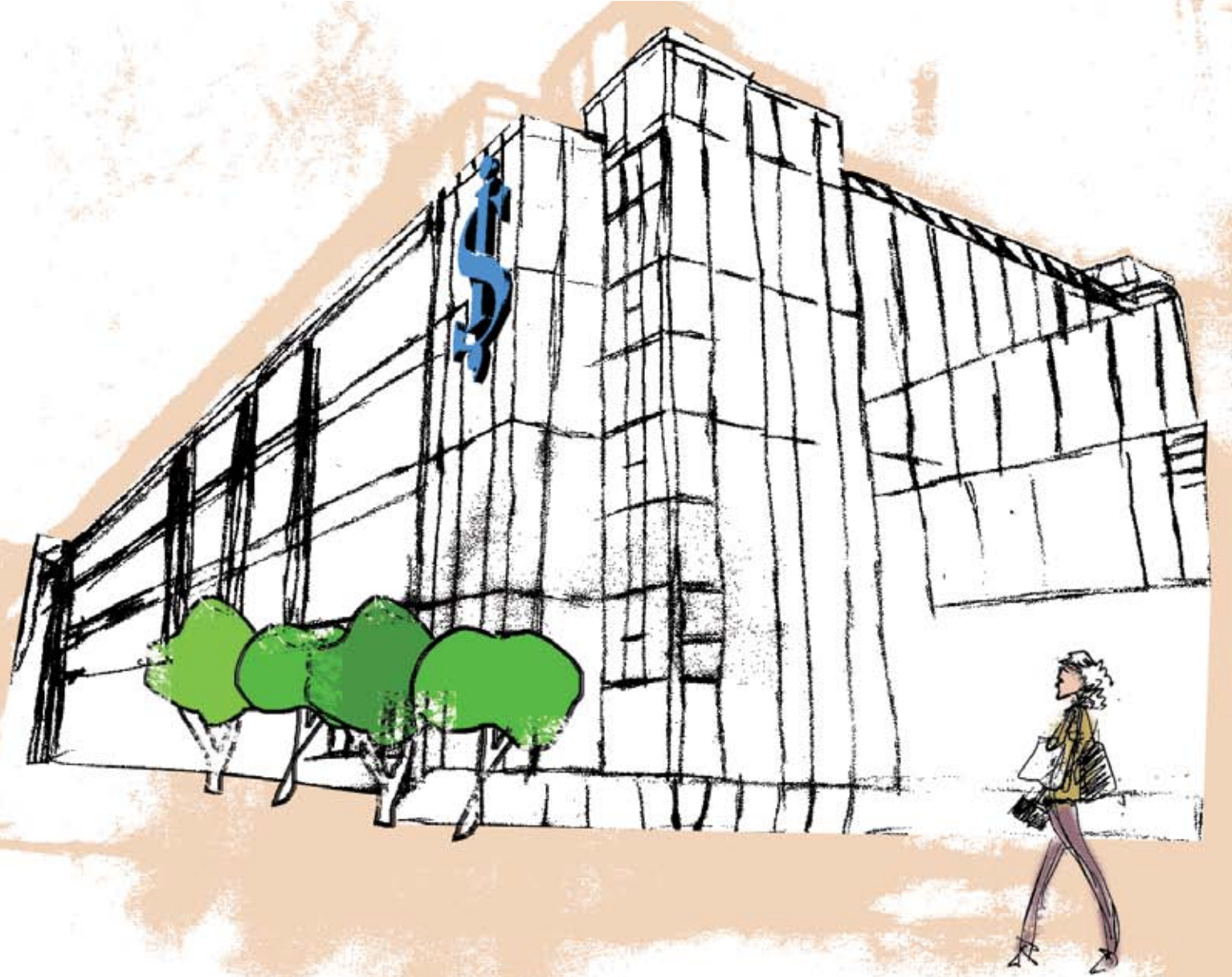
The 6-storey office building, with an area of 4,170 m<sup>2</sup>, is situated in the traditional heart of commerce and trade, in an area with massive commercial potential.

The building has been rented out to İşbank on a 15-year lease.





## İstanbul, Güneşli Office Building



## Located in a logistically valuable region

### A 5-storey office building

**Location:** İstanbul province, Küçükçekmece district, Halkalı quarter

**Leasable Area:** 20,805 m<sup>2</sup>

**Acquisition Date:** 28 April 2008

**Appraised Value (TRY):** 37,410,000

**2009 Rental Income (TRY, excluding VAT):** 3,722,480

The 5-storey office building, with an area of 20,805 m<sup>2</sup>, is located in one of İstanbul's emerging commercial centers, 6 km from İstanbul Atatürk Airport. The building has been rented out to İşbank on a 15-year lease and is operated by İşbank as the Operation Service Building.



## Principles Regarding the Operation of Real Estate Investment Trusts

Some of the principles covered in the “Communiqué on Principles regarding Real Estate Investment Companies” (Serial: VI, No: 11) are presented below. Further details are available at the Capital Markets Board of Turkey (CMB) website, at [www.cmb.gov.tr](http://www.cmb.gov.tr).

- REITs must invest a minimum of 50% of their portfolio values in real estate, rights backed by real estate, and real estate projects. REITs may invest a maximum 50% of their portfolio values in other assets (capital market instruments and cash).
- General-purpose real estate investment companies are required to diversify their portfolios on the basis of industry, region and real estates, and to manage the same with a long term investment purpose.
- When selling, renting out or purchasing real estate from/for the portfolio, REITs must consider the appraised values determined by real estate appraisal companies authorized by the CMB.
- REITs are not in any way permitted to be involved in the construction of real estate, and may not recruit personnel or equipment for this purpose.
- REITs may obtain credit to an amount up to three times the maximum of their net asset values.

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

The Capital Markets Board of Turkey published the "Communiqué Amending the Communiqué on Principles Regarding Real Estate Investment Companies" (Serial: VI, No: 26) in the Official Gazette dated December 31st, 2009. Some of the amendments are presented below.

- The minimum free float rate was reduced from 49% to 25%.
- The provision stipulating that shares representing the capital in kind must be issued as registered shares was annulled.
- Permission has been granted for the conversion of publicly-held companies into real estate investment companies.
- It was stipulated that investment trusts are required to offer 25% of their capital to the public within 3 months following the date of registration of incorporation or registration of articles of association amendment, independently of their capital size.
- The provision providing that the leader entrepreneur must be experienced for at least 3 years in fields (construction, law, finance, etc.) closely related to the REIC area of operation was abolished.
- An arrangement was established to allow investment trusts invest in real estate (or rights related to real estate), such as buildings, land, etc, which must be free of any mortgage or any encumbrance annotation which may significantly affect the value of the real estate.
- A regulation was introduced to allow real estate investment trusts realize projects on land not owned by the trust itself, and on which a mortgage based on, on the condition that the amount of the mortgage does not exceed 50% of value of the land itself, and the total mortgage amount of the mortgaged land for which projects will be drawn up does not exceed 10% of the trust's net asset value.
- A requirement has been put in place for the board of directors of the REIT to determine a valuation company for each asset in its portfolio that should be subject to valuation and maximum two valuation companies for the assets to be purchased in that year which may require valuation within 1 month following the end of each year . It was also stipulated that such valuation companies may solely be amended provided that the Board is informed of the grounds for amendment, and the Board approves such amendments.



## İş REIT's Capital and Shareholding Structure

İş REIT holds TRY 450,000,000 of issued capital, 42.23% of which is held by İşbank. There were no major changes in the Company's shareholding structure in 2009.

As of December 31st, 2009, the Company's free-float, based on ownership, was 42%. According to floatation of shares, the free float is 55%, and based on figures released by the ISE Settlement and Custody Bank for the same date, foreign investors held nearly 34% of İş REIT shares in circulation (31% as of December 31st, 2008). While the share of foreign investors in the Company's capital increased in 1Q 2009, there was no major change for the rest of the year.

The capital was not increased through right or bonus issues during the reporting period.

### **Changes in the Management Structure and Organizational Structure**

Mr. Sezai Sevgin, who was elected to a seat on the Board at the General Meeting held on March 27th, 2009, resigned from his post on June 12th, 2009 and was replaced by Mr. Mehmet Sırrı Erkan who took office in proxy of İşbank until the following Annual General Meeting.

Board Members and their resumes are presented in this report.

### **Information on Lawsuits in which the Company is a Party**

No warnings, notices or monetary fines were issued by public authorities against the Company in 2009.

Receivable collection started during the reporting period, as a result of the enforcement of legal action taken against some tenants in relation to their overdue rental payments for certain commercial properties in the Company's portfolio.

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

In 2009, a total of TRY 32,884,906 of rental income was generated from Group companies, and TRY 6,266,323 was derived in interest income. The total cost of services received during the reporting period amounted to TRY 25,751,794.

#### **Statement on Foreseeable Risks Inherent in our Activities**

İş REIT invests in real estate as well as money and capital market instruments within the scope of its portfolio management activities.

Investments in the real estate sector constituted nearly 90% of the total portfolio investments at the end of 2009. Such investments may be undertaken by means of purchasing completed real estate for the purposes of sale and/or rent as well as by project development for the same purposes. The business environment risk may be considered as a key risk integrated with such activities.

At the end of 2009, money and capital market investments comprised 10% of the Company's total portfolio value. These investments are undertaken to utilize the Company's funds in the money and capital markets until they are directed to investment expenditures. The risk associated with such investments constitutes the market risk.

A risk management system has been established at the Company. The Risk Unit (Risk Management Investor Relations Department) carries out risk management activities, and reports to the Company Risk Committee in respect of its activities.

The Board of Directors issued the Company Risk Policy and the Risk Catalogue; and established the risk limits in terms of measurable risk types.

Risk is periodically measured by the relevant units in line with the Company's Risk Policy, and the results are reported to İş REIT's Senior Management. The Company thus endeavors to identify foreseeable risks concerning its activities, thereby aiming to minimize risk.

## Social Responsibility and Environmental Consciousness

İş REIT recognizes that as a corporate citizen it will develop and grow together with the society, and is conscious of its vital role in the fulfillment of social, cultural, artistic and economic needs of various areas of society.

True to this principle, İş REIT strives tirelessly to support social responsibility projects in various fields, including healthcare, education, culture, law, the arts, scientific research, the environment and sport. The Company set the rules governing the complimentary support for such projects in its Donation Regulation, drawn up on January 1st, 2007.

İş REIT opens the doors of its shopping malls to associations, foundations and other NGOs working for the benefit of the public by offering them the opportunity to set up stands and carry out perform activities aimed at publicity free-of-charge. Extending all necessary cooperation in this area, the Company's efforts on this area continued in 2009.

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

## Iş Real Estate Investment Trust Co.

### Profit Distribution Table for the Year 2009 (TRY)

The Company's net profit for the period as of December 31, 2009 is TRY 60,299,202 in the financial statements prepared in accordance with the "Capital Market Board Communiqué on Capital Market Accounting Standards" and is TRY 48,732,748.93 in the legal records maintained in accordance with Tax Procedures Law. According to Article 30 concerning "The Distribution of Profits and Reserve Funds" of the Company's Articles of Association, it has been decided to present the distribution of net profit of TRY 22,500,000.00 in cash, as above stated, to the approval of the General Meeting of the shareholders.

1. Paid-in/Issued Capital	450,000,000
2. Total Legal Reserves (based on legal records)	13,567,566.77

If there are privileges for distribution of profits according to the Articles of Association, information on such privileges:

There are not any privileges for distribution of profits.

	Based on CMB	Based on Legal Records
3. Period Profit	60,388,436	48,732,748.93
4. Taxes Payable (-)	89,234.00	
5. Net Period Profit (=)	60,299,202	48,732,748.93
6. Prior Period Losses (-)	0.00	0.00
7. First Legal Reserve (-)	2,436,637.45	2,436,637.45
8/(a) Net Distributable Period Profit including Unrealized Capital Gains (=)	57,862,564.55	46,296,111.48
8/(b) Unrealized Capital Increases (-)	12,915,548.76	
8/(c) Unrealized Capital Decreases (+)	1,650,449.00	
8/(d) Net Distributable Period Profit excluding Unrealized Capital Gains (=)	46,597,464.79	
9. Donations Made during the Year (+)	0.00	
10. Net Distributable Period Profit including Donations from which First Dividend will be Calculated	57,862,564.55	
11. First Dividend to Shareholders	22,500,000.00	
- Cash	22,500,000.00	
- Bonus	0.00	
- Total	22,500,000.00	
12. Dividends for Preferred Shares	0.00	
13. Dividends for Board Members, Employees, etc	0.00	
14. Dividends for Redeemed Shares	0.00	
15. Second Dividend for Shareholders	0.00	
16. Second Legal Reserves	0.00	
17. Statutory Reserves	0.00	
18. Special Reserves	0.00	
19. EXTRAORDINARY RESERVES	35,362,564.55	23,796,111.48
20. Other Sources for Distribution	0.00	0.00
- Prior Period Profit		
- Extraordinary Reserves		
- Other Reserves Distributable in Accordance with Law and the Articles of Association		

INFORMATION ON DIVIDEND RATIO INFORMATION ON EARNINGS PER SHARE	GROUP	TOTAL DIVIDENDS (TRY)	DIVIDENDS PER SHARES WITH A NOMINAL VALUE OF TRY 1 EACH	
			AMOUNT (TRY)	RATIO (%)
GROSS	A	32,142.86	0.05000	5.00
	B	22,467,857.14	0.05000	5.00
	<b>TOTAL</b>	<b>22,500,000.00</b>		
NET	A	32,142.86	0.05000	5.00
	B	22,467,857.14	0.05000	5.00
	<b>TOTAL</b>	<b>22,500,000.00</b>		

#### RATIO OF DIVIDENDS DISTRIBUTED TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS

#### RATIO OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS

DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TRY)	TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS (%)
22,500,000	38.89



## İş Real Estate Investment Trust Co. 2009 Statutory Auditors' Report

To the attention of General Meeting of the Shareholders:

Trade name	İş Real Estate Investment Trust Co.
Headquarters	Istanbul
Issued capital	TRY 450,000,000
Principal business activity	The Company was established to invest in real properties, in capital market instruments backed by real estate properties and in real estate projects.

