

RIGHT TIME RIGHT LOCATION RIGHT PROJECT



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TL million
2,415

Total Value of Portfolio

Total portfolio value increased by 19.4% during 2013.

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Guided in its operations by the principle of high profitability and the target of sustaining the value created for its shareholders, İş REIT is focused on ensuring regular income flow on the back of a well-balanced portfolio built on the realization of high quality projects.

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Being one of the leading companies of our sector, we will keep authoring acclaimed projects also in the period coming, drawing on our competent team, business partners, and our corporate identity erected on the values of the İşbank Group.



Right Time Right Location Right Project

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



İş REIT in Brief

A leading name in its sector with its solid portfolio and robust financial structure, İş REIT is focused on assuring the optimum risk versus return balance for its investors on the back of a diversified and well-balance portfolio.

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

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

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

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

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

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

İş Real Estate Investment Trust Co. Company Profile

Date of Incorporation	6 August 1999
Issued Capital	TL 630,000,000
Authorized Capital	TL 2,000,000,000
Date / Price of Initial Public Offering	1-3 December 1999 / TL 1.4
Head Office	İstanbul
Trade Registry No	402908
Trade Registry Office	İstanbul
BIST Trading Symbol	ISGYO



Vision, Mission and Objectives

Vision

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

Mission

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

Objectives

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



Capital and Shareholder Structure

Capital Structure

İş REIT's issued capital amounts to TL 630,000,000, 42% of which belongs to Türkiye İş Bankası A.Ş. (İşbank). Our shareholder İşbank has management control over the Company; there are no non-corporate shareholders holding more than 5% in the capital of our shareholder that has management control over the Company.

The shares issued in relation to raising the Company's issued capital by TL 30,000,000 to TL 630,000,000 so as to remain within the authorized capital of TL 2,000,000,000, which incremental amount will be covered from 2012 profit share as per the Board of Directors' decision dated 15 April 2013, have been registered with the CMB, and the process for the exercise of rights in relation to the issued shares have been completed on 17 May 2013. Following the finalization of the capital increase process, the CMB approved the revised version of "Article 7 – Capital and Share Certificates" of the Company's Articles of Association that related to the issued capital after the capital increase. The new capital that has been registered with İstanbul Trade Registry on 07 June 2013 has been promulgated in the Turkish Trade Registry Gazette issue 8341 dated 13 June 2013.

During the reporting period, the Company did not carry out a capital increase through rights issues.

49% of the Company's capital was publicly held as of 31 December 2013. 41% of the Company's publicly-traded shares are held by international (non-resident) investors. This corresponds to about 20% of the Company's capital.

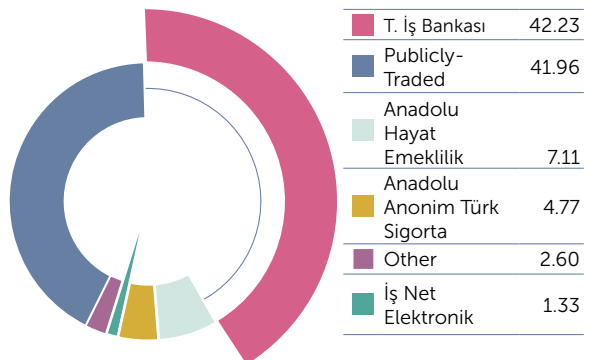
Under recently introduced changes in the Turkish Commercial Law (TCL) and Capital Markets Board (CMB) rules and regulations, companies are allowed to acquire shareholding interests in themselves provided that they comply with a previously prepared and publicly disclosed program share-repurchase program. During the 2013 reporting period, İş REIT neither announced such a program nor bought back any of its own shares.

The Company's issued capital consists of 630,000,000 shares; the portion corresponding to TL 900,000 are Group A shares and the portion corresponding to TL 629,100,000 are Group B shares. Group A shares are entitled to specific preferential rights with respect to their representation on the Company's Board of Directors: only one seat on the board is filled from

Capital and Shareholder Structure

	TL
T. İş Bankası A.Ş.	266,080,192
Anadolu Hayat Emeklilik A.Ş.	44,782,874
Anadolu Anonim Türk Sigorta A.Ş.	30,068,312
İş Net Elektronik Hizm. A.Ş.	8,351,594
Other	16,358,784
Publicly-Traded	264,358,244
Total	630,000,000

Shareholder Structure (%)





among candidates designated by Group B shareholders while all the remaining seats are filled from among candidates designated by Group A shareholders.

Article 14 of the CMB Communiqué (III.48.1) on the Principles Regarding Real Estate Investment Companies sets out that real estate investment trusts may issue shares that incorporate the privilege to nominate candidates for election of board of directors members. REITs are not allowed to issue any instrument that incorporates any preferential right other than shares that allow their holders to designate candidates for seats on their boards of directors. In such cases, the majority shareholder makes suggestions regarding Board Member nominees and the Members of the Board of Directors are elected by the General Assembly of Shareholders. The Company's Articles of Incorporation contain no provisions pertaining to special voting rights.

Shareholder Structure

Of the Company's TL 630,000,000 in issued capital, 42% belongs to İşbank. There were no significant changes in the Company's shareholder structure during the reporting period. According to information published by the Central Registry Agency (MKK), 49% of the Company's capital was publicly held as of 31 December 2013.

According to MKK's 31 December 2013 report, the nominal value of the Company's publicly-traded shares was TL 309 million, which corresponds to 49% of the Company's capital. According to similarly-dated clearance data, 41% of the Company's publicly-traded shares are held by international (non-resident) investors. This corresponds to about 20% of the Company's capital. As of 31 December 2012, this proportion was 45%.

In line with the trading performed by foreigners in the markets during the reporting period, the share of foreigners in the Company declined in the second

Capital

49% of the Company's capital is publicly held.

TL million
630

quarter of the year, began to recover in the third quarter, and recaptured a rising trend in the last quarter.

Subsidiaries

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

Kanyon Yönetim İşletim ve Pazarlama Ltd.

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

Nest in Globe

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

⁽¹⁾ In the calculation of the international (non-resident) investors' shares the custody balances of the three biggest brokerage houses were taken into account.



Annual General Assembly Meeting of Shareholders Agenda

1. Opening; election of the Chairing Council,
2. Authorization of the Chairing Council for signing the minutes of the meeting,
3. Reading and discussion of the Board of Directors' Annual Report and Auditor's Report on activities in 2013,
4. Reading, discussion and approval of the financial statements of the year 2013,
5. Submitting the amendments to the Company's Profit Distribution Policy to the approval of the shareholders and discussing and deciding about the Board of Directors' proposal for the distribution of 2013 operating profits,
6. Discharge of the Board Members for their activities in 2013,
7. Election of the Board Members and determining the terms of their service,
8. Determining the remuneration of the Board Members,
9. Election of the Auditor,
10. Authorization of the Board Members for carrying out the transactions provided under the Articles 395 and 396 of the Turkish Commercial Law,
11. Informing the shareholders on the Company's donations made in 2013, and setting the limit for the donations to be made in 2014,
12. Wishes and suggestions.



General Assembly Meeting and Attendance

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

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

Without prejudice to Article 438 of the Turkish Commercial Law, matters not included in the agenda may not be discussed and decided at a general assembly. However, shareholders' rights to add items to the agenda are reserved within the frame of the Corporate Governance Communiqué.

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

Only shareholders whose names are on an attendance roster drawn up based on a list of company shareholders obtained by the Board of Directors from MKK may attend general meetings. Shareholders may have themselves represented at general meetings in accordance with the pertinent articles of the Turkish Commercial Law. Article 30 of the Capital Markets Law will remain valid.

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

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

Shareholders who will lodge the shares followed up in dematerialized form must act in accordance with the provisions of the Regulation on the Principles and Procedures for General Assembly Meetings of Joint Stock Companies and Ministry of Customs and Trade Representatives who will Attend these Meetings.

The regulations of the Capital Markets Board and the Turkish Commercial Law will be adhered to when voting at a general assembly meeting. The right to attend the general assembly meeting and to vote cannot be linked to the requisite of a shareholder's depositing his/her shares with an entity.

At the Company, each nominal value of TL 0.01 gives entitlement to one vote, and shareholders vote at general assembly meetings pro rata the total nominal value of the shares they hold, pursuant to Article 434 of the Turkish Commercial Law. The Company's articles of association grant no privileges in relation to voting.