Names, term of office, and partnership status of the statutory auditors	Süleyman Hayrettin Özcan Nil Sepetçi Burak Sezercan Statutory auditors are elected to serve until the date of the next annual general meeting. They are not the partners in the Company.
---	---

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

Scope, date and results of examinations performed on the Company's accounts, books and documents	The Company's legal books of account and documents were examined in the months of June and December and the conclusion reached: they were in accord with the accounts
--	---

Number of cash counts performed at the company cashier's office in accordance with the requirements of subparagraph 3 of paragraph 1 of article 353 of the Turkish Commercial Code and the conclusions reached	Cash counts were performed at the Company's cashier office twice in 2009 in accordance with the requirements of law. All cash balances conformed to the books of account.
--	---

Dates on which examinations were performed in accordance with the requirements of subparagraph 1 of paragraph 4 of Article 353 of the Turkish Commercial Code and the conclusions that were reached	During our examinations performed each month the presence of negotiable instruments were checked and it was established that they conformed to the records.
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Charges or complaints of improprieties received and the action taken were referred to us.	During our term of office as statutory auditors for İş Real Estate Investment Trust Co., no charges or complaints of improprieties
---	--

We have examined the accounts and transactions of the firm of İş Real Estate Investment Trust Co., for the period 1 January 2009 to 31 December 2009 for compliance with the requirements of the Turkish Commercial Code, the Company's Articles of Association, relevant laws and regulations and generally accepted accounting principles and standards.

In our opinion: the enclosed balance sheet for the period issued on 31 December 2009, the contents of which we certify, accurately reflects the true financial standing of the Company on this date; the income statement for the period 1 January 2009 to 31 December 2009 accurately and truly reflects the results of business activities during the same period; the proposed distribution of profits is in compliance with the requirements of law and with the Company's Articles of Association.

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

BOARD OF AUDITORS



Süleyman Hayrettin Özcan



Nil Sepetçi



Burak Sezercan

# İş Real Estate Investment Trust Co.

## Corporate Governance Principles Compliance Report

### 1. Statement of Compliance with Corporate Governance Principles

Utmost attention was paid to achieve compliance with Corporate Governance Principles under the main headings of "Shareholders," "Public Disclosure and Transparency," "Stakeholders" and "Board of Directors" at our Company in 2009. Efforts to develop and further improve the application of the foregoing principles in the Company were continued during the reporting period.

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

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

### PART I-SHAREHOLDERS

#### 2. Investor Relations Unit

Set up at our Company in 2005, the Risk Management and Investors Relations Department has been operating as the "Shareholder Relations Unit" since its establishment.

The Shareholder Relations Unit effectively and systematically managed primarily the general meeting activities, as well as shareholders' exercise of their rights, public disclosure and information sharing.

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

Name	Title	Phone	Email
Ayşegül Şahin Kocameşe	Manager	0212-325 23 50 ext. 204	investorrelations@isgyo.com.tr
Mine Kurt	Specialist	0212-325 23 50 ext. 209	

In 2009, the interest of the foreign investors and funds towards İş REIT continued to increase. Throughout the year, 70 one-on-one meetings were held with domestic and international investment companies, investment funds and intermediary institutions, whereby 93 people were contacted at the company headquarters. Meeting requests received by the Company are primarily handled via intermediary institutions, and almost equal number of meeting requests have been directed from domestic and foreign intermediary institutions during the reporting period.

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

During 2009, shareholders, for the most part, sought information usually at the time of or after the public disclosure of the General Meeting of Shareholders, portfolio tables and financial reports. Necessary records on information requests received in writing and orally and the responses provided thereto are kept by the Shareholder Relations Unit.

## İş Real Estate Investment Trust Co. Corporate Governance Principles Compliance Report

During the year, approximately 155 information requests forwarded to the Department mostly by emails have been fulfilled and almost 255 questions have been replied in this frame. Comprehensive information requests on the Company received from numerous domestic, foreign, individual and corporate investors have been handled in a multi-faceted and detailed manner, observing the applicable legislation and the Company's Disclosure Policy, in particular, as well as all other considerations relating to public disclosure.

55% of information requests have been directed by foreign investors, while individual investors accounted for 10% of all information queries. While domestic investors demanded the information they needed mostly via telephone or email, foreign investors preferred to obtain the information they needed by e-mail or by holding one-on-one meetings.

The questions posed at investor meetings and information requests received by the Shareholder Relations Unit mostly concerned publicly disclosed financial statements and portfolio tables, rental income, real estate projects, future strategies and dividend policy.

Information requests from universities and various government organizations in addition to investors are also fulfilled within the scope of their research.

From the second half of 2009, material event disclosures concerning facts about the Company that need to be shared with the public within the frame of CMB and Stock Exchange legislation have been sent firstly to the Public Disclosure Platform (in Turkish: KAP) attaching electronic signature. These material event disclosures have been transmitted by fax to the ISE the same day, thus enabling the communication of relevant information to large audiences.

Under a service contract entered into with the firm of Foreks Bilgi İletişim A.Ş., all material event disclosures that our Company sends to the ISE and information about our stock price performance are also published on the "Investor Relations" section of our website. Both our Turkish and English websites feature the related section, which covers all the information investors may be interested in as set out in the CMB's Corporate Governance Principles.

In the case of announcements relating to the Company's activities that must be made in the press, the Company takes care to publish them in high-circulation national newspapers rather than local ones. In addition, announcements and documents concerning ordinary and extraordinary General Meeting of Shareholders are also posted on the corporate website.

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

## İş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

#### 4. Information About General Meetings

The Annual General Meeting of Shareholders for 2008 convened on 27 March 2009 during the year under review. An invitation for the General Meeting of Shareholders, the meeting's agenda and a specimen of a proxy statement were published in two nationally circulating newspapers; invitations were sent out to registered shareholders by registered mail, return receipt requested; information concerning the meeting was made available on the corporate website; an additional letter concerning the meeting was also sent to corporate shareholders whose names appeared in the attendance roster of the latest General Meeting of Shareholders. The annual report was prepared twenty-one days prior to the meeting date, it was sent to the addresses of the shareholders upon request, and placed on the Internet site and was also made available for the inspection and assessment of shareholders visiting the Company's headquarters and of shareholders attending the General Meeting of Shareholders. While complying with the provisions of the Ministry of Industry and Trade Communiqué concerning the period of time in which entries must be made in the shareholders register, shareholders who applied to obtain their meeting passes after the one-week period stipulated in the Communiqué, were given them as well, so as to achieve maximum participation at the meeting. The General Meeting of Shareholders for 2008 was held with 56.10% attendance of the Company's shareholders all of which was represented in person. Excluding Company-related trade secrets and confidential information that are not publicly disclosed, all other oral and written queries of the shareholders about the Company during the reporting period were answered before and after the General Meeting of Shareholders.

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

Corporate Governance Principles set forth that decisions concerning the purchase/sale, renting or hiring of tangible/intangible assets of significant worth be passed at the general meetings. In as much as our Company is a real estate investment trust and its principal business activity is buying, selling, leasing, and developing real estate properties, such decisions have to be made quite frequently. Therefore, it is impractical to convene a General Meeting on these issues. Furthermore, conducting business in such a way would have a direct impact on the transaction prices involved in buying and selling the related properties and give rise to other drawbacks as well. For this reason, the Company's articles of association contain no provisions requiring decisions of this nature to be made at General Meeting of Shareholders.

#### 5. Voting Rights and Minority Rights

Class-A shareholders have the privilege to designate candidates for election to seats on the Board of Directors. One Board Member must be elected among candidates designated by Class-B shareholders and the remaining members must be elected among candidates designated by Class-A shareholders.

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

Minority shareholders are not represented in the Company's administration. The articles of association contain no provisions concerning the use of the optional cumulative voting method.



## İş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

#### 6. Dividend Policy and Timing

Our Company's dividend policy is given below:

The Company's articles of association incorporate the principle that first dividends will be paid out of the distributable profit in the amount and percentage as set by the CMB. In the dividend distribution proposals to be laid down before the General Assembly of Shareholders, the Board of Directors has espoused a dividend policy based on proposing the distribution of minimum 30% of the distributable profit in cash or bonus shares, while taking into consideration:

1. the delicate balance between the expectations of our shareholders and İş REIT's need to grow,
2. as well as İş REIT's profit-earning capacity.

The dividend distribution proposal of the Board of Directors is discussed at the General Meeting of Shareholders and issues such as, distribution method, distribution date and if there will be a distribution, are decided. There are no privileges concerning participation in the Company's profit, and dividend distribution is carried out within the legally prescribed period of time.

#### 7. Transfer of Shares

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

### PART II-PUBLIC DISCLOSURE AND TRANSPARENCY

#### 8. Company Disclosure Policy

During the reporting period, the Company's Disclosure Policy has been revised in accordance with the CMB Communiqué Serial: VIII No: 54 on the Principles of Public Disclosure of Material Events, and the "Material Event Disclosures Guide" prepared under the said Communiqué. The revised policy has been shared with the public. The aim of the policy is to achieve compliance with the Corporate Governance Principles published by the CMB, Capital Market legislation and other applicable regulations at a minimum, thus ensuring timely, complete, accurate and efficient information provision to the public.

The Company's Disclosure Policy has been devised by the Board of Directors, and it is under the authority and responsibility of the Board to monitor, oversee and improve the Policy.

During 2009, the principles set out in the Company's Disclosure Policy have been complied with both in the fulfillment of information requests received and in all activities within the scope of public disclosure.

#### 9. Disclosure of Material Events

Pursuant to CMB regulations, our Company made twenty-one (21) material event disclosures in 2009.

During the reporting period, CMB imposed no sanctions on our Company for not having made material event disclosures in due time.

## İş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

At the Board of Directors meeting held on 27 April 2009, it has been decided that the individuals responsible for making material event disclosures be designated from amongst those identified in the Company's list of authorized signatures who are empowered to represent and bind the Company, pursuant to Article 22/4 of the CMB Communiqué Serial: VIII No:54 on the Principles of Public Disclosure of Material Events. Accordingly, the names of these authorized individuals are listed below:

Chairman	Adnan Bali
Board Member	Kemal Şahin
General Manager	Turgay Tanes
Assistant General Manager	Hülya Demir
Assistant General Manager	T. Aydan Ormancı
Financial and Administrative Affairs Manager	Tuğrul Gürdal
Risk Management and Investor Relations Manager	Ayşegül Şahin Kocameşe
Internal Audit and Control Manager	Ömer Barlas Ülkü
Legal Consultant	Pınar Ersin Kollu
Project Application, Electrical and Mechanic Manager	Bülent Otuz
Project Application, Construction and Architecture Manager	Gökhan Temel
Corporate Communications and Marketing Assistant Manager	Gülfem Sena Tandoğan
Project Application, Construction and Architecture Assistant Manager	Kaan Özsoy

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

Our Company has a corporate website located at [www.isgyo.com.tr](http://www.isgyo.com.tr). Constantly kept up-to-date in order to better inform our investors, our website covers the following: Company profile, our portfolio, founding and capital structure, Company Senior Management, mission, trade registry information and shareholder structure, investor information, annual reports, portfolio tables, financial reports, stock performance, public disclosures, capital increase tables, explanations and circulars, Capital Market Board forms, dividend policy, the Company's articles of association, Corporate Governance Principles Compliance Report, General Meeting of Shareholders information, meeting invitation, meeting minutes, list of attendees, dividend news, capital increase news, REIT sector, Company news, media news about the Company, Company disclosure policy, code of ethics, human resources management and contact information. Any changes to such information are regularly monitored and it is made sure that their latest versions are posted on the website.

Thanks to the service provided by Foreks Bilgi İletişim A.Ş., investors have access to share performance as well as to material event disclosures via a link on the home page. All the information requests that the Company receives through Internet or e-mail are fulfilled promptly and carefully.

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

There are no non-corporate 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 2009 is presented below:

31.12.2009	Share (TRY)	Share Ratio (%)
T, İş Bankası	190,057,270	42.23
Others	259,942,730	57.77
<b>Total</b>	<b>450,000,000</b>	<b>100.00</b>

## İş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

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

Pursuant to the CMB Communiqué Serial: VIII No: 54 on the Principles of Public Disclosure of Material Events and the "Material Event Disclosures Guide" prepared under the said Communiqué, during the reporting period, the Company prepared a list of those working for the Company based on an employment contract or otherwise who have regular access to insider information, and obtained a letter of undertaking concerning the protection of insider information from each one of these individuals. The individuals who are in a position to access insider information are identified below:

##### Board Members

Adnan Bali, Chairman  
Turgut Sungur, Vice Chairman (independent)  
Kemal Şahin, Board Member  
Haldun Baydar, Independent Board Member  
Mehmet Sırrı Erkan, Board Member

##### Members of the Board of Auditor

Süleyman H. Özcan, Statutory Auditor  
Nil Sepetçi, Statutory Auditor  
Burak Sezercan, Statutory Auditor

##### Senior Management

Turgay Tanes, General Manager  
Hülya Demir, Assistant General Manager  
T. Aydan Ormancı, Assistant General Manager  
Tuğrul Gürdal, Financial and Administrative Affairs Manager  
Bülent Otuz, Project Application, Electrical and Mechanic Manager  
Atty. Pınar Ersin Kollu, LL.M, Legal Consultant  
Ayşegül Şahin Kocameşe, Risk Management and Investor Relations Manager  
Ömer Barlas Ülkü, Internal Audit and Control Manager  
Gökhan Temel, Project Application, Construction and Architecture Manager  
Gülfem Sena Tandoğan, Corporate Communications and Marketing Assistant Manager  
Kaan Özsoy, Project Application, Construction and Architecture Assistant Manager

#### PART III-STAKEHOLDERS

#### 13. Keeping Stakeholders Informed

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

#### 14. Stakeholder Participation in Management

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

## Iş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

In line with this and as spelled out in the Company's Code of Ethics, the workplace policy is developed and updated through ongoing communication with employees and in light of their wishes as well. Coordination meetings are held which are presided by the General Manager and attended by Company employees. 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 directly. However, the expectations and the demands of the individuals who are connected to the Company and who have interests are resolved through mutual communications and within Code of Ethics. Contractual or other demands, requests and problems of real and legal persons that the Company is in a relationship on the basis of rental contracts or service agreements are forwarded to the Company's related committees via the Corporate Communication and Marketing Department; solution-oriented suggestions are discussed and decided by the committee.