Votes in relation to matters discussed at a meeting may be cast by raise of hands or using certain electronic equipment facilitating the casting and counting of the votes. The manner of voting is determined by the meeting chair before the meeting begins. Those who do not raise their hands are considered to have voted "negatively" and such votes are deemed to have been cast in opposition to the relevant decision during the evaluation phase.

The principles and procedures specified under the said article and subparagraphs shall apply to voting by shareholders or their representatives electronically attending the general assembly meeting pursuant to Article 1527 of the Law.

General Assembly meeting and decision quorums are subject to Articles 418 and 421 of the Turkish Commercial Law and to relevant provisions of the Capital Market Law.

The regulations of the Capital Markets Board and the Ministry of Customs and Trade, along with the applicable articles of the Turkish Commercial Law are adhered to in all matters related to the General Assembly.



Key Financial Highlights

On the back of its successful performance in 2013, İş REIT attained 20% rise in its total assets, 215% in its sales income and 77.6% in net profit.

Balance Sheet

TL million	31.12.2011	31.12.2012	31.12.2013
Current Assets	132.0	237.5	233.0
Non-current Assets	1,027.0	1,152.2	1,435.7
Total Assets	1,159.0	1,389.7	1,668.7
Short-term Liabilities	14.8	105.2	162.0
Long-term Liabilities	109.7	214.6	350.6
Shareholders' Equity	1,034.5	1,069.9	1,156.1
Net Profit	67.0	65.4	116.2

Financial Indicators

TL million	31.12.2011	31.12.2012	31.12.2013
Sales Revenue	108.9	117.7	371.2
Cost of Sales	27.5	38.3	225.1
Gross Profit/Loss	81.4	79.4	146.1
Return on Assets	5.8%	4.7%	7.0%
Return on Equity	6.5%	6.1%	10.0%

Financial Structure

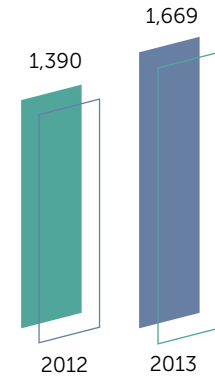
TL million	31.12.2011	31.12.2012	31.12.2013
Total Financial Liabilities	124.5	319.8	512.6
Shareholders' Equity	1,034.5	1,069.9	1,156.1
Financial Liabilities	53.3	135.6	350.6
Equity Ratio (%)	89	77	69
Total Liabilities/Shareholders' Equity (%)	12	30	44
Financial Leverage Ratio (%)	11	23	31
Financial Liabilities/Total Assets (%)	5	10	21
Financial Liabilities/Shareholders' Equity (%)	5	13	30

Total Value of Portfolio

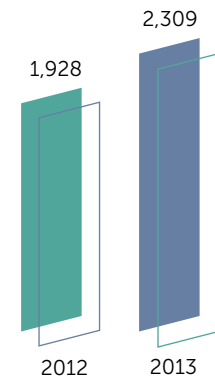
TL million
2,415

Total portfolio value increased by 19.4% during 2013.

Total Assets TL million



Real Estate Portfolio TL million



Summary of Reporting Period Results

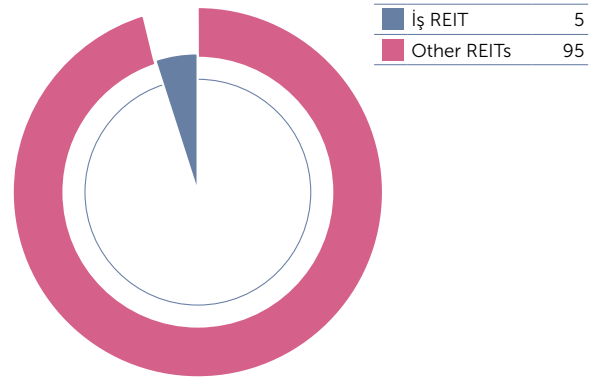
- İş REIT's total assets increased by %20 in the current period and reached TL 1,668,720,437.
- Sales revenues showed nearly 215% rise in 2013 compared to prior year. While rental income went up by 7% during the reporting period, sales revenues hiked owing to units sold from the Çınarlı Bahçe Tuzla Residential project and the disposal of the two hotels.
- Every possible financing option for the investments is explored and the most suitable debt instruments are chosen. Therefore, there is an increase in the financial liabilities while there's a decrease in the equity ratio.
- The advances which İş REIT receives for its ongoing projects comprise about 18% of the Company's total liabilities.
- 21% of İş REIT's assets are financed by means of borrowing in the current period and there's no difficulty in financing the debts if there's any need of additional borrowing.

REIT Sector

Market Capitalization of the REITs

	TL million	% Share
İş REIT	882	5
Other REITs	17,237	95
Market Total	18,119	100

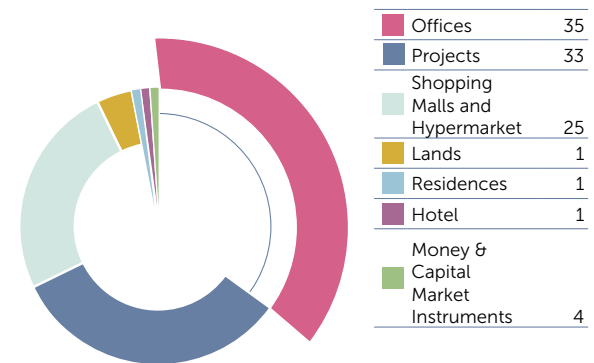
Market Capitalization of the REITs (%)



Portfolio Breakdown

%	31.12.2013
Offices	35
Projects	33
Shopping Malls and Hypermarket	25
Lands	1
Residences	1
Hotel	1
Money & Capital Market Instruments	4
Total	100

Portfolio Breakdown (%)



Portfolio Development

TL million	2009	2010	2011	2012	2013
Real Estate Portfolio	1,165	1,419	1,629	1,928	2,309
Total Portfolio Value	1,296	1,504	1,740	2,022	2,415
Total Assets	1,012	1,096	1,161	1,392	1,669

Portfolio

Total portfolio value of İş REIT went up by 19.4% year-to-year and reached TL 2,415 million in 2013.

TL million
2,415



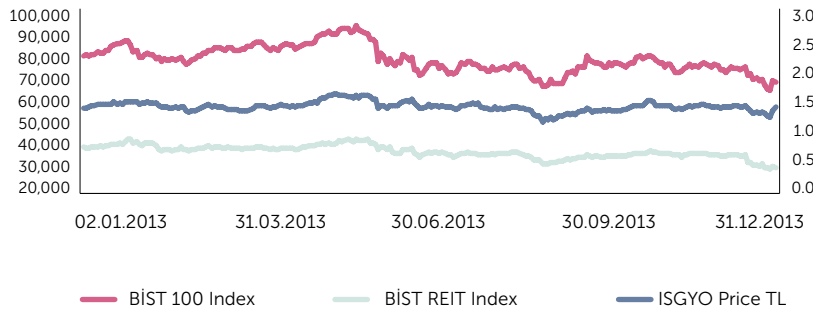
Stock Performance

Stock Performance

	31.12.09	31.12.10	31.12.11	31.12.12	31.12.13
Market Capitalization (TL million)	742.5	792	600	900	882
Market Share (%)	26	7	6	6	5
Earnings per Share (TL)	0.13	0.14	0.11	0.11	0.18
P/E Ratio	12.3	13.0	9.0	13.6	7.6
P/BV	0.78	0.80	0.58	0.84	0.77

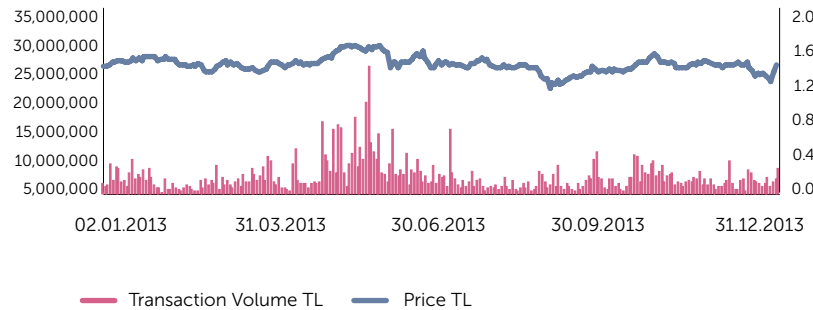
As of 31 December 2013 İş REIT had a market value of TL 882 million, a figure that corresponds to about 5% of Turkey's REIT sector.

BİST 100, BİST REIT Index and ISGYO Stock Price



While BİST 100 Index and BİST REIT Index lost value by 13% and 26% respectively in Turkish lira basis in 2013, İş REIT stock gained value by 1%.

Price-Transaction Volume



The daily trading volume of the Company stock traded on the Collective Products Market was worth TL 3.4 million in 2013.

Based on BİST's monthly data on "Transactions realized on behalf and account of foreign banks/brokerage houses or individuals", foreign investors' purchases of the Company stock amounted to USD 86.1 million and sales of the same amounted to USD 96.4 million during the year. Total net sales balance of the stock was USD 10.3 million.

Similarly, more shares were sold than bought in the REIT sector and the National Market in 2013. The net sales transactions in REIT shares amounted to USD 209.8 million; while net sales transactions amounted to USD 178.3 million on the National Market. Increased risks resulting from the political and economic developments experienced in Turkey from the end of the first half of the year created a pressure on foreigners' trading, driving them in the direction of selling.



Milestones in İş REIT's History

1998

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

1999

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

2001

- The Maslak Office Building is added to the portfolio.
- The Antalya Seven Seas Hotel is added to the portfolio.
- The Muğla Marmaris Mallmarine Shopping Mall (Solaris Plaza) is added to the portfolio.
- A 50,000 m² project land encompassing the Tatilya Theme Park and its immediate vicinity is added to the portfolio.

2004

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

2005

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

2006

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

2007

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

2008

- The Sirkeci Office Building is added to the portfolio.
- The Güneşli Office Building is added to the portfolio.
- A 77,327 m² project land is purchased in the Kartal district of İstanbul.

2009

- An independent and permanent superficies right was established for the property located in Esenyurt, İstanbul (site of the former Tatilya Theme Park), on behalf of ECE Turkey.
- A plot of land with an area of 53,200 m², located in Tuzla, İstanbul and the immovable located on it, is purchased for future project development.

2010

- The property on which İstanbul Taksim Office Lamartine project will be developed was added to the portfolio.
- The Lykia Lodge Kapadokya Hotel is added to the portfolio.
- The Club Magic Life Kemer Imperial Hotel is added to the portfolio.
- Two plots of land measuring 42,114.39 m² and 20,375.87 m² in the Tuzla district of İstanbul are purchased for future project development.

2011

- Pre-sales and construction work begin on the İstanbul Tuzla Çınarlı Bahçe Residential Project.
- Construction work begins on the Taksim Office Lamartine project.

2012

- Building permits are obtained for the İstanbul Tuzla Technology and Operation Center project and for the Tuzla mixed-use project and construction work begins on both.
- A 9,590 m² land is purchased for project development in the İstanbul International Financial Center.
- The Marmara Park Shopping Mall opens to the public.
- After necessary ground improvement permits are received, construction work begins on the İzmir Ege Perla project.
- Sales activities started for the Ege Perla project.

2013

- Seven Seas Hotel and Club Magic Life Kemer Imperial Hotel were sold.
- Life started in the Çınarlı Bahçe project. Out of the 476 housing units in total, 426 were surrendered to their owners.
- Nearly 60% of the units up for sale in the İzmir Ege Perla project were sold.
- Construction was completed in the Taksim Office Lamartine project.
- Topkapı property was purchased for developing a joint project, which was paid for by İş REIT by 75% and by NEF (Timur Gayrimenkul) by 25%.



Message from the Chairman

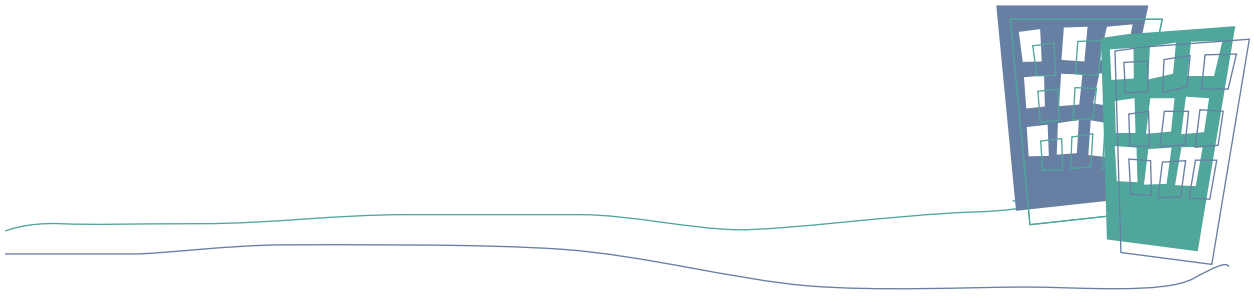
Guided in its operations by the principle of high profitability and the target of sustaining the value created for its shareholders, İř REIT is focused on ensuring regular income flow on the back of a well-balanced portfolio built on the realization of high quality projects.



Aydın S. Önder
Chairman

The decoupling between developed and developing countries that arose with respect to economic growth rates in the post-global crisis period adopted a waning trend owing to the developments in 2013.

In 2013, global economy was characterized by a tendency of recovery in developed countries and of deceleration in developing countries. Within this framework, while developed economies performed in parallel with the forecasts in terms of growth, particularly the US economy attained a more positive economic performance as compared with other developed countries.



The market forecasts were negatively influenced by the US Fed President's announcement of the inception of tapering in line with the improved economic indicators and the implied desertion of the loose monetary policy. These have also led to capital outflows from developing countries and depreciation of local currencies in the face of the US dollar. In brief, this situation resulted in an alteration of global risk perception and fluctuation in capital movements, creating a pressure on developing economies.

Although the Euro Area economy achieved growth in the second quarter of 2013 and exited the recession that had been ongoing for six quarters, the economic activity remained weak across the Area. Besides the banking system and the public debt burden, deflation arises as a risk element for the Euro Area countries. Accordingly, policymakers continue to take steps that will back the economy. With the Single Supervisory Mechanism (SSM) that will be launched at the end of 2014, the European Central Bank (ECB) is targeting to become the sole supervisory authority for the Euro Area based banks.

The Turkish economy attained growth despite the tough conjuncture.

The growth elements in the Turkish economy changed in 2013 as compared with 2012. In the reporting period, consumption outlays gained the foreground in the private sector and investment outlays in the public sector in line with the recovered domestic demand conditions, while the effect of exports upon growth turned to negative.

In 2013, global economy was characterized by a tendency of recovery in developed countries and of deceleration in developing countries.

As current deficit, the Turkish economy's tender spot, continued to expand in 2013, Fed's announcement of gradual abandonment of its bond buying program bore a negative impact on capital inflows, and an outward trend was observed in portfolio investments. As the international conjuncture caused an approximately 20% depreciation of the Turkish lira as at year-end 2013, it has also exerted an increased upward pressure on inflation. In view of these developments, the Central Bank of the Republic of Turkey (CBRT) focused particularly on exchange prices, and aimed to sustain foreign currency liquidity through FX selling tenders. The FX selling tenders that were carried out failed to calm the markets down, as the average maturity of funding provided by the CBRT shortened, and the CBRT average interest on funding and Borsa İstanbul (BİST) overnight repo rate went up.

Looking at 2014...

Fed declared its awaited decision in the last meeting of 2013. Accordingly, monthly bond buying worth USD 85 billion that had been going on for over a year will be cut back by USD 10 billion per month starting from January 2014.



Message from the Chairman

Sure to reshape the worldwide liquidity balance, this policy will increase the pressure on growth rates of developing countries. During the process, these countries, which are late in bringing their structural reforms to completion, will likely experience inflationist pressures, as well.

The Euro Area may possibly attain growth in 2014 and thereafter. The multi-economy, complex structure of the Euro Area makes things harder as compared with the USA. It is understood that it will take relatively longer to secure harmonization throughout the Union and to help the lending mechanism, in particular, recapture the strong rhythm so as to restart supporting the economy.