#### 15. Human Resources Policy

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

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

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

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

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

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

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



## İş Real Estate Investment Trust Co. Corporate Governance Principles Compliance Report

### 16. Relations With Customers and Suppliers

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

### 17. Social Responsibility

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

During the reporting period, the Company contributed to "Adım Adım" (Step by Step), a platform targeting to raise funds through sports events and to extend financial and moral support to NGOs, by promoting this organization on the screens placed in İş Towers and by undertaking their media coverage follow-up.

Furthermore, in all the shopping centers included in its portfolio, our Company offers associations and foundations working for the public good the opportunity to perform publicity activities and offers its full cooperation in this respect.

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

## PART IV-THE BOARD OF DIRECTORS

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

#### Board Members

Adnan Bali Chairman, Non-Executive  
Turgut Sungur Vice Chairman, Non-Executive, Independent  
Kemal Şahin Board Member, Non-Executive  
Haldun Baydar Board Member, Non-Executive, Independent  
Mehmet Sirri Erkan, Board Member, Non-Executive

#### Senior Management

Turgay Tanes, General Manager

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

During the current year, no situations occurred that would impair their independence. Our Company's Articles of Association lay down explicit rules governing the ability of the Board members to undertake other duties and responsibilities outside the Company. According to Article 18 of the Articles of Association, "Board members shall not be involved in any negotiations on issues that are concerned with their own personal interests or with the

## İş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

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

#### 19. Qualifications of Board Members

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

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

The Board of Directors has defined and disclosed to the public the Company's corporate mission. Our mission is to create desirable spaces for contemporary people and contemporary cities, and to maximize the collective value of our portfolio for our shareholders through sustainable growth and high profitability by utilizing our investments and resources effectively. Our vision is to set a global corporate example not only by the projects it undertakes, but also with the way it conducts business, by its corporate structure and values, and management approach; and to achieve a stable portfolio growth over the years and to maintain sustainable growth.

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

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

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

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

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

## İş Real Estate Investment Trust Co. Corporate Governance Principles Compliance Report

The "Risk Management and Investor Relations Department" has been operating in the Company since 2005. The Department reports to the Company senior management, Company Risk Committee and the Board of Directors, with respect to the management of risks inherent in the Company's activities within the framework of the Company Risk Policy and relevant internal arrangements.

"Company Risk Catalogue" covering the risks inherent in the Company's activities is updated, new risk types are defined, potential risks are identified and efforts are taken on in relation to actions to prevent risks. Thus, the aim is to ensure that necessary measures are taken by the Company senior management, and that control mechanisms are established for managing these risks.

The Internal Audit and Control Department set up in 2008 handles the audit and control function for all the activities of the Company. The Department is assigned with internal audit and control of the risks related to the Company's activities within the frame of applicable legislation and international standards. The Department also evaluates the adequacy and effectiveness of the Company's activities and the control in relation thereto, and reports the outcomes.

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

Internal audit and control activities are organized to keep under control all financial and operational risks identified in relation to the activities at all times. Work flows, job descriptions, authority and limits regarding the activities are documented, and constantly reviewed in parallel with the risks. Work flows for activities cover the necessary controls that are able to respond to the risks on the basis of a particular activity. Functional job distinctions on the basis of activities serve to constant, effective, accurate, regular and safe conduct of transaction and approval authorities, post-transaction and other controls specific to a particular transaction, as well as the activities and transactions themselves.

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

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

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

Board Meeting agendas are determined on the basis of recommendations made by General Manager and with the knowledge of Chairman of the Board. The Chairman or Vice Chairman calls upon the other members to convene. According to Company's Articles of Association Article 13, all members have the right to call the Board for a meeting. Audit Board members are also invited to Board meetings and receive the same meeting reports as the Board members. General Manager's Assistant is assigned to inform and maintain communication with Board members and auditors. During the year under review, the Board of Directors held seven (7) meetings and took twenty-nine (29) decisions.

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

## Iş Real Estate Investment Trust Co.

### Corporate Governance Principles Compliance Report

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

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

Article 18 of the Company's articles of association stipulates that members of the Board of Directors may not engage in a commercial transaction that falls under the Company's scope either in their own capacity or on behalf of others, directly or indirectly, with the Company even if permission shall have been obtained from the General Assembly of Shareholders, nor may they carry out a commercial transaction under the Company's scope on their own or others' behalf or participate in any company engaged in the same kind of commercial transactions as a partner with unlimited liability.

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

#### **25. Code of Ethics**

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

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

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

In accordance with Corporate Governance Principles, with the aim to manage risks that our Company's face systematically, "Risk Committee" was established as the highest administrative organ in risk management and to represent the Risk Management System to the Board of Directors. "None of the committee members are independent Board members."

"Corporate Governance Committee" was established to monitor our Company's compliance with Corporate Governance Principles and to present suggestions to the Board of Directors. "None of the committee members are independent Board members."

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

The General Meeting of Shareholders determines the salaries of the Board members. At the General Meeting of Shareholders held on 27 March 2009, the decision was taken to pay the Board members a monthly salary of TRY 2.035 (net) and statutory auditors a monthly salary of TRY 1,210 (net).

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



İş Gayrimenkul Yatırım Ortaklığı A.Ş.  
**Audited Consolidated Financial Statements for the Year Ended  
31 December 2009**

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Independent Auditors' Report for the Period

1 January - 31 December 2009

To the Board of Directors  
İstanbul

#### INDEPENDENT AUDITORS' REPORT FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2009

We have audited the accompanying consolidated financial statements prepared using the proportionate consolidation method of İş Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") and its joint venture (together "the Group) which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

#### Auditor's Responsibility

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

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

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

#### Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of İş Gayrimenkul Yatırım Ortaklığı A.Ş. and its joint venture as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with legislation and generally accepted accounting principles published by the Capital Markets Board.

İstanbul, 12 February 2010

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

Member of DELOITTE TOUCHE TOHMATSU



Hasan Kılıç  
Partner

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Audited Consolidated Balance Sheet as of 31 December 2009

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

	Notes	Current Period 31 December 2009	Previous Period 31 December 2008
<b>Assets</b>			
<b>Current Assets</b>			
		<b>145.295.381</b>	<b>119.421.368</b>
Cash and cash equivalents	6	116.183.344	86.203.958
Financial assets	7	15.446.462	16.179.941
Trade receivables		10.888.196	13.910.409
Related party trade receivables	37	9.241.153	9.635.012
Other trade receivables	10	1.647.043	4.275.397
Other receivables	11	4.077	91.932
Other current assets	26	2.773.302	3.035.128
<b>Long term assets</b>			
		<b>866.382.680</b>	<b>848.162.589</b>
Investment properties	17	864.748.860	785.154.566
Tangible fixed assets	18	761.889	62.766.985
Intangible fixed assets	19	871.931	238.162
Other long term assets	26	-	2.876
<b>TOTAL ASSETS</b>		<b>1.011.678.061</b>	<b>967.583.957</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Audited Consolidated Balance Sheet as of 31 December 2009

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

	Notes	Current Period 31 December 2009	Previous Period 31 December 2008
<b>Liabilities</b>			
<b>Short term liabilities</b>		<b>14.792.229</b>	<b>17.420.507</b>
Trade payables		2.337.793	2.277.135
Related party trade payables	37	1.221.866	989.418
Other trade payables	10	1.115.927	1.287.717
Other payables	11	131.030	47.458
Corporate tax liability	35	18.855	22.192
Accruals and provisions	22	83.796	151.642
Provision for employee benefits	24	87.245	72.514
Other short term liabilities	26	12.133.510	14.849.566
<b>Long term liabilities</b>		<b>45.283.124</b>	<b>36.359.944</b>
Other payables	11	36.143.198	36.155.499
Provision for employee benefits	24	281.487	193.641
Deferred tax liabilities	35	420	10.804
Other long term liabilities	26	8.858.019	-
<b>EQUITY</b>		<b>951.602.708</b>	<b>913.803.506</b>
Share capital	27	450.000.000	450.000.000
Shareholders' equity inflation restatement differences		240.146.090	240.146.090
Share premium		423.981	423.981
Restricted reserves	27	8.579.211	5.831.268
Retained earnings	27	192.154.224	164.306.933
Net profit for the period		60.299.202	53.095.234
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1.011.678.061</b>	<b>967.583.957</b>



## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Audited Consolidated Statement of Income

for the Year Ended 31 December 2009

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

	Notes	Current Period 1 January – 31 December 2009	Previous Period 1 January – 31 December 2008
Sales revenue (net)	28	88.913.883	80.883.839
Cost of sales (-)	28	(33.058.525)	(46.578.535)
<b>GROSS PROFIT</b>		<b>55.855.358</b>	<b>34.305.304</b>
General administrative expenses (-)	29	(5.664.501)	(5.288.054)
Other operating income	31	228.016	153.686
Other operating expenses (-)	31	(105.605)	(223.028)
<b>OPERATING PROFIT</b>		<b>50.313.268</b>	<b>28.947.908</b>
Finance income	32	20.487.213	27.519.660
Finance expense (-)	32	(10.412.045)	(3.241.336)
<b>PROFIT BEFORE TAX</b>		<b>60.388.436</b>	<b>53.226.232</b>
<b>Tax expense</b>	<b>35</b>	<b>(89.234)</b>	<b>(130.998)</b>
- Corporate tax charge		(99.619)	(117.578)
- Deferred tax benefit/(charge)		10.385	(13.420)
<b>NET PROFIT FOR THE PERIOD</b>		<b>60.299.202</b>	<b>53.095.234</b>
<b>NET PROFIT FOR THE PERIOD</b>		<b>60.299.202</b>	<b>53.095.234</b>
<b>Net profit for the period attributable to:</b>			
Minority interests		-	-
Equity holders of the parent		60.299.202	53.095.234
<b>Earnings per share</b>	<b>36</b>	<b>0,1340</b>	<b>0,1180</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Audited Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2009

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

	Note	Current period 1 January – 31 December 2009	Previous period 1 January – 31 December 2008
<b>NET PROFIT FOR THE PERIOD</b>		<b>60.299.202</b>	<b>53.095.234</b>
<b>Other Comprehensive income</b>			
Changes in the revaluation fund of financial assets		-	-
Changes in the revaluation fund of tangible assets		-	-
Changes in the cash flow hedge fund		-	-
Exchange differences on translating foreign operations		-	-
Actuarial gains/losses on defined retirement plans		-	-
Share of other comprehensive income of associates accounted for under equity method		-	-
Income tax relating to components of other comprehensive income		-	-
<b>Total Comprehensive income (after tax)</b>		<b>60.299.202</b>	<b>53.095.234</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>60.299.202</b>	<b>53.095.234</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Audited Consolidated Statement Of Changes in Equity

for the Year Ended 31 December 2009

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

	Notes	Share capital	Shareholders' equity inflation restatement differences	Share premium	Restricted reserves	Net profit for the period	Retained earnings	Total
<b>1 January 2008 balances</b>		450.000.000	240.146.090	423.981	3.024.728	54.942.236	134.671.237	883.208.272
Transfer to retained earnings		-	-	-	-	(54.942.236)	54.942.236	-
Transfer to restricted reserves	27	-	-	-	2.806.540	-	(2.806.540)	-
Dividends paid	27	-	-	-	-	-	(22.500.000)	(22.500.000)
Total comprehensive income	27	-	-	-	-	53.095.234	-	53.095.234
<b>31 December 2008 balances</b>		450.000.000	240.146.090	423.981	5.831.268	53.095.234	164.306.933	913.803.506
<b>1 January 2009 balances</b>		450.000.000	240.146.090	423.981	5.831.268	53.095.234	164.306.933	913.803.506
Transfer to retained earnings	27	-	-	-	-	(53.095.234)	53.095.234	-
Transfer to reserves	27	-	-	-	2.747.943	-	(2.747.943)	-
Dividends paid		-	-	-	-	-	(22.500.000)	(22.500.000)
Total comprehensive income		-	-	-	-	60.299.202	-	60.299.202
<b>31 December 2009 balances</b>		450.000.000	240.146.090	423.981	8.579.211	60.299.202	192.154.224	951.602.708

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Audited Consolidated Statement of Cash Flows

for the Year Ended 31 December 2009

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

		Current Period	Previous Period
		1 January	1 January-
	Notes	31 December 2009	31 December 2008
Net profit for the period before tax and minority interests		60.388.436	53.226.232
<b>Adjustments to reconcile net profit before tax and minority interest to net cash provided by operating activities:</b>			
Depreciation and amortization	17,18,19	23.371.589	22.266.627
Increase in retirement pay provision	24	98.049	115.215
Provisions released in relation to investment properties and other tangible assets	28	(12.306.048)	(6.911.970)
Gain on sale of investment properties		(141.787)	(7.650)
Impairment provision on investment properties and other tangible assets	28	1.650.450	9.258.336
Time deposit interest accruals	6	(772.881)	(558.669)
Provision for doubtful receivables	10	(6.653)	221.671
Fair value increase on financial assets	32	(418.209)	(962.830)
<b>Cash provided by operating activities before changes in working capital</b>		<b>71.862.946</b>	<b>76.646.962</b>
(Increase)/decrease in trade receivables		3.028.866	(3.900.768)
(Increase)/decrease in other receivables		87.855	313.993
(Increase)/decrease in other current assets		261.826	(807.766)
(Increase)/decrease in other long term assets		2.876	(1.381)
Increase/(decrease) in trade payables		144.230	(515.061)
Increase/(decrease) in other liabilities		(14.015.603)	2.389.220
Retirement provision paid during the period	24	(10.203)	(107.453)
Taxes paid		(102.956)	(128.387)
<b>Net cash provided by operating activities</b>		<b>61.259.837</b>	<b>73.889.359</b>
<b>Investing activities</b>			
Proceeds from financial assets		1.151.688	2.787.482
Proceeds from the sale of right of use	26	20.092.150	-
Purchases of investment property, tangible assets and intangible assets	17,18,19	(30.938.957)	(70.968.743)
Proceeds from the sale of investment property, tangible assets and intangible assets		141.787	26.337
<b>Net cash (used in)/provided by investing activities</b>		<b>(9.553.332)</b>	<b>(68.154.924)</b>
Dividends paid		(22.500.000)	(22.500.000)
<b>Net cash used in financing activities</b>		<b>(22.500.000)</b>	<b>(22.500.000)</b>
Net decrease/(increase) in cash and cash equivalents		29.206.505	(16.765.565)
Cash and cash equivalents at the beginning of the year		86.203.958	102.410.854
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>115.410.463</b>	<b>85.645.289</b>



## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

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

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

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

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

The Company has 36 employees as of 31 December 2009 (35 employees as of 31 December 2008).