In the light of these anticipations, Turkey is obliged to restructure private sector consumption, public investments and the export balance on the growth front. Furthermore, it is critical for continued economic stability to realize structural reforms promptly.

Management of the current deficit, the CBRT policies and the course of inflation will be high on the agenda in 2014.

Our sector is focused on sustainable growth.

Having exhibited a weak 0.6% growth in 2012, the construction sector displayed a fast recovery during 2013, registering 7.4% expansion at the end of the first three quarters. This progress is almost two times of the growth rate attained by the Turkish economy in the same period.

An analysis of the activities carried out during the first three quarters of 2013 reveals a much stronger performance by the real estate sector as compared with 2012, and that the real estate supply increased in general terms.

With regard to our sector, we project the growth trend to persist in 2014; however, we anticipate a relatively slower growth on the demand side in conjunction with the increased interest rates and uncertainties.

Looking at the demand side of our sector, we see that the number of foreign investors went up within the scope of the law of reciprocity, and the rise in urban renewal projects contributed positively to performance. On the supply side, production of modern and high quality projects has been a key driver of growth.

The total number of housing units sold during 2013 was approximately 1.1 million. On the other hand, the housing stock also has a rising tendency. There is an increase in the supply, as well as demand for class-A office spaces in the office market. The retail market, however, continues to expand with a focus on İstanbul that hosts almost 40% of the stock.

With regard to our sector, we project the growth trend to persist in 2014; however, we anticipate a relatively slower growth on the demand side in conjunction with the increased interest rates and uncertainties. On another front, we also wish that the planned investments and project developments will pay due regard to regional and environmental balances.



We authored a strong performance in 2013.

İş REIT strengthened its performance in 2013. In a period characterized by shrank profits due to conjunctural influences, our Company grew its profit by a remarkable 77.6%, and more than tripled total revenues on real estate.

With a portfolio value that went up by 19.4% to TL 2.4 billion as at year-end, İş REIT ranks fifth among the REITs traded on Borsa İstanbul with a market capitalization of TL 882 million.

As a prerequisite of being a publicly held company and of its corporate culture, İş REIT has espoused the corporate governance concept and steadfastly shared its operations with its stakeholders in a clear and transparent fashion ever since its establishment.

Our systematized care in achieving full compliance with corporate governance and legislation is best expressed in the CMB Corporate Governance Rating assigned by JCR Eurasia Rating, which has been upgraded to 8.81 following a one-year review.

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Net Profit

Increase in net profit
in 2013

77.6%

Guided in its operations by the principle of high profitability and the target of sustaining the value created for its shareholders, İş REIT is focused on ensuring regular income flow on the back of a well-balanced portfolio built on the realization of high quality projects.

I would like to thank all our shareholders, employees and clients who have played a part in the successful results of our Company, which is committed to sustaining its stable growth on the back of new projects in 2014.

Aydın S. Önder
Chairman



Message from the CEO



Being one of the leading companies of our sector, we will keep authoring acclaimed projects also in the period coming, drawing on our competent team, business partners, and our corporate identity erected on the values of the İşbank Group.

Turgay Tanes
CEO

İş REIT increased its net profit for the period by a significant 77.6% to TL 116.2 million as at year-end 2013. The profit for the period was generated on Çınarlı Bahçe Tuzla project, the sales of which has been substantially completed, and on asset sales finalized during the reporting period.

Our Company's total real estate revenues went up by 230.9% year-to-year and reached TL 364.4 million.

Our regular rental income based on a well-balanced portfolio continues to be one of the major competitive advantages for us. At the end of 2013, our rental income grew consistently and registered TL 106.7 million. While 56% of the rental income was derived on our assets in the office segment, 42% was derived from the retail segment.



While office stock accounts for the largest part of İş REIT's real estate portfolio with 37%, projects and retail have respective shares of 34% and 26%. The development that occurred both in office and retail markets during 2013 is also indicative of the accuracy of our Company's forecasts and plans.

Total assets of İş REIT reached TL 1,668.7 million at the end of 2013. With a market capitalization of TL 882 million, our Company represented 4.9% of the sector during the same period.

The sector presents a promising outlook.

The reports on the third quarter of 2013 issued by the major data providers in the real estate market stated that the office and retail sectors remained lively, and numerous investments continued in relation to future supply.

While there was significant expansion in the İstanbul office market in which class-A office supply is concentrated, total office supply on the European side went up to approximately 1.5 million m², and that on the Asian side to approximately 840,000 m².

With Levent-Etiler and Ümraniye taking the lead among regions where additions to the office stock are concentrated, office spaces in construction and planning phase add up to 1.5 million m² across İstanbul. Once these spaces are incorporated in the stock in 2018, developing office districts on both sides of the city will represent approximately similar levels of supply. In addition to that, İstanbul International Financial Center planned to be built in Ümraniye increases the importance of the office and mixed-use projects on the Asian side as a new development area.

Looking at the retail sector, Turkey, Central and Eastern Europe, and France are noted as the most dynamic markets in recent years with respect to supply of shopping malls. As at the third quarter of 2013, 312 shopping malls across Turkey reached a total area of approximately 8.7 million m². Leasable area per 1,000 people rose to 115 m² across Turkey, while Ankara ranked first with 258 m² and İstanbul second with 239 m². It is anticipated that a substantial portion of

Rental Income

İş REIT's rental
income as of year-
end 2013

TL million
106.7

the new supply will be built in these cities in the year coming.

While total shopping mall supply is anticipated to expand by nearly 3 million m² by the end of 2016, total area will draw near 12 million m². The total area of shopping malls that project developers are in the phase of planning is approximately 2 million m².

Based on the Council of Shopping Centers – Turkey (AYD) data, turnover per leasable area reached 705 TL/m² across Turkey, while it is 827 TL/m² in İstanbul. It has been determined that the 2013 December turnover index is up by 2.4% year-to-year, and there was 5% rise in the AYD visitor index.

Latest News From The Projects

The Çınarlı Bahçe Tuzla residential project was completed during 2013; nearly 97% of the total units, excluding 30 units decided to be retained in the portfolio, was sold and life began on site in August 2013. In addition to the completion of the project single-handedly by İş REIT, the successful sales performance and on-time delivery were significant contributors to our Company's reputation.

The Ege Perla project in İzmir that was launched at the end of 2012; in 2013, foundation and basic structure preparations were completed, and the tender proceedings were carried out for soil improvement works. With the soil improvement works in progress, all processes of the project are carried out rapidly. Being a project that addresses a relatively higher income group and located in İzmir that presents different economic dynamics as compared to İstanbul, the project



Message from the CEO

captured a satisfactory sales performance, and attained a sales rate of nearly 60%.

Ege Perla makes a strong impression with its location, quality, compatibility with the inherent architecture of the city, and its characteristic as İzmir's first mixed-use project. With the Ege Perla project that represents a good example displaying the course of real estate development concept in our country, our Company participated in the MIPIM 2013, the international real estate show for professionals. I am happy to state that our project was the center of attention and was appreciated by a large number of international investors.

Our Taksim Office Lamartine project was completed during 2013. The efforts for leasing to tenants continue at full speed in relation to this project that is a very crucial and prestigious structure set to fulfill the class-A office space shortage in the area.

Profit Realization and Funding for our new investments

In 2013, we have sold the two hotels in our portfolio, Seven Seas Hotel located in Manavgat, Antalya and the Magic Life Kemer Imperial Hotel in Kemer, Antalya. The total revenues generated on the sales of the two hotels amounted to EUR 53.7 million, including VAT. The disposal should be construed not as the exit of our Company from the tourism sector, but as a major step towards the profit realization of the investments. The income derived on the sales of the two hotels in Antalya is intended to finance new high-return projects and investments.

A powerful forward-looking collaboration

İş REIT and Timur Real Estate (also known as by its brand name NEF) broke new ground in the sector with the strategic alliance set up with the aim of realizing high value-added projects across Turkey within the scope of urban renewal.

Standing out in the sector with their high quality and reliability, the two companies are committed to produce impressive urban renewal projects in İstanbul, as well as in other important metropolises in Turkey, drawing on our know-how and financial strengths that will result from this alliance.

In the period ahead, İş REIT aims to act on the initiative of creating projects that are self-sufficient, are compatible with the nature, presenting human-focused life, and fulfill green building criteria.