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

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

#### Approval of financial statements:

Financial statements are approved for issue by the Board of Directors on 12 February 2010. General Assembly has the authority to amend these financial statements.

#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

##### 2.1 Basis of the presentation

#### Accounting principles applied and preparation methods of financial statements

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

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

Capital Markets Board (CMB) Communiqué Serial: XI, No: 29 "Capital Markets Financial Reporting Standards" provides principles and standards regarding the preparation and presentation of financial statements. This Communiqué became effective for periods beginning after 1 January 2008 and with its issuance Communiqué Serial: XI, No: 25 "Capital Markets Accounting Standards" was annulled. Based on this Communiqué, the companies are required to prepare their financial statements based on International Financial Reporting Standards ("IFRS") as endorsed by the European Union. However during the period in which the differences between the standards endorsed by the European Union and the standards issued by International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS will be applied. In this context, Turkish Accounting/Financial Reporting Standards issued by TASB which do not contradict to the standards accepted will be adopted.

The accompanying consolidated financial statements have been prepared in accordance with IFRS and comply with CMB's Communiqué announced on 17 April 2008 and 9 January 2009 regarding the format of the financial statements and footnotes since at the date of the issuance of these financial statements the differences of IAS/IFRS endorsed by the European Union are not declared by the TASB.

Financial statements, except for the valuation of financial instruments, are prepared on a historical cost basis of accounting. While determining the historical cost, the fair value of the paid amount for the assets is taken into consideration.

#### Functional and presentation currency

The financial statements of the Company have been expressed in the currency of the primary economic environment ("functional currency"). The financial statements has been expressed in Turkish Lira ("TL" or "TRY") which is the presentation currency of the financial statements and which represents the financial position and the results of its operations.

#### Preparation of Financial Statements in Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005 declared that companies operating in Turkey which prepare their financial statements in accordance with CMB Accounting Standards, effective January 1, 2005, will not be subject to the application of inflation accounting. Consequently, in the accompanying financial statements IAS 29 "Financial Reporting in Hyperinflationary Economies" was not applied since January 1, 2005.

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

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes with respective disclosures for the major differences.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 2.2 Changes in Accounting Policies

The Group have applied the Amendments to IAS 40 Investment Property standard which has been issued as part of the Improvements to IFRS's (2008) project. The amendment is effective from all periods beginning from 1 January 2009. As a result of the application of this amendment, the Group has reclassified TRY 62.023.366 to investment properties which included Üsküdar, İzmir and Kartal investment projects and the land in Levent. These properties were included in other tangible assets in the previous periods.

#### 2.3 Changes in Accounting Estimates and Errors

Changes in accounting policies or accounting errors are applied retrospectively and the financial statements of the previous year are restated. If changes in accounting estimates are for only one period, changes are applied in the current year but if the changes in accounting estimates are for the following periods, changes are applied both in the current and the following years prospectively.

#### 2.4 New and Revised International financial Reporting Standards

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported and disclosures in these financial statements. Details of other standards and interpretations adopted in these financial statements but that have had no impact on the financial statements are set out in following section.

#### Standards affecting presentation and disclosure in 2009 financial statements

IAS 1 (as revised in 2007) Presentation of Financial Statements	IAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. The Group presents in the consolidated statement changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. The affect of the application of IAS 1 (as revised in 2007) were not significant to Group's financial statements.
IFRS 8 Operating Segments	IFRS 8 requires the disclosure of Group's reporting segments. The Group has applied IFRS 8 in 2009. The revised operating segment disclosure is presented in Note 5. The Group has identified its operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision makers
Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### Standards and Interpretations affecting the reported results or financial position of 2009

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The amendments deal with the measurement of the cost of investments in subsidiaries, jointly controlled entities and associates when adopting IFRSs for the first time and with the recognition of dividend income from subsidiaries in a parent's separate financial statements.
Amendments to IFRS 2 Share-based Payment - Vesting Conditions and Cancellations IAS 23 (as revised in 2007) Borrowing Costs	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations. The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred.
Amendments to IAS 32 'Financial Instruments – Presentation and IAS 1 'Presentation of Financial Statements' Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	Amendments to IAS 32 clarifies the classification of a financial instrument issued by an enterprise as a liability or as equity, prescribing the accounting for treasury shares (a company's own repurchased shares) and have changed the criteria for the calculation of total liabilities/equity ratio.
Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items	The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
Embedded Derivatives (Amendments to IFRIC 9 and IAS 39)	The amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the 'fair value through profit or loss' category as permitted by the October 2008 amendments to IAS 39 Financial Instruments: Recognition and Measurement (see above).
IFRIC 15 Agreements for the Construction of Real Estate	The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction of real estate should be recognized. The requirements have not affected the accounting for the Group's construction activities.
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

IFRIC 18 Transfers of Assets from Customers (adopted in advance of effective date of transfers of assets from customers received on or after 1 July 2009)

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognize the asset at its fair value on the date of the transfer, with the credit recognized as revenue in accordance with IAS 18 Revenue.

Improvements to IFRSs (2008)

In addition to the changes affecting amounts reported in the financial statements described at Note 2.2 above, the Improvements have led to a number of changes in the detail of the Group's accounting policies – some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2009

#### Standards and Interpretations that are issued but not yet effective in 2009 and have not been early adopted

##### IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Group has not had an opportunity to consider the potential impact of the adoption of this standard.

##### IAS 24 (Revised 2009) Related Party Disclosures

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Group has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

##### IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

IAS 27 (revised) is effective for annual periods beginning on or after 1 July 2009. The revisions to IAS 27 principally affect the accounting for transactions or events that result in a change in the Group's interests in its subsidiaries. The revised standard requires that ownership decreases or increases that do not result in change in control to be recorded in equity.

The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.



## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### IFRIC 17 Distributions of Non-cash Assets to Owners

IFRIC 17 is effective for annual periods beginning on or after 1 July 2009. The interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders. The Group has not yet had an opportunity to consider the potential impact of the adoption of this interpretation.

#### Amendments related to Annual Improvements to IFRS (2009)

As part of the Annual Improvement project, in addition to the amendments mentioned above, other amendments were made to various standards and interpretations. These amendments are effective for annual periods beginning on or after 1 January 2010. The Group has not yet had an opportunity to consider the potential impact of the adoption of these amendments.

#### 2.5 Summary of Significant Accounting Policies

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

##### 2.5.1 Revenue:

Revenue is recognized on accrual basis at the fair value of the amount obtained or to be obtained based on the assumptions that delivery is realized, the income can be reliably measured and the inflow of the economic benefits related with the transaction to the Company is probable. Net sales are calculated after VAT, the sales returns and sales discounts. Revenue from sale of goods is recognized when all the following conditions are satisfied:

##### Rent Income from Investment Property Lease Contracts

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

##### Revenue from the Sale of Investment Property

Revenue is recognized when the significant risks and rewards of ownership of the investment property are transferred to the buyer and the amount is reliably measured.

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

Revenue and cost of sales will be recognized on financial statements once the sales contracts of the projects are in line with the above stated criteria.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 2.5.2 Tangible Fixed Assets:

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

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

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

#### 2.5.3 Intangible Assets:

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

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

#### 2.5.4 Impairment of Assets:

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

#### 2.5.5 Borrowing Costs:

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

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 2.5.6 Financial Instruments:

##### Financial Assets

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

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

##### Effective interest method

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

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated at FVTPL.

##### Financial assets at FVTPL

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

##### Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis.

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

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

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### Repurchase and Reverse Repurchase Agreements

Marketable securities sold for reacquisition ("repo") are accounted as a financial liability on the financial statements. Marketable securities held as part of resale agreement commitments ("reverse repo") are accounted for as funds loaned under marketable securities reverse repurchase agreements and accounted for under cash and cash equivalents in the balance sheet. The difference between purchase and resale prices is accounted for as interest and amortized during the period of the agreement.

#### Loans and receivables

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

#### Impairment of financial assets

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

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

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

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

#### Cash and cash equivalents

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

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### Financial liabilities

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

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

#### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

#### Other financial liabilities

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

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

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

#### 2.5.7 Foreign currency transactions

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

#### 2.5.8 Earnings per Share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares outstanding during the year concerned.



## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

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

#### 2.5.9 Subsequent events

Events after balance sheet date comprise any event between the balance sheet date and the date of authorization for the balance sheet's publication, even if any event after balance sheet date occurred subsequent to an announcement on the Group's profit or following any financial information disclosed to public.

The Group restates its financial statements if such subsequent events arise.

#### 2.5.10 Provisions, contingent liabilities, contingent assets

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 2.5.11 Change in accounting policies, accounting estimates and errors

Changes in accounting policies or accounting errors noted are applied retrospectively and the financial statements of the previous period are restated. If changes in accounting estimates are for only one period, changes are applied on the current period but if the changes in accounting estimates are for the following periods, changes are applied both on the current and the following periods prospectively.

#### 2.5.12 Investment Properties

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

As the Ankara İş Kule Building, İstanbul İş Kuleleri Complex, the Seven Seas Hotel, Maslak Petrol Ofisi Building, Kanyon Shopping Mall, Real Hipermarket Building and the surrounding land, Mallmarine Shopping Mall, Ankara Merkez, Kızılay, Antalya Merkez, Güneşli and Sirkeci Branch buildings of İş Bank, owned by the Company are held to earn rentals and/or capital appreciation and these are included in the investment properties as of the balance sheet date.

All land and buildings which are currently under construction to become investment properties are classified as investment property as part of the Amendments to IAS 40 Investment Property standard which has been issued as part of the Improvements to IFRS's (May 2008) and which will be applied prospectively.

#### 2.5.13 Taxation and Deferred Tax:

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

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 2.5.14 Employment Benefits/Retirement pay provision

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

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

#### 2.5.15 Statement of cash flows

In statement of cash flows, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities express cash provided by Group's operations in investment properties.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group.

#### 2.5.16 Share capital and dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

#### 2.6 Critical accounting judgments and estimates

There are no significant accounting estimates and judgments other than the ones stated in the summary of the significant accounting policies above

### 3. BUSINESS COMBINATIONS

None.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 4. JOINT VENTURES

Joint ventures are accounted for by using the proportionate consolidation method in the Group's financial statements. Proportionate consolidation method principally has similar procedures as the line by line consolidation method. However, before commencing the consolidation transactions of entities under common control, balance sheet and income statement amounts of the participations under common control are gathered with similar accounts in the financial statements of the Company considering the share of the Company acquired directly and/or via its subsidiaries. Subsequent to such transactions, capital and profit-loss amounts, of the shares of other venturers, are excluded from the consolidated financial statements. Financial information on the joint ventures presented below refers to all financial information in the financial statements of the afore-mentioned joint ventures.

The summarized financial information of the joint venture accounted for under the proportionate consolidation method are listed below:

<b>Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
Current assets	4.130.598	4.352.560
Long-term assets	955.554	762.912
Short-term liabilities	(2.258.574)	(2.463.486)
Long-term liabilities	(361.142)	(338.050)
<b>Net assets</b>	<b>2.466.436</b>	<b>2.313.936</b>
	<b>1 January-31 December 2009</b>	<b>1 January-31 December 2008</b>
Sales	39.642.836	37.122.392
Cost of sales (-)	(38.990.336)	(36.178.484)

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 5. SEGMENTAL REPORTING

	Ankara İş Kule Building	İstanbul İş Kuleleri Complex	Seven Seas Hotel	Maslak Petrol Ofisi Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Branch	İş Bankası Ankara Kızılay Branch
31 December 2009	TRY	TRY	TRY	TRY	TRY	TRY	TRY
Revenue							
Rent Income	6.172.246	26.095.498	6.653.697	3.004.397	435.389	2.671.508	2.249.735
Income from the sale of right of construction	-	-	-	-	-	-	-
Tenant contribution and service Income	-	163.088	-	-	-	-	-
Other Income	-	27.016	-	-	10.491	-	-
<b>Total Revenue</b>	<b>6.172.246</b>	<b>26.285.602</b>	<b>6.653.697</b>	<b>3.004.397</b>	<b>445.880</b>	<b>2.671.508</b>	<b>2.249.735</b>
Depreciation Charges	3.342.924	6.902.043	3.294.619	1.129.754	351.882	380.000	324.800
Insurance Expenses	36.776	1.021.936	118.655	56.200	13.113	31.852	11.322
Administration Expenses	-	713.718	-	-	426.297	-	-
Tax, Duty and Charges Expenses	155.698	544.453	618.999	57.254	7.602	12.911	28.610
Impairment of fixed-assets	-	-	-	-	-	-	-
Reversal of Provisions	(6.613.474)	-	(1.814.033)	(1.129.754)	(349.382)	-	-
Other	-	3.786	-	-	-	3.100	-
<b>Total Expenses</b>	<b>(3.078.076)</b>	<b>9.185.936</b>	<b>2.218.240</b>	<b>113.454</b>	<b>449.512</b>	<b>427.863</b>	<b>364.732</b>
<b>Gross profit</b>	<b>9.250.322</b>	<b>17.099.666</b>	<b>4.435.457</b>	<b>2.890.943</b>	<b>(3.632)</b>	<b>2.243.645</b>	<b>1.885.003</b>

Prepared in accordance with IFRS 8 "Operation Segments".

31 December 2008	TRY	TRY	TRY	TRY	TRY	TRY	TRY
Revenue							
Rent Income	5.868.504	23.007.139	5.811.958	2.536.289	538.775	2.394.253	2.016.253
Tenant contribution and service Income	-	-	-	-	-	-	-
Other Income	-	21.671	-	-	6.748	-	-
<b>Total Revenue</b>	<b>5.868.504</b>	<b>23.028.810</b>	<b>5.811.958</b>	<b>2.536.289</b>	<b>545.523</b>	<b>2.394.253</b>	<b>2.016.253</b>
Depreciation Charges	3.327.556	6.890.665	2.982.356	1.128.329	354.372	380.000	324.800
Insurance Expenses	30.600	841.902	101.796	44.269	11.688	26.567	9.348
Administration Expenses	840	419.314	-	-	328.676	-	-
Tax, Duty and Charges Expenses	142.863	453.602	480.062	49.102	6.008	11.073	24.541
Impairment of fixed-assets	5.890.983	-	-	-	1.551.228	-	-
Reversal of Provisions	-	-	(3.458.792)	(1.050.585)	-	-	-
Other	14.286	45.902	135.316	32.186	935	1.107	2.454
<b>Total Expenses</b>	<b>9.407.128</b>	<b>8.651.385</b>	<b>240.738</b>	<b>203.301</b>	<b>2.252.907</b>	<b>418.747</b>	<b>361.143</b>
<b>Gross profit</b>	<b>(3.538.624)</b>	<b>14.377.425</b>	<b>5.571.220</b>	<b>2.332.988</b>	<b>(1.707.384)</b>	<b>1.975.506</b>	<b>1.655.110</b>

Prepared in accordance with IFRS 8 "Operation Segments".



## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

İş Bankası Antalya Merkez Branch TRY	Kanyon Shopping Mall TRY	Real Hipermerket - ECE/GCP Project TRY	İş Bankası Güneşli TRY	İş Bankası Sirkeci TRY	Kanyon Yönetim İşl. Ltd. Şti TRY	Other Real Estate TRY	Eliminations TRY	Total TRY
1.157.803	18.206.185	3.926.464	3.722.480	2.140.426	-	-	(3.221.873)	73.213.955
-	-	3.672.928	-	-	-	-	-	3.672.928
-	128.995	-	-	-	18.429.225	-	(6.844.629)	11.876.679
-	59.812	-	-	-	53.002	-	-	150.321
<b>1.157.803</b>	<b>18.394.992</b>	<b>7.599.392</b>	<b>3.722.480</b>	<b>2.140.426</b>	<b>18.482.227</b>		<b>(10.066.502)</b>	<b>88.913.883</b>
166.694	2.681.591	3.115.437	767.438	456.751	72.027	-	-	22.985.960
9.131	324.023	193.864	76.132	27.238	16.089	-	-	1.936.331
-	7.695.879	251.189	143.966	-	16.539.771	-	(10.063.330)	15.707.490
16.960	388.127	392.908	91.255	18.230	97.258	-	-	2.430.265
-	-	-	117.352	-	-	1.533.098	-	1.650.450
-	-	(2.366.913)	-	-	-	(32.492)	-	(12.306.048)
-	1.125	-	-	-	164.070	481.996	-	654.077
<b>192.785</b>	<b>11.090.745</b>	<b>1.586.485</b>	<b>1.196.143</b>	<b>502.219</b>	<b>16.889.215</b>	<b>1.982.602</b>	<b>(10.063.330)</b>	<b>33.058.525</b>
<b>965.018</b>	<b>7.304.247</b>	<b>6.012.907</b>	<b>2.526.337</b>	<b>1.638.207</b>	<b>1.593.012</b>	<b>(1.982.602)</b>	<b>(3.172)</b>	<b>55.855.358</b>
TRY	TRY	TRY	TRY	TRY	TRY	TRY	TRY	TRY
1.040.540	17.663.995	3.465.175	2.103.180	1.210.984	-	-	(5.083.072)	62.573.973
-	-	-	-	-	18.123.545	-	-	18.123.545
-	105.479	-	-	-	52.423	-	-	186.321
<b>1.040.540</b>	<b>17.769.474</b>	<b>3.465.175</b>	<b>2.103.180</b>	<b>1.210.984</b>	<b>18.175.968</b>	<b>-</b>	<b>(5.083.072)</b>	<b>80.883.839</b>
160.888	2.408.567	3.072.982	570.937	342.563	155.562	-	-	22.099.577
7.374	321.736	215.589	53.554	15.500	12.442	-	-	1.692.365
-	5.458.786	341.243	-	-	16.357.757	-	(5.082.124)	17.824.492
14.503	501.407	225.785	-	-	43.226	-	-	1.952.172
-	-	-	81.563	-	-	1.734.562	-	9.258.336
-	-	(2.377.289)	-	-	-	(25.304)	-	(6.911.970)
5.700	173.817	21.409	-	-	111.099	119.352	-	663.563
<b>188.465</b>	<b>8.864.313</b>	<b>1.499.719</b>	<b>706.054</b>	<b>358.063</b>	<b>16.680.086</b>	<b>1.828.610</b>	<b>(5.082.124)</b>	<b>46.578.535</b>
<b>852.075</b>	<b>8.905.161</b>	<b>1.965.456</b>	<b>1.397.126</b>	<b>852.921</b>	<b>1.495.882</b>	<b>(1.828.610)</b>	<b>(948)</b>	<b>34.305.304</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 6. CASH AND CASH EQUIVALENTS

	31 December 2009	31 December 2008
	TRY	TRY
Cash	6.789	7.116
Demand deposits	173.841	435.251
Time deposits	114.559.459	84.100.851
Mutual funds	1.442.336	1.591.081
Government bonds with less than 3 months maturity	808	-
Receivables from reverse repo transactions	111	69.659
	<b>116.183.344</b>	<b>86.203.958</b>

Time deposits:			31 December 2009
Currency	Interest rate	Maturity	TRY
US Dollars	2,35% - 3,25%	Jan-Feb 2010	42.704.711
Euro	2,40%	Jan-Feb 2010	34.657.672
TRY	8,75% - 10,26%	Jan-Feb 2010	37.197.076
			<b>114.559.459</b>

Time deposits:			31 December 2008
Currency	Interest rate	Maturity	TRY
US Dollars	3,60% - 4,00%	Jan-Feb-March 2009	27.340.294
Euro	5,00%	Jan-Feb-March 2009	26.961.481
TRY	16,00% - 19,08%	Jan-Feb-March 2009	29.799.076
			<b>84.100.851</b>

	31 December 2009		31 December 2008	
	Cost	Fair value	Cost	Fair value
	TRY	TRY	TRY	TRY
Mutual funds	1.438.113	1.442.336	1.577.167	1.591.081
	<b>1.438.113</b>	<b>1.442.336</b>	<b>1.577.167</b>	<b>1.591.081</b>

Receivables from reverse repo transactions			31 December 2009
Currency	Interest rate	Maturity	TRY
TRY	6,58%	Jan 2010	111
			<b>111</b>

Receivables from reverse repo transactions			31 December 2008
Currency	Interest rate	Maturity	TRY
TRY	14,11%	Jan 2009	69.659
			<b>69.659</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

Cash and cash equivalents on the cash flows statements of the company as of 31 December 2009 and 31 December 2008, are shown after deducting the interest accruals:

	31 December 2009	31 December 2008
Cash and cash equivalents	116.183.344	86.203.958
Interest accruals	(772.881)	(558.669)
<b>Cash and cash equivalents on the statement of cash flows</b>	<b>115.410.463</b>	<b>85.645.289</b>

#### 7. FINANCIAL ASSETS

	31 December 2009	31 December 2008
Fair value through profit or loss financial assets	15.446.462	16.179.941
	<b>15.446.462</b>	<b>16.179.941</b>

The financial assets are held for trading and measured using the fair value. The fair value is derived using the highest purchase order for the respective financial asset in the Istanbul Stock Exchange as of 31 December 2009. If there is no such order, the latest transaction price and even if that is not available, such assets are measured at cost.

Fair value through profit or loss financial assets	31 December 2009		
	Cost	Fair value	Carrying value
Held for trading financial assets			
Government bonds	14.838.530	15.446.462	15.446.462
	<b>14.838.530</b>	<b>15.446.462</b>	<b>15.446.462</b>

Fair value through profit or loss financial assets	31 December 2008		
	Cost	Fair value	Carrying value
Held for trading financial assets			
Government bonds	15.223.228	16.179.941	16.179.941
	<b>15.223.228</b>	<b>16.179.941</b>	<b>16.179.941</b>

Interest rates of treasury bills and government bonds held-for-trading at 31 December 2009 are in-between 7,30% - 8,8% (2008: between 15,86% - 17,05%).

#### 8. FINANCIAL BORROWINGS

As of 31 December 2009 and 31 December 2008, there are no financial borrowings.

#### 9. OTHER FINANCIAL LIABILITIES

As of 31 December 2009 and 31 December 2008, there are no other financial liabilities.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 10. TRADE RECEIVABLES AND PAYABLES

	31 December 2009	31 December 2008
<b>Trade receivables:</b>	<b>TRY</b>	<b>TRY</b>
Receivables from customers	1.419.195	3.852.872
Notes receivable	227.848	422.525
Doubtful receivables	181.107	231.535
Provisions for doubtful receivables	(181.107)	(231.535)
	<b>1.647.043</b>	<b>4.275.397</b>
Trade payables		
Payables to suppliers	1.115.927	1.287.717
	<b>1.115.927</b>	<b>1.287.717</b>

As of 31 December 2009, provisions for doubtful trade receivables is 181.107 TRY (2008: 231.535 TRY). Provisions for doubtful receivables, are determined based on the historical collection performance.

Provision for doubtful receivables movement for the period is as follows:

	31 December 2009	31 December 2008
Opening Balance, 1 January 2009	(231.535)	(9.864)
Charge for the period	(183.256)	(221.671)
Reversals	189.909	-
Provisions utilized	43.775	-
<b>Closing balance, 31 December</b>	<b>(181.107)</b>	<b>(231.535)</b>

The credit risk and related information for trade receivables and payables is disclosed in Credit Risk section of Note 38.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 11. OTHER RECEIVABLES AND PAYABLES

	31 December 2009 TRY	31 December 2008 TRY
<b>Other receivables:</b>		
Other short term receivables	4.077	91.932
	<b>4.077</b>	<b>91.932</b>
Other payables – short term		
Deposits received	120.810	47.458
Other short-term payables	10.220	-
	<b>131.030</b>	<b>47.458</b>
Other payables –long term		
Deposits received	143.198	155.499
Other long term payables (*)	36.000.000	36.000.000
	<b>36.143.198</b>	<b>36.155.499</b>

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

#### 12. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS

As of 31 December 2009 and 31 December 2008, there are no receivables and payables from financial sector operations.

#### 13. INVENTORIES

As of 31 December 2009 and 31 December 2008, there are no inventories.

#### 14. BIOLOGICAL ASSETS

As of 31 December 2009 and 31 December 2008, there are no biological assets.

#### 15. RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS

As of 31 December 2009 and 31 December 2008, there are no receivables from ongoing construction contracts.

#### 16. INVESTMENTS ACCOUNTED UNDER EQUITY METHOD

As of 31 December 2009 and 31 December 2008, there are no investments accounted for under equity method.



## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 17. INVESTMENT PROPERTIES

	31 December 2009		31 December 2008	
	Net book Value TRY	Appraisal Value TRY	Net book Value TRY	Appraisal Value TRY
<b>Investment Properties</b>				
Ankara İş Kule Building	94.140.000	94.140.000	90.820.000	90.820.000
İstanbul İş Kuleleri Complex	277.814.775	373.405.000	284.389.474	366.770.000
Seven Seas Hotel	60.408.284	60.715.000	59.570.000	59.570.000
Maslak Petrol Ofisi Building	38.700.000	38.700.000	38.700.000	38.700.000
Tatilya Complex	-	-	-	-
Mallmarine Shopping Mall	9.470.000	9.470.000	9.470.000	9.470.000
İş Bankası Ankara Merkez Branch	17.068.333	23.535.000	17.448.333	22.300.000
İş Bankası Ankara Kızılay Branch	14.588.933	19.925.000	14.913.733	18.630.000
İş Bankası Antalya Merkez Branch	7.304.964	12.575.000	7.415.038	12.070.000
Kanyon Shopping Complex	106.792.215	262.850.000	109.190.640	253.115.000
Real Hipermarket/ECE/GCP Shopping Mall Project	95.432.090	126.295.000	93.332.411	122.100.000
İş Bankası Güneşli Building	37.410.000	37.410.000	37.410.000	37.410.000
İş Bankası Sirkeci Building	22.308.186	22.935.000	22.494.937	22.520.000
Üsküdar Project	20.050.000	20.050.000	-	-
İzmir Project	2.308.890	22.070.000	-	-
Kartal Project	37.099.731	39.800.000	-	-
Tuzla Project	23.092.459	22.525.000	-	-
Levent Land	760.000	760.000	-	-
<b>Total</b>	<b>864.748.860</b>	<b>1.187.160.000</b>	<b>785.154.566</b>	<b>1.053.475.000</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

	1 January 2009 opening balance	Purchases	Disposals	Impairment/ Provision reversal	Transfers from other tangible assets	31 December 2009 closing balance
	TRY	TRY	TRY	TRY	TRY	TRY
<b>Cost</b>						
Ankara İş Kule Building	122.043.364	49.450	-	6.613.474	-	128.706.288
İstanbul İş Kuleleri Complex	339.725.774	327.347	-	-	-	340.053.121
Seven Seas Hotel	94.423.014	2.318.859	-	1.814.033	-	98.555.906
Maslak Petrol Ofisi Building	47.324.780	-	-	1.129.754	-	48.454.534
Tatilya Complex	15.599.781	-	(15.599.781)	-	-	-
Mallmarine Shopping Mall	11.828.169	2.500	-	349.382	-	12.180.051
İş Bankası Ankara Merkez Branch	19.000.000	-	-	-	-	19.000.000
İş Bankası Ankara Kızılay Branch	16.240.000	-	-	-	-	16.240.000
İş Bankası Antalya Merkez Branch	8.069.992	56.620	-	-	-	8.126.612
Kanyon Shopping Mall	115.108.513	586.543	-	-	-	115.695.056
Real Hipermarket	47.479.607	-	-	-	-	47.479.607
ECE/GGP Shopping Mall Project	49.510.549	89.114	-	2.366.913	2.455.712	54.422.288
İş Bankası Güneşli Building	37.980.937	884.790	-	(117.352)	-	38.748.375
İş Bankası Sirkeci Building	22.837.500	-	-	-	270.000	23.107.500
Üsküdar Project	-	1.533.096	-	(1.533.096)	20.050.000	20.050.000
İzmir Project	-	871.434	-	-	1.437.456	2.308.890
Kartal Project	-	14.533	-	-	37.085.198	37.099.731
Tuzla Project	-	23.092.459	-	-	-	23.092.459
Levent Land	-	2.509	-	32.491	725.000	760.000
<b>Total</b>	<b>947.171.980</b>	<b>29.829.254</b>	<b>(15.599.781)</b>	<b>10.655.599</b>	<b>62.023.366</b>	<b>1.034.080.418</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