In order to realize the first project of this collaboration, a land with an area of 130,000 m² has been purchased in Topkapı, one of the most central locations in İstanbul. The total amount paid for the land owned by Türkiye Şişe ve Cam Fabrikaları Anonim Şirketi and Anadolu Cam Sanayi Anonim Şirketi was TL 320 million, 75% of which has been contributed by İş REIT. This project is likely to be an important milestone as it marks our Company's first-ever entry into the large-scale residential mixed-use project field.

A growing organization

During 2013, our Company undertook reorganization in line with our growth strategy. The human resource was vested in a more dynamic structure with various initiatives including the revised organizational chart, renamed titles, and creation of career goals. Along the line, we are confident that the powerful steps to be taken by our specialist team that has reached 67 people will provide us with competitive advantage in our future plans.

In 2014...

Three elections that will be held in the next two years, coupled with the recent political tensions in Turkey, will show its effects on the markets and economic stability in 2014.

On the other hand, the Fed policy to start "tapering" will potentially affect Turkey negatively, as it will in all the other developing countries. Growth targets may be revised downwards during this period, when consumer spending will be curtailed through tight monetary policies. 2014 will be a turning point year for our country, which takes place among the Fragile Five.



Our 2014 goals in relation to planned projects are presented below:

- Depending on the market developments, 2014 spring is set as the target date for putting on the market Kartal mixed-use project that will cover approximately 900-1,000 housing units on a construction area of approximately 300,000 m².
- The construction is ongoing for the mixed-use project in Tuzla that will be home to İşbank Technology and Operation Center, and the shopping mall and office units to be built on the adjacent lot.
- It is targeted to initiate the large-scale residential mixed-use project to be developed on the land in Topkapı in collaboration with our partner NEF; the relevant project work is intended to be completed in the first half of 2014.
- The conceptual project work has been completed for our project within the scope of İstanbul International Financial Center, and we have reached the licensing procedure stage. Pre-sales and leasing are planned to be commenced in 2014 for the project consisting of office and commercial units.

During 2014, which we forecast to be a year of continued economic volatility, we are aiming to carry out the preparations for our projects, obtain construction permits, and launch the projects, if warranted by the prevailing conditions. In the last quarter of the year, we are intending to start laying the foundations and initiate expense payments within the scope of the projects.

Our portfolio size will expand significantly when the projects mentioned above are finalized. In the 2016-2017 period, we are anticipating our rental income to hike from the existing level of USD 55-60 million to the level of USD 110-120 million, and the İş REIT portfolio value to rise from USD 1.1 billion to USD 1.5 billion.

We are observing green building criteria in our projects.

In the period ahead, İş REIT aims to act on the initiative of creating projects that are self-sufficient, are compatible with the nature, presenting human-focused life, and fulfill green building criteria.

Dividend

İş REIT's cash
dividend payouts in
2013

TL million
30

We have taken the first step for the green building certificate that is crucial for sustainability with the İşbank Technology and Operation Center project. Our intention is to carry out İstanbul International Financial Center and Kartal projects in accordance with these criteria, to be followed by a certification process.

İş GYO pays out dividends under any circumstance.

For the past seven years, İş REIT has made cash dividend payouts that corresponded to 5% of its issued capital to its investors. 97% of the distributable profit for the period for 2012 was distributed as bonus and cash dividends.

It is our goal to carry on with this implementation based on a General Assembly decision, and to increase the amount of dividends in parallel with our rental income and project portfolio, which we expect to grow after 2016.

Being one of the leading companies of our sector, we will keep authoring acclaimed projects also in the period coming, drawing on our competent team, business partners, and our corporate identity erected on the values of the İşbank Group. To this end, we will keep working to create higher value for our investors who place their trust in us.

I would like to extend my deepest thanks to all our stakeholders.

Turgay Tanes
CEO



Board of Directors



Aydın S. Önder
Chairman

Mr. Önder received his degree in political sciences and public administration from the Faculty of Economics and Administrative Sciences at the Middle East Technical University in 1985 and joined İşbank's Board of Inspectors in 1986. After serving in managerial positions at the Galata, Avcılar and Karaköy branches of İşbank, Mr. Önder was appointed as the head of Corporate Banking Marketing Division in 2003, as manager of the Levent Branch in 2006 and of the Gebze Corporate Branch in 2007. Serving as Deputy CEO at İşbank since 13 April 2011, Mr. Önder has been the Chairman of the Board of Directors of İş REIT since 2011.



M. Kemal Fettahoğlu
Vice Chairman

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



Kemal Şahin
Board Member

Kemal Şahin got his degree in business administration from the Middle East Technical University in 1988, and joined İşbank as an assistant inspector on the Board of Inspectors. Following ten years of service on İşbank's Board of Inspectors, he was appointed as assistant manager to the Bank's Subsidiaries Division in 1998. He currently serves as a unit manager for Property Development, Healthcare and Food Industry Companies under the Subsidiaries Department at İşbank. Holding a seat on İş REIT's Board of Directors since 2004, Mr. Şahin is also a member of the Corporate Governance Committee and the Committee for Early Detection of Risk. In addition to his duties at İş REIT, Mr. Şahin also holds seats on the Boards of Directors of İş-Koray, a subsidiary of İşbank operating in the real estate development sector, on Mipaş, and İşmer, a management company. He is also a Board member of Bayek, Antgıda and Erişim, İşbank's subsidiaries active in health, food and customer care sectors respectively.



H. Cemal Karaoğlu
Independent Board Member

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



Mete Uluyurt
Board Member

Mr. Uluyurt graduated from Tarsus American High School in 1989 and from the Department of Economics at Bilkent University in 1994. He started his career on the Board of Internal Auditors of İşbank in 1996. Mr. Uluyurt was appointed as Assistant Manager in the Budget and Planning Department in 2004. Having pursued his master's studies in business administration at Boğaziçi University in 2005, Mr. Uluyurt worked as Vice Chairman of the Board of Internal Auditors, as Unit Manager in Change Management Department and as Unit Manager in the Department of Strategy and Corporate Performance Management respectively. He is currently working as Manager of Balmumcu Branch since 2011.



Engin Topaloğlu
Board Member

Mr. Topaloğlu got his bachelor's degree in industrial engineering from Bilkent University in 1993 and his master's degree in the same department in 1995. Also in 2011, Mr. Topaloğlu obtained his Ph.D. in finance and banking from Kadir Has University. He started his career in 1995 on the Board of Internal Auditors of İşbank as an auditor. Mr. Topaloğlu worked as Assistant Manager (2004-2007) and Group Manager (2007-2008) in the Budget and Planning Department. He also worked as Department Manager in the Enterprise Architecture Department from 2008 until 2011. Mr. Topaloğlu functioned as an Auditor in İş REIT between 2008-2009 and in İş Investment Company between 2009-2010. He was a board member at İş NET Company between 2010-2011. Mr. Topaloğlu currently serves as the Manager of Gebze Branch.



D. Sevdil Yıldırım
Independent Board Member

Having received her bachelor's degree in business administration from the Middle East Technical University in 1988, Ms. Yıldırım got her master's degree in economics from the same university and in business administration from the London Business School. Ms. Yıldırım worked in the Research and Development, Oversight and Enforcement divisions at the Prime Ministry Capital Markets Board from 1988 to 1999. She joined Yapı Kredi Yatırım in 1999 to set up the International Capital Markets Department, and was promoted to Executive Vice President in 2003. Ms. Yıldırım joined Turkish Yatırım A.Ş. as Assistant General Manager in 2006, transferred to BGC Partners as Assistant General Manager in 2007, and joined Yıldız Holding A.Ş. in 2009 to set up the Corporate Finance and Capital Markets Coordination Department. Having assumed

a duty in the incorporation of Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş., a publicly traded subsidiary of Yıldız Holding, Ms. Yıldırım worked as Assistant General Manager and as member of the Investment Committee at this company until February 2012. She also functioned as vice chairman on various councils of the Foreign Economic Relations Board (in Turkish: DEİK) from 2002 through 2012. She currently serves as an independent board member for TAV Airports and Denizli Cam. Ms. Yıldırım has been a member of İş REIT's Board of Directors since 2012; she is also the head of the Corporate Governance Committee and a member of the Committee for Audit.