	1 January 2009			Impairment/ Provision	Transfers from other tangible	31 December 2009
	opening balance	Purchases	Disposals	reversal	assets	closing balance
	TRY	TRY	TRY	TRY	TRY	TRY
Ankara İş Kule Building	31.223.364	3.342.924	-	-	-	34.566.288
İstanbul İş Kuleleri Complex	55.336.300	6.902.046	-	-	-	62.238.346
Seven Seas Hotel	34.853.014	3.294.608	-	-	-	38.147.622
Maslak Petrol Ofisi Building	8.624.780	1.129.754	-	-	-	9.754.534
Tatilya Complex	15.599.781	-	(15.599.781)	-	-	-
Mallmarine Shopping Mall	2.358.169	351.882	-	-	-	2.710.051
İş Bankası Ankara Merkez Branch	1.551.667	380.000	-	-	-	1.931.667
İş Bankası Ankara Kızılay Branch	1.326.267	324.800	-	-	-	1.651.067
İş Bankası Antalya Merkez Branch	654.954	166.694	-	-	-	821.648
Kanyon Shopping Mall	6.221.250	2.681.591	-	-	-	8.902.841
Real Hipermarket	966.136	687.420	-	-	-	1.653.556
ECE/GGP Shopping Mall Project	2.388.232	2.428.017	-	-	-	4.816.249
İş Bankası Güneşli Building	570.937	767.438	-	-	-	1.338.375
İş Bankası Sirkeci Building	342.563	456.751	-	-	-	799.314
Üsküdar Project	-	-	-	-	-	-
İzmir Project	-	-	-	-	-	-
Kartal Project	-	-	-	-	-	-
Tuzla Project	-	-	-	-	-	-
Levent Land	-	-	-	-	-	-
<b>Total</b>	<b>162.017.414</b>	<b>22.913.925</b>	<b>(15.599.781)</b>	<b>-</b>	<b>-</b>	<b>169.331.558</b>
<b>Net Book Value</b>	<b>785.154.566</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>864.748.860</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

	1 January 2008 opening balance	Purchases	Disposals	Impairment/ Provision reversal	Transfers from other tangible assets	31 December 2008 closing balance
	TRY	TRY	TRY	TRY	TRY	TRY
<b>Cost</b>						
Ankara İş Kule Building	126.660.808	1.273.539	-	(5.890.983)	-	122.043.364
İstanbul İş Kuleleri Complex	339.599.731	126.043	-	-	-	339.725.774
Seven Seas Hotel	90.130.658	833.564	-	3.458.792	-	94.423.014
Maslak Petrol Ofisi Building	46.196.451	77.744	-	1.050.585	-	47.324.780
Tatilya Complex	15.599.781	-	-	-	-	15.599.781
Mallmarine Shopping Mall	13.378.797	600	-	(1.551.228)	-	11.828.169
İş Bankası Ankara Merkez Branch	19.000.000	-	-	-	-	19.000.000
İş Bankası Ankara Kızılay Branch	16.240.000	-	-	-	-	16.240.000
İş Bankası Antalya Merkez Branch	8.013.357	56.635	-	-	-	8.069.992
Kanyon Shopping Mall	113.366.638	937.720	-	-	804.155	115.108.513
Real Hipermerket -						
ECE/GCP Project	93.089.367	1.523.500	-	2.377.289	-	96.990.156
İş Bankası Güneşli Building	-	38.062.500	-	(81.563)	-	37.980.937
İş Bankası Sirkeci Building	-	22.837.500	-	-	-	22.837.500
<b>Total</b>	<b>881.275.588</b>	<b>65.729.345</b>	<b>-</b>	<b>(637.108)</b>	<b>804.155</b>	<b>947.171.980</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

Accumulated Depreciation	1 January 2008		Disposals	Impairment/ Provision reversal	Transfers from other tangible assets	31 December 2008
	opening balance	Purchases				
	TRY	TRY	TRY	TRY	TRY	TRY
Ankara İş Kule Building	27.895.808	3.327.556	-	-	-	31.223.364
İstanbul İş Kuleleri Complex	48.445.635	6.890.665	-	-	-	55.336.300
Seven Seas Hotel	31.870.658	2.982.356	-	-	-	34.853.014
Maslak Petrol Ofisi Building	7.496.451	1.128.329	-	-	-	8.624.780
Tatilya Complex	15.599.781	-	-	-	-	15.599.781
Mallmarine Shopping Mall	2.003.797	354.372	-	-	-	2.358.169
İş Bankası Ankara Merkez Branch	1.171.667	380.000	-	-	-	1.551.667
İş Bankası Ankara Kızılay Branch	1.001.467	324.800	-	-	-	1.326.267
İş Bankası Antalya Merkez Branch	494.066	160.888	-	-	-	654.954
Kanyon Shopping Mall	3.509.306	2.408.567	-	-	-	5.917.873
Real Hipermerket - ECE/GCP Project	281.386	3.072.982	-	-	303.377	3.657.745
İş Bankası Güneşli Building	-	570.937	-	-	-	570.937
İş Bankası Sirkeci Building	-	342.563	-	-	-	342.563
<b>Total</b>	<b>139.770.022</b>	<b>21.944.015</b>	<b>-</b>	<b>-</b>	<b>303.377</b>	<b>162.017.414</b>
<b>Net Book Value</b>	<b>741.505.566</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>785.154.566</b>

The fair value of the Group's investment property at 31 December 2009 has been arrived at on the basis of valuations carried out as of December 2009 by independent appraisers not in relation with the Group. Appraisal firm is one of the accredited independent firm licensed by the Capital Markets Board of Turkey, and has appropriate qualifications and recent experience in appraising properties in the relevant locations. Appraisal studies are in compliance with International Valuation Standards and are arrived at by reference to market evidence of transaction prices for similar properties.

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

During the period, the property rental income earned by the Company from its investment properties amounted to TRY 73.213.955 (31 December 2008: 62.573.973 TRY). Direct operating expenses arising on the investment properties in the current period amounted to TRY 26.174.004. (31 December 2008: 26.407.677 TRY). There are no pledges or mortgages on the investment properties held as of the balance sheet date.



## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 18. TANGIBLE FIXED ASSETS

	Machinery and Equipment TRY	Vehicles TRY	Fixtures TRY	Construction in progress TRY	Other tangible assets TRY	Total TRY
<b>Cost</b>						
Opening balance as of 1 January 2009	329.358	85.637	833.355	17.830	62.023.366	63.289.546
Purchases	71.516	-	118.843	-	-	190.359
Transfers	-	-	-	-	(62.023.366)	(62.023.366)
Impairment/ Provision Reversal	-	-	-	-	-	-
<b>31 December 2009 closing balance</b>	<b>400.874</b>	<b>85.637</b>	<b>952.198</b>	<b>17.830</b>	<b>-</b>	<b>1.456.539</b>
<b>Accumulated depreciation:</b>						
Opening balance as of 1 January 2009	107.404	22.128	387.463	5.566	-	522.561
Charge for the period	30.770	17.564	120.190	3.565	-	172.089
<b>Closing balance as of 31 December 2009</b>	<b>138.174</b>	<b>39.692</b>	<b>507.653</b>	<b>9.131</b>	<b>-</b>	<b>694.650</b>
<b>Net book value as of 31 December 2008</b>	<b>221.954</b>	<b>63.509</b>	<b>445.892</b>	<b>12.264</b>	<b>-</b>	<b>62.766.985</b>
<b>Net book value as of 31 December 2009</b>	<b>262.700</b>	<b>45.945</b>	<b>444.545</b>	<b>8.699</b>	<b>-</b>	<b>761.889</b>
<b>Cost</b>						
Opening balance as of 1 January 2008	114.584	138.736	1.378.759	10.308	23.203.418	24.845.805
Purchases	214.774	-	270.392	7.522	40.648.426	41.141.114
Disposals	-	(53.099)	(11.641)	-	(119.218)	(183.958)
Transfers	-	-	(804.155)	-	-	(804.155)
Impairment/ Provision Reversal	-	-	-	-	(1.709.260)	(1.709.260)
<b>31 December 2008 closing balance</b>	<b>329.358</b>	<b>85.637</b>	<b>833.355</b>	<b>17.830</b>	<b>62.023.366</b>	<b>63.289.546</b>
<b>Accumulated depreciation:</b>						
Opening balance as of 1 January 2008	84.776	42.929	467.018	2.051	-	596.774
Charge for the period	22.628	22.563	226.513	3.515	-	275.219
Disposals	-	(43.364)	(2.691)	-	-	(46.055)
Transfers	-	-	(303.377)	-	-	(303.377)
<b>31 December 2008 closing Balance</b>	<b>107.404</b>	<b>22.128</b>	<b>387.463</b>	<b>5.566</b>	<b>-</b>	<b>522.561</b>
<b>Net book value as of 31 December 2007</b>	<b>29.808</b>	<b>95.807</b>	<b>911.741</b>	<b>8.257</b>	<b>23.203.418</b>	<b>24.249.031</b>
<b>Net book value as of 31 December 2008</b>	<b>221.954</b>	<b>63.509</b>	<b>445.892</b>	<b>12.264</b>	<b>62.023.366</b>	<b>62.766.985</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

Details of the other tangible fixed assets are as follows:

	31 December 2009	31 December 2008
	TRY	TRY
<b>Other tangible fixed assets</b>		
İstanbul, Beşiktaş, I. Region 81, 981,572-629-630-631 numbered plot of land	-	18.687.546
İş Kulesi expenses	-	873.109
Üsküdar project cost	-	21.735.311
Büyükçekmece Beylikdüzü 21, 106 plot of land	-	5.772.090
İzmir project expenses	-	1.437.456
Kartal project expenses	-	37.085.198
Other	-	270.000
	-	<b>85.860.710</b>
Impairment losses (-)	-	(23.837.344)
<b>Total</b>	-	<b>62.023.366</b>

### 19. INTANGIBLE FIXED ASSETS

	Computer Programs	Total
	TRY	TRY
<b>Cost Value</b>		
Opening balance as of 1 January 2009	463.078	463.078
Additions	919.344	919.344
<b>Closing balance as of 31 December 2009</b>	<b>1.382.422</b>	<b>1.382.422</b>
<b>Accumulated Amortization</b>		
Opening balance as of 1 January 2009	224.916	224.916
Charge for the Year	285.575	285.575
<b>Closing balance as of 31 December 2009</b>	<b>510.491</b>	<b>510.491</b>
<b>Net book value as of 31 December 2008</b>	<b>238.162</b>	<b>238.162</b>
<b>Net book value as of 31 December 2009</b>	<b>871.931</b>	<b>871.931</b>
<b>Cost Value</b>		
Opening balance as of 1 January 2008	245.576	245.576
Additions	217.502	217.502
<b>Closing balance as of 31 December 2008</b>	<b>463.078</b>	<b>463.078</b>
<b>Accumulated Amortization</b>		
Opening balance as of 1 January 2008	177.523	177.523
Charge for the Year	47.393	47.393
<b>Closing balance as of 31 December 2008</b>	<b>224.916</b>	<b>224.916</b>
<b>Net book value as of 31 December 2007</b>	<b>68.053</b>	<b>68.053</b>
<b>Net book value as of 31 December 2008</b>	<b>238.162</b>	<b>238.162</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 20. GOODWILL

As of 31 December 2009 and 31 December 2008, there is no goodwill.

#### 21. GOVERNMENT GRANTS AND INCENTIVES

As of 31 December 2009 and 31 December 2008, there are no government grants and incentives.

#### 22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2009	31 December 2008
	TRY	TRY
Provision for litigation cases	-	107.653
Other provisions	83.796	43.989
	<b>83.796</b>	<b>151.642</b>
Letter of guarantees given	278.804	10.136.769
	<b>278.804</b>	<b>10.136.769</b>

#### 23. GUARANTEES, PLEDGES AND MORTGAGES

As of 31 December 2009 and 31 December 2008, there are no guarantees, pledges and mortgages.

#### 24. EMPLOYMENT BENEFITS

	31 December 2009	31 December 2008
	TRY	TRY
<b>Short-term employee benefits</b>		
Unused vacation accruals	87.245	72.514
	<b>87.245</b>	<b>72.514</b>

Under Turkish Labor Law, the Group is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay who retired by gaining right to receive according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered with 60th article that has been changed. Some transitional provisions related to the pre-retirement service term were excluded from the law since the related law was changed as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of 2.365,16 TRY for each period of service as at 31 December 2009 (2008: 2.087,92 TRY).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2009, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

an annual inflation rate of 4,8% and a discount rate of 11%, resulting in a real discount rate of approximately 5,92% (31 December 2008: 6,26% real discount rate). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of 2.427,04 TRY effective from 1 January 2010 has been taken into consideration in calculation of provision from employment termination benefits.

	1 January-31 December 2009	1 January-31 December 2008
January 1 opening balance	193.641	185.879
Service cost	85.923	104.565
Interest cost	12.126	10.650
Payments	(10.203)	(107.453)
<b>31 December closing balance</b>	<b>281.487</b>	<b>193.641</b>

#### 25. RETIREMENT BENEFITS

As of 31 December 2009 and 31 December 2008, there are no retirement benefits.

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

Other current assets:	31 December 2009	31 December 2008
Prepaid expenses	1.477.532	1.409.538
Business advances	269.404	323.941
Prepaid taxes and surcharges	1.018.110	940.346
Income accruals	8.256	361.303
	<b>2.773.302</b>	<b>3.035.128</b>
Other long term assets	-	2.876
	-	<b>2.876</b>
<b>Other short term liabilities:</b>		
Advances received	153.391	9.907.835
Deferred revenue (*)	11.128.394	4.487.481
Taxes and dues payable	851.110	454.250
Other	615	-
	<b>12.133.510</b>	<b>14.849.566</b>
<b>Other long term liabilities:</b>		
Deferred revenue (*)	8.858.019	-
	<b>8.858.019</b>	-

(\*) The procedures in relation to the sale of the right of construction agreement in favor of ECE/GGP Gayrimenkul İnşaat ve Geliştirme A.Ş. over the Company's land located at Yakuplu Mahallesi Plot ,F21D24D4B, Block 21, Plot 110 in Esenyurt, İstanbul is completed in June 2009. USD 13.000.000 is recognized under the deferred revenue account. Remaining balance includes the contribution received from Real Hipermarketler Zinciri A.Ş. in relation to the Real Project and other rental payments received for future periods.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 27. SHAREHOLDERS' EQUITY

##### Share capital

The composition of the Company's paid-in share capital as of 31 December 2009 and 31 December 2008 is as follows:

İş Gayrimenkul Yat. Ort. A.Ş.	31 December 2009		31 December 2008	
	(%)	TRY	(%)	TRY
Türkiye İş Bankası A.Ş.	42,23	190.057.270	42,23	190.057.270
Anadolu Hayat Emeklilik A.Ş.	7,11	31.987.767	7,11	31.987.767
Anadolu Anonim Türk Sigorta A.Ş.	4,77	21.477.366	4,77	21.477.366
İş Net Elektronik Hizm. A.Ş.	1,33	5.965.424	1,33	5.965.424
Other	2,60	11.684.844	2,60	11.684.844
Publicly traded	41,96	188.827.329	41,96	188.827.329
<b>Historic share capital</b>	<b>100</b>	<b>450.000.000</b>	<b>100</b>	<b>450.000.000</b>
<b>Kanyon Yön.İşl.Paz.Ltd.Şti</b>				
İş Gayrimenkul Yat. Ort. A.Ş.	50	50.000	50	50.000
Eczacıbaşı Holding A.Ş.	50	50.000	50	50.000
<b>Historic share capital</b>	<b>100</b>	<b>100.000</b>	<b>100</b>	<b>100.000</b>

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

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



## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### Restricted reserves

	31 December 2009	31 December 2008
Legal Reserves	8.579.211	5.831.268
	<b>8.579.211</b>	<b>5.831.268</b>

Legal reserves consist of first and second legal reserves. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the paid-in share capital. The second legal reserve is calculated as the 10% of profits after deducting the first legal reserve and dividends.