Changes in Management during the Reporting Period

Due to the amendment made to the Company's Articles of Incorporation during the reporting period, the number of Board members was increased from five to seven, as a result of which new members had to be elected. At the General Assembly meeting held during the reporting period, all of the Board members that made up the previous member body of the Board were re-elected, while Mr. Mete Uluyurt and Mr. Engin Topaloğlu were elected as the new members to increase the number of Board members.

Duties and Responsibilities of the Board of Directors

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

Operating Principles of the Board of Directors

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

Board Meetings

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

The agendas for Board meetings are prepared as recommended by the CEO and with the knowledge of the Board's chairman.

During the reporting period, the Board of Directors convened ten times and passed 67 resolutions. All Board members attended all of the Board meetings that were held during the year. All decisions taken by the Board were passed unanimously. No dissenting opinions were expressed in any of the decisions taken during Board meetings. Inasmuch as no votes were cast against any of the decisions that were taken, it was not necessary to make note of any opposition to them in meetings' minutes.

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

Board of Directors Committees

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

Corporate Governance Committee	
Head	Member
D. Sevdil Yıldırım Independent Board Member	Kemal Şahin Board Member
Committee for Early Detection of Risk	
Head	Member
H. Cemal Karaoğlu Independent Board Member	Kemal Şahin Board Member
Committee for Audit	
Head	Member
H. Cemal Karaoğlu Independent Board Member	D. Sevdil Yıldırım Independent Board Member

The Board of Directors consists of seven members, two of whom are independent. Owing to the present structure of the Board of Directors, a Board member may serve on more than one committee. All due consideration is given to the requirements of Corporate Governance Principles when selecting committee members.

Operating principles have been defined and publicly disclosed for each committee. Committees perform their functions within the frame of those principles. During the reporting period and after the conduct of the Company's annual meeting, the duties and responsibilities of Board members were assigned and elections to committee seats were held as required by CMB Corporate Governance Communiqué, which were then publicly announced.

Neither a Nominating Committee nor a Remuneration Committee has been set up under the Board of Directors. The functions of these committees are performed by the Corporate Governance Committee.



A Corporate Governance Committee has been set up in compliance with the Capital Markets Board's rules and regulations concerning corporate governance and it has been charged with fulfilling the duties and responsibilities incumbent upon it under Corporate Governance Principles.

This Committee regularly reviews the Company's corporate governance practices and it strives to make improvements in them. The Committee, along with the Investor Relations Unit, was actively engaged in the review process of the Company's corporate governance rating during the reporting period. Besides its corporate governance duties, the Committee also gives importance to investor relations. At regular intervals, the Committee reviews the Company's investor relations activities and strategies and it ensures that the Board of Directors is kept informed about such issues on a regular basis. In addition to these functions, the Committee is also active in such areas as providing coordination among other committees and supporting their activities when necessary. It is a principle of the Corporate Governance Committee to meet at least once a month before the regular monthly meeting of the Board of Directors; however it may also convene more frequently as circumstances require. During the reporting period, the Committee held 11 meetings and passed nine decisions.

In line with the duties incumbent upon it as specified in its operating principles and in compliance with the principles of applicable capital market laws, regulations, and administrative provisions during the reporting period, the Committee for Audit actively works in such matters as publicly disclosing the Company's financial information, having independent audits conducted, ensuring that the Company's internal control system functions effectively, and supervising the independent auditors' activities actively at every stage. During the reporting period, the Committee held seven meetings and passed eight decisions.

In accordance with the CMB's rules and regulations concerning corporate governance, the Committee for Early Detection of Risk has been set up to early detect the risks that may threaten the Company's existence, development and survival, to implement the necessary measures for identified risks, and to undertake risk management. It is also charged with conducting reviews of the risk management systems at least on an annual basis. The Committee members are also members of the Committee for Audit and the Corporate Governance Committee and they regularly attend the Committee for Audit meetings. Lately, the Company has been holding the Committee for Audit and Corporate Governance Committee meetings simultaneously; therefore, all

committees and members attend the meetings, while coordination between committees is ensured.

Duties Undertaken by Board Members Outside the Company

Although there are no set rules on Board members' undertaking other duties outside the Company, if they take on an executive role or hold a seat on the board of directors on, or offers consultancy service to, another company, this must not cause a conflict of interest. Also, as a basic principle, independent Board members must act so as to maintain the independence criteria described in the Principles. The external positions held by Board members, their terms of office with the Company and distribution of positions are provided in the members' résumés.

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

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

Remuneration of the Members of the Board of Directors

Pursuant to Corporate Governance Principles, the remuneration principles for the Board members and executives with administrative responsibility are put into writing and presented for the information of shareholders at the General Assembly.

Remuneration of members of the Board of Directors is determined by the General Assembly of Shareholders. All benefits provided to Board members are publicly disclosed in the Company's quarterly financials. The gross value of all remuneration provided to members of the Board of Directors during the reporting period was TL 453 thousand.

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

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



Senior Management



Turgay Tanes
CEO

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



Hülya Demir
Senior Head of Project and Construction Management Coordination

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



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

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



Tuğrul Gürdal
Head of Accounting and Administrative Affairs Group

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



Atty. Pinar Ersin Kollu LL.M.
Head of Legal Counseling
and Human Resources &
Education Group

Pinar Ersin Kollu graduated from the Faculty of Law at İstanbul University in 1994 and got her LL.M. degree in Business Law from İstanbul Bilgi University. Ms. Kollu completed her legal internship in 1995 and was enrolled with the İstanbul Bar Association. She began her career as a lawyer at BEDAŞ in 1996, and joined İş REIT in 2000, where she was involved in the process for setting up the Company's Legal Counseling, Human Resources and Education Departments. She was appointed as Legal Counsel in 2005 and currently serves as the Head of Group for Legal Counseling and Human Resources & Education Department.



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

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



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

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



Senior Management



Ömer Barlas Ülkü
Head of Financial
Management Group

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



K. Sertaç Seviner
Head of Audit Group

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



Bülent Otuz
Electrical and Mechanical
Projects Coordinator

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



Gökhan Temel
Constructional Projects
Coordinator

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



Kaan Özsoy
Architectural Projects
Coordinator

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



Merter Gürgün
Project Development and
Feasibilities Coordination
Manager

Merter Gürgün graduated from the Department of Civil Engineering at İstanbul Technical University (ITU) in 1994. He received his MBA from the Department of Business Administration at Boğaziçi University, and an M.Sc. in structural design engineering from the Department of Civil Engineering at ITU. He currently pursues his postgraduate studies in Land Management and Use program. Having started his career at İş Gayrimenkul Yatırım ve Proje Değerlendirme A.Ş. in 1999, Mr. Gürgün serves as Manager in the Project Development and Feasibilities Coordination under the Project Development & Feasibilities and Real Estate Investments Coordination Group. He holds Capital Markets Advanced Level Investment Expert License, Derivatives License, Credit Rating Expert License, Corporate Governance Rating Expert License, and Real Estate Appraiser License.



Declaration of Interest by Independent Board Members

Owing to my candidacy for a seat as an Independent Board Member at your Company's ("the Company") General Assembly Meeting, I hereby declare:

- That neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the third degree, have, within the most recent five years, entered into any direct or indirect relationship involving employment in an executive capacity undertaking major duties and responsibilities, capital, or any commercial interest of a significant nature, with the Company, or with any related parties of the Company, or with any corporate entity whose shareholders control, whether directly or indirectly, a 10% or greater interest in the Company's capital or management;
- That within the most recent five years, I have neither been employed by nor served as a board member in any company, including companies involved in the Company's auditing, rating, or consulting functions, which controls all or any part of the Company's activities or organization within the framework of any agreement that has been entered into;
- That within the most recent five years, I have been neither a partner, nor an employee, nor a board member in any firm which provides the Company with substantial amounts of any products or services;
- That no shareholding interest that I may have in the Company,
- That I am possessed of the professional training, knowledge, and experience necessary to duly fulfill the duties I shall undertake as an Independent Member of the Board of Directors;
- That I am not, nor will I be after being elected as a member, a full-time employee of any public institution or entity, including as a university faculty member,
- That I am a resident of Turkey as defined in the Income Tax Law;
- That I am possessed of ethical standards and of professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any disputes that may arise among the Company's shareholders, and to come to decisions freely on the basis of all stakeholders' interests;
- That I will be able to devote to the Company's affairs an amount of my time sufficient to keep track of the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking

D. Sevdil Yıldırım

H. Cemal Karaoğlu



Consultancy, Auditing, Rating and Appraisal Services

Tax Consultants

- Başaran Nas Yeminli Mali Müşavirlik A.Ş.

Independent Auditors

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

Corporate Governance Principles Compliance Rating Agency

- JCR Eurasia Rating

Real Estate Appraisal Firms from Which Services Were Procured in 2013

- Harmoni Gayrimenkul Değerleme ve Danışmanlık A.Ş.
- Reel Gayrimenkul Değerleme ve Danışmanlık A.Ş.
- Ace Gayrimenkul Değerleme ve Danışmanlık A.Ş.

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

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

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



Board of Directors Activities in 2013

Istanbul Tuzla Mixed-Use Project and Tuzla Technology and Operation Center

A large number of businesses that recently relocated their headquarters and/or operation centers to Tuzla and its environs played a key role in the development of the area, turning it into a center of attraction. Investments both by the private sector and the local municipalities in the area picked up in recent years. Particularly the areas flanking the E-5 highway, the main axis of transportation, have been appreciating in value the fastest. In addition, the local municipality's announcement in 2013 that the existing metro network would be extended as far as Tuzla makes the area even more advantageous from the standpoint of transportation accessibility.

Having foreseen the development potential inherent in the Tuzla area, İş REIT owns a construction area of 261,988 m² in total on two adjacent plot in the locality, whereon the Company is developing the "Technology and Operation Center" and the "Mixed-Use Project" covering office and commercial spaces. The Company has engaged the internationally renowned SOM company and Dizayn Group for the project design. With its construction decided to be contracted out to Koray İnşaat on a turnkey-delivery basis, soil improvement works for the project are currently in progress. At the end of 2013, almost 30% of the soil work had been completed on plot 1 and 36% on plot 2. Both projects are slated for completion throughout 2015.

İşbank Tuzla Technology and Operation Center on parcel 1 is a turnkey-delivery project being undertaken for İşbank. The complex will house the bank's information technology, data-storage, training units and accommodations for trainees. The facility has



Life started in 2013 at the "Çınarlı Bahçe Tuzla" residential project introduced with the concept a "New Life in İstanbul" located in Tuzla, İstanbul's up-and-coming district both in residential and commercial investments.

been leased to the bank for a period of 25 years. The forecasted rental income to be generated on the project, which will have an area under construction of approximately 184,500 m², is USD 24 million.

The mixed-use project planned to be developed on the adjacent property with a land area of 21,305.29 m² situated on plot 2 is envisaged to include office spaces along with a small shopping mall intended primarily to meet the essential needs of those working in the Technology and Operation Center next door.

The total development cost of the two projects is expected to be about USD 360 million.

Istanbul Tuzla Çınarlı Bahçe Residential

Life started in 2013 at the "Çınarlı Bahçe Tuzla" residential project introduced with the concept a "New Life in İstanbul" located in Tuzla, İstanbul's up-and-coming district both in residential and commercial investments. Under the project consisting of low-rise dwellings compatible with Tuzla's character as a summer resort, 427 of the 476 units in total have been delivered to owners. Kanyon Ltd. Şti. has been designated as the operating company in order to ensure high quality and high-standard management of the project following delivery. All required tasks have





been handed over to the Company, which is selected with a careful consideration of its references to date and which has started activities.

Having a total sellable area of approximately 58,000 m², the project's total development costs amounted to nearly USD 66 million. While the sales activities commenced in the last week of October 2011, the Company decided to retain 30 of the units in the project as investments in İş REIT's own property portfolio in order to take advantage of future appreciation in their value. About 97% of the units on the market had been sold as at year-end 2013. On this basis, about 3% of the remaining units are still up for sale. The high sales ratio attained in such a short period of time has been an indicator of the trust held in the Company and its parent holding İş Group, as well as endorsing the right choice of project partners.

İzmir Ege Perla Project

Today, new economic actors besides İstanbul are needed to help drive the national economy further. Along the line, İzmir is considered one of the major candidates to become the second main power. Accordingly, İş REIT, having faith in the development potential in İzmir, decided to realize its investment decision in the area. Situated in the "New City Center" of İzmir's Konak district, Ege Perla is a mixed-use project consisting of residential and home-office units and a shopping mall. With a forecasted development cost, including land, of about USD 170 million, the project is slated for completion in December 2015. Bearing the signature of Emre Arolat, a winner of the Aga Khan Award for Architecture, Ege Perla consists of all-seaview residences, spacious offices and a shopping mall whose semi-open architecture makes it an ideal venue for up-market stores and shops. The project

Ege Perla Project

forecasted
development
cost (including
land)

USD million
170

was conceptually designed both to be an amalgam of traditional İzmir lifestyles and modern architecture, and to become a signature landmark of the city with its architecture that blends in with İzmir.

Ege Perla consists of a shopping mall with about 25,000 m² of leasable area and two tower blocks housing home-offices and residential units.

The Ege Perla project units went on sale for the first time on 7 November 2012 and nearly 60% of the units were sold by the end of the year.

İş REIT has engaged CEFIC, a firm with 19 years of experience in the sector and an expert team, to manage the leasing of the shopping mall included in the project. It is targeted to create a tenant mix and concept with a focus on the needs and expectations of İzmir and its local people at the Ege Perla shopping mall, which is a magnet for numerous domestic and international brands as well as the local ones in İzmir. The mall is envisaged as a true city park with its architecture, brand mix and commercial spaces, and a spot frequented by people of all ages as the first representative of innovations in the area.





Board of Directors Activities in 2013

Istanbul Taksim Office Lamartine Project

Office development in İstanbul is mostly concentrated along the line defined as "central business districts". Yet, central locations such as Taksim are much in demand at all times.

Along the line, İŞ REIT has developed a project on its centrally located property, specifically to fulfill the demand for class-A office space in and around Taksim, which will be leased to domestic and foreign companies. The project is envisaged to become one of the signature landmarks of the locality.

With a total development cost, including land, of USD 13.5 million, the project's construction was completed in March 2013. Having reached an occupancy rate of 40% on the basis of leasable area during the reporting period, the project is expected to arrive at an occupancy rate of 90% in the year ahead.

Istanbul International Financial Center Project

Launched as one of the most vital projects of late, the İstanbul International Financial Center (IFC) will not only reposition our country in the international market, but is also expected to alter the living standards in the area. To be developed on an area of 800,000 m² with a total investment cost of TL 4.5 billion, IFC-İstanbul will be providing employment for some 50 thousand people. In this parallel, our Company included a property with an area of 9,590 m² in its portfolio in 2012. Lying at the heart of IFC-İstanbul targeting to become one of the five biggest financial centers in the world, the property is intended to be used for the development of a project consisting of office and commercial units. With its proximity to the city's main arterial roads, the project property will have an

İŞ REIT maintains its stable growth target by capitalizing on all investment opportunities and thus enriching its portfolio. To this end, the Company keeps a close eye on all changes in preferences and trends that influence the sector dynamics.

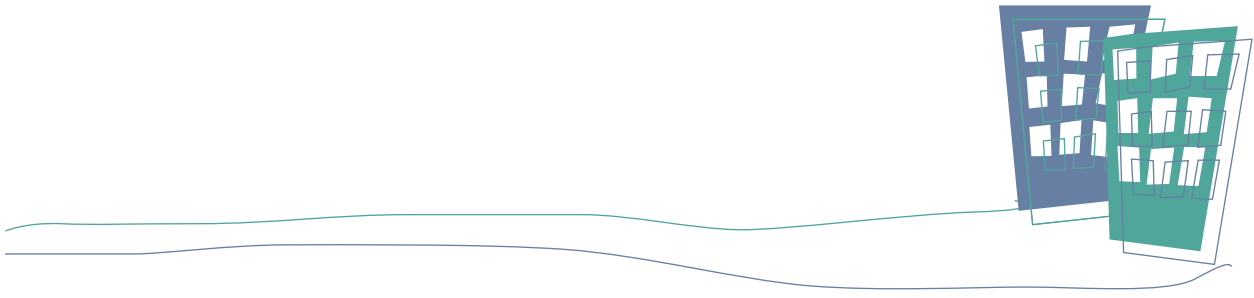
advantageous position also in terms of transportation accessibility. The plans for the area are expected to be clarified with the completion of tendering processes to be carried out in the period ahead, and construction is expected to commence concurrently. When completed, the project will have about 30,000 m² of leasable/sellable space. The project's anticipated investment cost is around USD 120 million.