#### Retained earnings

	31 December 2009	31 December 2008
Extraordinary reserves	5.719.344	3.818.515
Special reserves – Unrealized capital gains	-	939.024
Previous years' income	186.434.880	159.549.394
	<b>192.154.224</b>	<b>164.306.933</b>

Special reserves consist of unrealized gains classified to extraordinary reserves in accordance with the CMB Communiqué No: IV-27.

#### 28. SALES AND COST OF SALES

(a) Revenue	1 January- 31 December 2009	1 January- 31 December 2008
Rent income	73.213.955	62.573.973
Tenant contribution and service income	11.876.679	18.123.545
Income from the sale of right of construction	3.672.928	-
Other income	150.321	186.321
	<b>88.913.883</b>	<b>80.883.839</b>

(b) Cost of sales	1 January- 31 December 2009	1 January- 31 December 2008
Depreciation charges	(22.985.960)	(22.099.577)
Insurance expenses	(1.936.331)	(1.692.365)
Administrative expenses	(15.707.490)	(17.824.492)
Taxes and dues	(2.430.265)	(1.952.172)
Impairment on investment properties	(1.650.450)	(9.258.336)
Reversal of impairment provision on investment properties	12.306.048	6.911.970
Other	(654.077)	(663.563)
	<b>(33.058.525)</b>	<b>(46.578.535)</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 29. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SALES AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

	1 January- 31 December 2009	1 January- 31 December 2008
General administrative expenses	(5.664.501)	(5.288.054)
	<b>(5.664.501)</b>	<b>(5.288.054)</b>

#### 30. EXPENSES BY NATURE

General administrative expenses	1 January- 31 December 2009	1 January- 31 December 2008
Personnel expenses	(3.170.815)	(3.000.981)
Depreciation and amortization	(385.629)	(167.050)
Outsourced service expenses	(1.639.897)	(1.144.900)
Taxes and dues	(83.031)	(278.467)
Other	(385.129)	(696.656)
	<b>(5.664.501)</b>	<b>(5.288.054)</b>

#### 31. OTHER OPERATING INCOME/EXPENSES

Other operating income for the periods ended 31 December 2009 and 2008 are as follows:

	1 January- 31 December 2009	1 January- 31 December 2008
<b>Other operating income</b>		
Gain on sale of fixed assets	141.787	7.650
Damage compensation income	64.462	-
Other	21.767	146.036
	<b>228.016</b>	<b>153.686</b>

Other operating expenses for the periods ended 31 December 2009 and 2008 are as follows:

Other operating expenses (-)	1 January- 31 December 2009	1 January- 31 December 2008
Other	(105.605)	(223.028)
	<b>(105.605)</b>	<b>(223.028)</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 32. FINANCE INCOME

Finance Income	1 January- 31 December 2009	1 January- 31 December 2008
Interest income on bank deposits	5.998.470	4.110.829
Profit from the sale of financial assets	3.681.342	2.978.379
Foreign exchange gains	10.322.156	19.467.622
Fair value income from financial assets	418.209	962.830
Other	67.036	-
	<b>20.487.213</b>	<b>27.519.660</b>

#### 33. FINANCE EXPENSES

Finance expenses	1 January- 31 December 2009	1 January- 31 December 2008
Foreign exchange losses	(10.395.986)	(3.240.418)
Discounting income/(expenses)	(16.059)	(918)
	<b>(10.412.045)</b>	<b>(3.241.336)</b>

#### 34. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None. (31 December 2008: None).

#### 35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX)

	31 December 2009	31 December 2008
<b>Tax provision</b>		
Corporate tax provision	99.619	117.578
Prepaid taxes and surcharges	(80.764)	(95.386)
	<b>18.855</b>	<b>22.192</b>
<b>Tax expense</b>		
	1 January - 31 December 2009	1 January - 31 December 2008
Corporate tax provision	99.619	117.578
Deferred tax (benefit)/charge	(10.385)	13.420
	<b>89.234</b>	<b>130.998</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

Deferred tax (assets)/liabilities	31 December 2009	31 December 2008
Difference between tax base and carrying amount of tangible fixed assets and intangibles	13.207	10.298
Provision for employee termination benefits	(7.390)	(2.705)
Discount on trade receivables/payables	-	3.211
Unused vacation accrual	(5.397)	-
<b>Deferred tax (assets)/liabilities</b>	<b>420</b>	<b>10.804</b>

#### 35. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX)

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

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

	1 January – 31 December 2009	1 January – 31 December 2008
Tax reconciliation:		
Company's share on profit before tax of the joint venture	415.484	602.952
Tax at the effective rate: 20% (2008:20%)	83.097	120.590
Tax effect of non – deductible expenses	6.137	5.229
Tax effect of exempt income	-	5.179
<b>Tax charge</b>	<b>89.234</b>	<b>130.998</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 36. EARNINGS PER SHARE

	1 January - 31 December 2009 TRY	1 January - 31 December 2008 TRY
Number of shares in circulation as of 1 January (total)	450.000.000	450.000.000
Bonus shares	-	-
<b>Number of shares in circulation as of 31 December (total)</b>	<b>450.000.000</b>	<b>450.000.000</b>
Weighted average number of shares in circulation	450.000.000	450.000.000
Net profit attributable to the equity holders of the parent	60.299.202	53.095.234
Earnings per share	0,1340	0,1180
<b>Diluted earnings per share</b>	<b>0,1340</b>	<b>0,1180</b>

#### 37. RELATED PARTY TRANSACTIONS

The receivables from related parties are mainly due to sales operations and the average credit period is one month. By nature no interest is calculated on these receivables and no guarantees have been received.

The payables due to related parties are mainly due to purchase operations and the average credit period is one month. No interest is calculated on these payables.

The details of related party transactions are as follows:

	31 December 2009	31 December 2008
<b>Bank deposits in Türkiye İş Bankası A.Ş.</b>		
Demand deposits	172.414	433.264
Time deposits	114.559.459	84.100.851
Receivable from reverse repo transactions	111	69.659
B type mutual funds	1.442.336	864.710
	<b>116.174.320</b>	<b>85.468.484</b>

The Group has letters of credits of TRY 263.153(31 December 2008: TRY 291.168 and USD 6.500.000) from Türkiye İş Bankası A.Ş.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

	31 December 2009			
	Receivables		Payables	
	Short term		Short term	
Balances with related parties	Trade	Non - Trade	Trade	Non - Trade
T. İş Bankası A.Ş.	9.036.560	-	-	-
Soft Tech Araştırma Geliştirme A.Ş.	92.475	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	70.065	-	64.098	-
Türkiye Şişe ve Cam Fab. A.Ş.	-	-	87.316	-
Anadolu Anonim Türk Sigorta A.Ş.	-	-	734.320	-
Anadolu Hayat Emeklilik A.Ş.	-	-	35.099	-
Avea İletişim Hizmetleri A.Ş.	-	-	30.759	-
İş Net Elektronik Hizmetler A.Ş.	-	-	5.177	-
Camiş Menkul Değerler A.Ş.	-	-	2.829	-
İş Factoring Finansal Hizmetler A.Ş.	-	-	2.973	-
İş Finansal Kiralama A.Ş.	-	-	14.577	-
İş Girişim Sermayesi Yat. Ort. A.Ş.	-	-	2.192	-
İş Portföy Yönetimi A.Ş.	-	-	7.679	-
İş Yatırım Menkuldeğerler A.Ş.	-	-	27.794	-
İş Yatırım Ortaklığı A.Ş.	-	-	1.096	-
Anadolu Cam Sanayi A.Ş.	-	-	26.520	-
Camiş Elektrik Üretim A.Ş.	-	-	4.264	-
Camiş Madencilik A.Ş.	-	-	9.506	-
Paşabahçe Cam San. ve Tic. A.Ş.	-	-	59.047	-
Soda Sanayi A.Ş.	-	-	22.246	-
Trakya Cam Sanayi A.Ş.	-	-	37.375	-
Teknopazar	-	-	1.680	-
Paşabahçe Mağazaları	-	-	2.081	-
Payables to shareholders (dividends)	-	-	27.728	-
Other	42.053	-	15.510	-
	<b>9.241.153</b>	<b>-</b>	<b>1.221.866</b>	<b>-</b>



## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

1 January – 31 December 2009

Transactions with related parties	Purchases	Interest received	Rent income	Other Income	Other Expenses
Türkiye İş Bankası A.Ş.	-	6.266.323	12.818.328	2.000	43.971
Anadolu Anonim Türk Sigorta A.Ş.	1.975.584	-	3.029.486	16.233	-
Anadolu Hayat Emeklilik A.Ş.	-	-	1.988.526	13.650	-
İş Faktoring A.Ş.	-	-	169.459	991	-
İş Finansal Kiralama A.Ş.	-	-	831.179	4.859	-
İş Merkezleri Yönetim ve İşletim A.Ş.	1.225.101	-	1.201.635	2.925	3.785
İş Yatırım Menkul Değerler A.Ş.	-	-	1.611.199	9.265	-
T.Şişe ve Cam Fabrikaları A.Ş.	-	-	5.173.896	82.091	4.807
İş Yatırım Ortaklığı A.Ş.	-	-	64.332	365	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	128.097	731	-
İş Net Elektronik Hizmetler A.Ş.	-	-	5.585	-	82.953
İş Portföy Yönetimi A.Ş.	-	-	361.291	2.560	47.954
Camiş Menkul Değerler A.Ş.	-	-	156.760	943	-
Paşabahçe Mağazacılık A.Ş.	1.047	-	467.185	694	6.778
Avea İletişim Hizmetleri A.Ş.	25.062	-	30.776	-	-
Paşabahçe Cam	22.525.000	-	1.680.022	19.682	-
Trakya Cam	-	-	1.184.782	12.458	-
Soda Sanayi	-	-	705.196	7.415	-
Anadolu Cam	-	-	840.671	8.840	-
Camiş Elektrik	-	-	135.171	1.421	-
Camiş Maden	-	-	301.330	3.169	-
Teknopazar	-	-	-	-	23.792
	<b>25.751.794</b>	<b>6.266.323</b>	<b>32.884.906</b>	<b>190.292</b>	<b>214.020</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

31 December 2008				
	Receivables		Payables	
	Short term		Short term	
Balances with related parties	Trade	Non - Trade	Trade	Non - Trade
İş Merkezleri Yönetim ve İşletim A.Ş.	64.045	-	60.858	-
Soft Tech Araştırma Geliştirme A.Ş.	389.019	-	-	-
T İş Bankası A.Ş.	9.073.800	-	-	-
Anadolu Anonim Türk Sigorta A.Ş.	-	-	862.045	-
İş Portföy Yönetimi A.Ş.	-	-	1.216	-
Avea İletişim Hizmetleri A.Ş.	-	-	32.634	-
İş Net Elektronik Hizmetler A.Ş.	-	-	1.445	-
Payables to shareholders (dividends)	-	-	27.646	-
Other	108.148	-	3.574	-
	<b>9.635.012</b>	<b>-</b>	<b>989.418</b>	<b>-</b>

1 January – 31 December 2008				
Transactions with related parties	Purchases	Interest	Rent	Other
		received	income	expenses
Türkiye İş Bankası A.Ş.	60.000.000	1.731.754	3.875.376	102.495
Anadolu Anonim Türk Sigorta A.Ş.	671.405	-	1.279.236	-
Anadolu Hayat Emeklilik A.Ş.	-	-	879.204	-
İş Faktoring A.Ş.	-	-	64.493	-
İş Finansal Kiralama A.Ş.	-	-	316.201	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	574.899	416.231
İş Yatırım Menkul Değerler A.Ş.	-	-	610.842	-
T.Şişe ve Cam Fabrikaları A.Ş.	-	-	4.133.862	-
İş Yatırım Ortaklığı A.Ş.	-	-	24.351	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	48.811	-
İş Net Elektronik Hizmetler A.Ş.	-	-	2.199	6.427
İş Portföy Yönetimi A.Ş.	-	12.431	136.690	34.657
Soft Tech Araştırma Geliştirme A.Ş.	188.949	-	-	-
Camiş Menkul Değerler A.Ş.	-	-	57.753	-
Paşabahçe Mağazacılık A.Ş.	-	-	205.714	-
Avea İletişim Hizmetleri A.Ş.	-	-	18.939	-
	<b>60.860.354</b>	<b>1.744.185</b>	<b>12.228.570</b>	<b>559.810</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### Benefits provided to key management personnel:

Benefits provided to board of directors, general manager and other key management are as follows:

	1 January- 31 December 2009	1 January- 31 December 2008
Wages and other short-term benefits	1.441.319	827.292
Employment termination benefits	76.675	46.041
	<b>1.517.994</b>	<b>873.333</b>

#### 38. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

##### a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders and corporate shareholders and at the same time, provide consistent application of the most efficient capital structure to minimize the cost of capital.

The Group's capital and funding structure consists of cash and cash equivalents, share capital and retained earnings.

Group management evaluates the cost of capital and the risk associated with each class of equity.

##### b) Financial risk factors

The risks of the Group, resulted from operations, include market risk (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management program generally seeks to minimize the effects of uncertainty in financial markets on the financial performance of the Group.

Risk management is implemented according to the policies approved by the Board of Directors. According to the policy, once a risk is identified, it has been evaluated by each operating unit which is responsible to coordinate the work to minimize the exposure to that risk. Board of Directors is in charge of forming written procedures in order to manage the foreign currency risk, interest risk, credit risk, use of derivative and non-derivative financial instruments and the assessment of excess liquidity.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### b.1 Credit risk management

Credit Risk of Financial Instruments	Receivables					
	Trade Receivables		Other Receivables		Deposit in Banks	Other
31 December 2009	Related Party	Third Party	Related Party	Third Party		
Maximum net credit risk as of the balance sheet date (*)	9.241.153	1.647.043	-	4.077	114.733.300	1.443.255
- The part of maximum risk under guarantee with collateral etc.	-	629.933	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	9.241.153	927.525	-	4.077	114.733.300	1.443.255
B. Net book value of financial assets that are renegotiated, otherwise accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	719.518	-	-	-	-
- The part under guarantee with collateral etc.	-	470.230	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	181.107	-	-	-	-
- Impairment (-)	-	(181.107)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk						

(\*) Items such as guarantees received which increase the credit reliability are not included in the determination of the balance.

(\*\*) Letters of Guarantees consist of notes, cheques and mortgages.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

Credit Risk of Financial Instruments	Receivables					
	Trade Receivables		Other Receivables		Deposit in Banks	Other
	Related Party	Third Party	Related Party	Third Party		
<b>31 December 2008</b>						
Maximum net credit risk as of the balance sheet date (*)	9.635.012	4.275.397	-	91.932	84.536.102	1.660.740
- The part of maximum risk under guarantee with collateral etc.	-	723.511	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	9.634.446	2.444.665	-	461	84.536.102	1.660.740
B. Net book value of financial assets that are renegotiated, otherwise accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	566	1.830.732	-	91.471	-	-
- The part under guarantee with collateral etc.	-	615.445	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	231.535	-	-	-	-
- Impairment (-)	-	(231.535)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

(\*) Items such as guarantees received which increase the credit reliability are not included in the determination of the balance.

(\*\*) Letters of Guarantees consist of notes, cheques and mortgages.

Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure to credit risks is monitored on a consistent basis.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

The aging of the overdue receivables are as follows:

31 December 2009	Receivables		
	Trade Receivables	Other Receivables	Total
Past due 1-30 days	215.761	-	215.761
Past due 1-3 months	443.951	-	443.951
Past due 3-12 months	59.806	-	59.806
<b>Total overdue receivables</b>	<b>719.518</b>	<b>-</b>	<b>719.518</b>
<b>The collateralized part</b>	<b>470.230</b>	<b>-</b>	<b>470.230</b>

31 December 2008	Receivables		
	Trade Receivables	Other Receivables	Total
Past due 1-30 days	1.028.573	918	1.029.491
Past due 1-3 months	790.783	-	790.783
Past due 3-12 months	11.376	-	11.376
Past due 1-5 years	-	90.553	90.553
<b>Total overdue receivables</b>	<b>1.830.732</b>	<b>91.471</b>	<b>1.922.203</b>
<b>The collateralized part</b>	<b>615.445</b>	<b>-</b>	<b>615.445</b>

Collaterals held for the trade receivables that are past due but not impaired as of the balance sheet date are as follows:

#### Collaterals that are past due but not impaired:

	31 December 2009		31 December 2008	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Letters of credit	378.150	378.150	553.942	553.942
Blocked deposits	7.248	7.248	19.950	19.950
Cash collaterals	84.832	84.832	41.553	41.553
	<b>470.230</b>	<b>470.230</b>	<b>615.445</b>	<b>615.445</b>

#### b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. On the other hand, derivative financial liabilities are presented based on their gross cash inflows and outflows which have not been discounted. Derivative instruments are settled and realized on a net basis based on their respective gross



## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

cash inflows and outflows which have not been discounted. When the receivables and payables are not fixed, the amount disclosed is calculated via an interest rate derived from yield curves as of the reporting date. The Group does not have any derivative instruments.

#### 31 December 2009

Contractual Maturity Analysis	Carrying Value	Total cash outflows according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
<b>Non-derivative</b>						
<b>Financial liabilities</b>						
Bank borrowings	-	-	-	-	-	-
Issued corporate bonds	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-
Trade payables	2.337.793	2.337.793	2.337.793	-	-	-
Other financial liabilities	36.143.198	36.143.198	-	-	36.143.198	-
<b>Total liabilities</b>	<b>38.480.991</b>	<b>38.480.991</b>	<b>2.337.793</b>	<b>-</b>	<b>36.143.198</b>	<b>-</b>

#### 31 December 2008

Contractual Maturity Analysis	Carrying Value	Total cash outflows according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
<b>Non-derivative</b>						
<b>Financial liabilities</b>						
Bank borrowings	-	-	-	-	-	-
Issued corporate bonds	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-
Trade payables	2.277.135	2.277.135	2.277.135	-	-	-
Other financial liabilities	36.155.499	36.155.499	-	-	36.155.499	-
<b>Total liabilities</b>	<b>38.432.634</b>	<b>38.432.634</b>	<b>2.277.135</b>	<b>-</b>	<b>36.155.499</b>	<b>-</b>

The Group performs its payments based on contractual maturities.

#### b.3) Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures of the Group are measured using sensitivity analysis and stress scenarios.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### b.3.1) foreign currency risk management

Foreign currency transactions lead to currency risks.

The foreign currency denominated monetary and non-monetary assets and liabilities of the Group as of the balance sheet date are as follows:

31 December 2009	TL Equivalent (Functional currency)	US Dollar	Euro	GBP
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets (Cash, Banks included)	77.215.274	28.360.671	13.241.529	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	9.251.713	6.144.460	-	-
<b>4. CURRENT ASSETS</b>	<b>86.466.987</b>	<b>34.505.131</b>	<b>13.241.529</b>	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
<b>8. NON-CURRENT ASSETS</b>	-	-	-	-
<b>9. TOTAL ASSETS</b>	<b>86.466.987</b>	<b>34.505.131</b>	<b>13.241.529</b>	-
10. Trade Payables	693.440	460.543	-	-
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Financial Liabilities	-	-	-	-
12b. Other Non-monetary Financial Liabilities	10.933.877	4.732.914	1.762.500	-
<b>13. CURRENT LIABILITIES</b>	<b>11.627.317</b>	<b>5.193.457</b>	<b>1.762.500</b>	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Monetary Financial Liabilities	-	-	-	-
16b. Other non-monetary Financial Liabilities	8.858.020	5.882.991	-	-
<b>17. NON-CURRENT LIABILITIES</b>	<b>8.858.020</b>	<b>5.882.991</b>	-	-
<b>18. TOTAL LIABILITIES</b>	<b>20.485.337</b>	<b>11.076.448</b>	<b>1.762.500</b>	-
19. Net asset/Liability position of off balance sheet derivatives (19a-19b)	-	-	-	-
19a. Off-balance sheet foreign currency derivative assets	-	-	-	-
19b. Off-balance sheet foreign currency derivative liabilities	-	-	-	-
20. Net foreign currency asset liability position	65.981.650	23.428.683	14.213.342	-
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	76.521.834	27.900.128	15.975.842	-
22. Fair Value of foreign currency hedged financial assets	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

31 December 2008	TL Equivalent (Functional currency)	US Dollar	Euro	GBP
1. Trade Receivables	18.243	12.063	-	-
2a. Monetary Financial Assets (Cash, Banks included)	54.684.673	18.317.703	12.604.078	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	9.347.990	6.161.339	14.105	-
<b>4. CURRENT ASSETS</b>	<b>64.050.906</b>	<b>24.491.105</b>	<b>12.618.183</b>	<b>-</b>
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
<b>8. NON-CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. TOTAL ASSETS</b>	<b>64.050.906</b>	<b>24.491.105</b>	<b>12.618.183</b>	<b>-</b>
10. Trade Payables	971.615	598.581	30.680	320
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Financial Liabilities	13.854.937	6.524.960	1.862.500	-
12b. Other Non-monetary Financial Liabilities	-	-	-	-
<b>13. CURRENT LIABILITIES</b>	<b>14.826.552</b>	<b>7.123.541</b>	<b>1.893.182</b>	<b>320</b>
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Monetary Financial Liabilities	-	-	-	-
16b. Other non-monetary Financial Liabilities	-	-	-	-
<b>17. NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. TOTAL LIABILITIES</b>	<b>14.826.552</b>	<b>7.123.541</b>	<b>1.893.182</b>	<b>320</b>
19. Net asset/Liability position of off balance sheet derivatives (19a-19b)				
19a. Off-balance sheet foreign currency derivative assets				
19b. Off-balance sheet foreign currency derivative liabilities				
20. Net foreign currency asset liability position	49.224.354	17.367.565	10.725.003	(320)
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	39.876.364	11.206.226	10.710.898	(320)
22. Fair Value of foreign currency hedged financial assets	-	-	-	-
23. Hedged foreign currency assets	-	-	-	-
24. Hedged foreign currency liabilities	-	-	-	-

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### Foreign Currency Sensitivity

The Group is mainly exposed to Euro and US Dollars risks.

The following table details the Group's sensitivity to 10% increase in the currency of Euro and US Dollars. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The negative amount indicates the revaluation of Euro and US Dollars against TRY.

#### 31 December 2009

	Appreciation of foreign currency	Devaluation of foreign currency
<b>If US Dollar changes against TRY by 10%</b>		
US Dollar net asset/liability	3.527.657	(3.527.657)
Portion hedged against US Dollar risk(-)	-	-
<b>US Dollar net effect</b>	<b>3.527.657</b>	<b>(3.527.657)</b>
<b>If Euro changes against TRY by 10%</b>		
Euro net asset/liability	3.070.508	(3.070.508)
Portion hedged against Euro risk(-)	-	-
<b>Euro net effect</b>	<b>3.070.508</b>	<b>(3.070.508)</b>

#### 31 December 2008

	Appreciation of foreign currency	Devaluation of foreign currency
<b>If US Dollar changes against TRY by 10%</b>		
US Dollar net asset/liability	2.626.497	(2.626.497)
Portion hedged against US Dollar risk(-)	-	-
<b>US Dollar net effect</b>	<b>2.626.497</b>	<b>(2.626.497)</b>
<b>If Euro changes against TRY by 10%</b>		
Euro net asset/liability	2.296.009	(2.296.009)
Portion hedged against Euro risk(-)	-	-
<b>Euro net effect</b>	<b>2.296.009</b>	<b>(2.296.009)</b>

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### b.3.2) Interest rate risk management

Interest rate risk represents the risk of fair value decrease in the Group's interest rate sensitive assets due to market fluctuations. The Group does not have interest rate sensitive financial liabilities.

As of 31 December 2009 the maturity of the Group's assets and liabilities for refinancing is in line with the maturity analysis provided in the liquidity risk management section stated above. Hence, the notes to the financial statements do not include a separate interest rate risk table.

The government bonds classified as fair value through profit or loss financial assets in the accompanying financial statements is subject to interest rate risk. The sensitivity analyses have been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period at 1%. If interest rates increase or decrease by 1% as at 31 December 2009, the net profit will decrease by TRY 117.551, increase by TRY 140.349 respectively. (31 December 2008 TRY 140.862 decrease, TRY 151.596 increase)

#### Interest Rate Position Table

	31 December 2009	31 December 2008	
<b>Fixed Interest Rate Financial Instruments</b>			
Financial Assets	Financial assets classified at fair value through profit or loss	15.446.462	16.179.941
Financial Liabilities		-	-
<b>Floating Interest Rate financial Instruments</b>			
Financial Assets		-	-
Financial Liabilities		-	-

## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### 39. FINANCIAL INSTRUMENTS

	Financial asset at amortized cost	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at amortized cost	Book value	Not
<b>31 December 2009</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	114.741.008	1.442.336	-	-	116.183.344	6
Financial investments		15.446.462			15.446.462	7
Trade receivables	-	-	1.647.043	-	1.647.043	10
Due from related parties	-	-	9.241.153	-	9.241.153	37
Other financial instruments	-	-	4.077	-	4.077	11
<b>Financial Liabilities</b>						
Trade payables	-	-	-	1.115.927	1.115.927	10
Due to related parties	-	-	-	1.221.866	1.221.866	37
Other payables	-	-	-	36.143.198	36.143.198	11
<b>31 December 2008</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	84.612.877	1.591.081	-	-	86.203.958	6
Financial investments		16.179.941			16.179.941	7
Trade receivables	-	-	4.275.397	-	4.275.397	10
Due from related parties	-	-	9.635.012	-	9.635.012	37
Other financial instruments	-	-	91.932	-	91.932	11
<b>Financial Liabilities</b>						
Trade payables	-	-	-	1.287.717	1.287.717	10
Due to related parties	-	-	-	989.418	989.418	37
Other payables	-	-	-	36.155.499	36.155.499	11

Group management believes that the book value of financial assets represents their respective fair values.



## İş Gayrimenkul Yatırım Ortaklığı A.Ş.

### Notes to the Consolidated Financial Statements for the Year Ended 31 December 2009

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

#### Fair Value of Financial Instruments

The fair value of financial assets and liabilities are determined as below:

Level I: Financial assets and liabilities are carried at quoted prices in an active market which are used for similar financial assets and liabilities.

Level II: Other than quoted prices specified in Level I, financial assets and liabilities are carried at inputs used to determine direct or indirect observable market prices.

Level III: Financial assets and liabilities are carried at inputs which are used in determining fair value of financial assets and liabilities but not based on any observable market data.

Based on the fair value hierarchy, the Group's financial assets and liabilities are categorized as follows:

	Fair Value Level			
	As of the reporting date			
Financial assets	31 December 2009	Level 1 TRY	Level 2 TRY	Level 3 TRY
Fair value through profit and loss financial assets				
Held for trading assets	16.888.798	16.888.798	-	-
	<b>16.888.798</b>	<b>16.888.798</b>	-	-
Financial Assets	31 December 2008	Level 1 TRY	Level 2 TRY	Level 3 TRY
Fair value through profit and loss financial assets				
Held for trading assets	17.771.022	17.771.022	-	-
	<b>17.771.022</b>	<b>17.771.022</b>	-	-

#### 40. SUBSEQUENT EVENTS

None

#### 41. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS

None.



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