Istanbul Kartal Project

Kartal is a district that rises in one of the nicest and most valuable locations on the Asian side. The attraction of the area will further boost with the urban renewal projects and constantly increasing commercial districts, as well as the availability of transportation means.

In keeping with this foresight, İŞ REIT is planning to develop a mixed-use project consisting of residential units, commercial and office spaces on our land with an area of 77,327 m² in Kartal. The initial work on the project was initiated, and the architecture firm was designated during 2013. With a total estimated investment cost of approximately USD 300 million, the project is believed to be of a nature to add value and drive the standards upwards when completed.





It is believed that the project in Kartal, a district in the ascendancy with dense commercial areas and convenient transportation facilities, and fast becoming the center of attraction on the Asian side, will be a source of pride for our Company, as well as a unique project that will set the stage for experiencing all aspects of the traditional Kartal lifestyle.

İstanbul Topkapı Project

During 2013, our Company undersigned a strategic alliance with Timur Real Estate (NEF) to develop joint projects. It is targeted to produce projects that will contribute added value to the sector with the synergy and potential resulting from the unison of the two companies. The priority goal of the new formation has been set as urban renewal areas and new project developments thereon. Within this scope, the first step for the development of joint projects has been taken with the joint purchase of the property located in Zeytinburnu township, in İstanbul province, owned by Türkiye Şişe ve Cam Fabrikaları Anonim Şirketi and Anadolu Cam Sanayi Anonim Şirketi (the old Topkapı plant). Of the total price of TL 320,000,000, 75% has been covered by our Company and 25% by NEF (Timur Real Estate). The details of the project, which is planned as large-scale residential mixed-use project units, will become clear during 2014 and will be publicly disclosed in the coming periods.

Tourism Investments

Having stepped into 2013 with a total of three hotels in its portfolio, the Company sold the Seven Seas Hotel located in Manavgat township in the province of Antalya and the Kemer Imperial Hotel located in the Kemer township in the province of Antalya for a total price of EUR 53.7 million, including VAT. On the sales of the two hotels, the Company derived a profit of TL 24,247,936 on the basis of the total cost descended in the records kept in accordance with the IFRS. The annual rental fees have been collected in full for the hotels, whose sales transactions were completed in August 2013.

Guided in its actions to date by the principle of attaining both geographical and categorical diversification in its investments in the portfolio, our

Company is intending to put the cash generated on the sales towards new real estate investments that will enhance the diversity and return of its portfolio in parallel with this strategy. With its ongoing interest in the tourism sector, our Company monitors and considers the investment opportunities in the sector.

Our Strategy in 2014

Our Company possesses a diversified portfolio covering various elements including land, offices, shopping malls, hotels and projects. In this framework, our Company maintains its stable growth target by capitalizing on all investment opportunities and thus enriching its portfolio. To this end, the Company keeps a close eye on all changes in preferences and trends that influence the sector dynamics.

The projects in development and in progress continue to adhere to the mixed-use project concept that includes both residential and commercial units. The benefit to be derived is rendered continuous thanks to leasing activities, while sales are intended to serve to generate high returns and profit realization.

Accordingly, the key strategic goal of our Company is to capitalize on opportunities in such aspects of its planned investments which will increase its sustained revenues and its profit, and will create maximum benefit for its shareholders. In keeping with the principles of our parent group, the main strategy of our Company is to increase the amount of dividends and efficiency. As a company that has been paying out cash dividends at a certain ratio for many years, we are targeting to further increase this percentage in the coming years in line with the growing investments.

The Board of Directors approves the version of the annual budget, which brings together the targets in line with a plan and incorporates the revisions and recommendations of the Board. Save for extraordinary situations, all strategic changes resulting from the decisions made during the year and deviations from forecasts are reviewed on a monthly basis, and short and long-term investment and funding plans are revised in line with new developments, when necessary, thus re-establishing a position.



Activities of the Investor Relations Unit

The Company's "Investor Relations Unit" has been operating since 28 January 2005 within the frame of the CMB's applicable regulations.

The Investor Relations Unit regularly and efficiently manages the exercising of shareholder rights, public disclosure and information sharing activities in particular, as well as General Assembly and capital increase formalities.

Public Disclosure and Provision of Company-Related Information

During the reporting period, one-on-one meetings were held with domestic and international investment companies at the Company's headquarters, through which contact was established with almost 65 people. In addition to investor meetings organized at the Company's headquarters, teleconferences were held upon request. The majority of firms met with during the reporting period consisted of analysts and fund managers from foreign brokerages and asset management companies, while analysts and fund managers gained the foreground on the domestic front.

During the year, the Investor Relations Unit received about 210 requests for information, a majority of them by email. Wide-ranging requests for information from numerous domestic, foreign, individual, and institutional investors were dealt with and responded to in detail within the framework of all public disclosure-related issues including the requirements of laws and regulations and the Company's own information disclosure policy. About 78% of all requests for information were received from institutional investors; the remaining 22% consisted of queries from others about a variety of matters.

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

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

Believing in the importance of corporate governance principles and having paved considerable way in corporate governance practices, İş REIT's rating for compliance with CMB corporate governance principles was revised as 8.81 with a stable outlook.

The questions raised at investor meetings and the queries directed to the Investor Relations Unit generally deal with such issues as the projects being developed by the Company, the course of rental income, the Company's financial statements, and its dividend policy. The Investor Relations Unit maintains proper records both of the written and oral queries that it receives and of the responses that it gives to them. Besides handling requests for information made to the Company, this unit is also responsible for keeping track of reports and bulletins published by brokerages in which any mention of the Company is made.

In addition to the above, the Investor Relations Unit acts as an effective channel of communication between the Company and its shareholders, and also attends meetings of the Corporate Governance Committee in an advisory capacity, at which time it provides the committee with information about its activities, important developments during the reporting period and regulatory changes that concern the investor relations activities. Such participation provides the unit with an opportunity to play an active role in the evaluation and improvement of the effectiveness of corporate governance.

Seeking to maximize the effectiveness of communication between the investment community and the Board of Directors, the Investor Relations Unit keeps the Board informed about its own activities through regular reports in which it included detailed information about significant views and opinions expressed by investors as well as about brokerages' reviews and analyses concerning the Company. The Company makes effective use of its corporate website both as a channel for public disclosures and to make it easier for shareholders to exercise their rights. Quarterly investor presentations and financial reports including balance sheets and income statements are



published in Turkish and English on the website. Special circumstance announcements made by the Company through the Public Disclosure Platform also appear in Turkish and English on the corporate website the same day. Information on the website that is subject to change is kept current by means of regular updates. The underlying goal of all of these activities is to ensure that investors, analysts, and all other individuals and organizations have convenient and timely access to whatever information they may need about the Company.

Corporate Governance

Last year the Capital Markets Board of Turkey (CMB) published communiqués concerning amendments to the "Communiqué Serial IV, No:56 on the Determination and Implementation of Corporate Governance Principles". On 03 January 2014, the CMB published the Corporate Governance Communiqué (II.17.1) and the "Communiqué Serial IV, No:56 on the Determination and Implementation of Corporate Governance Principles" was abolished. The Company has acknowledged its compliance with corporate governance principles, keeps a close watch on changes in the regulatory framework governing such principles, exercises maximum care in its compliance with such issues, and makes necessary improvements to increase the extent of its compliance with corporate governance principles.

The Company's Articles of Association, which had been previously reviewed and revised within the frame of compliance with Corporate Governance Principles, have been amended in line with the provisions of the new Turkish Commercial Law and the new Capital Market Law that went into force. Necessary permissions for amending the Articles of Association have been obtained from the CMB and the T.R. Ministry of Customs and Trade. The approved draft amendments to the Articles of Association have been made available for our shareholders' information and review on the Public Disclosure Platform and the Company's website. The text of the amended articles ratified at the General Assembly Meeting held on 26 March 2013 was registered on 04 April 2013 and promulgated in the Turkish Trade Registry Gazette issue 8297 dated 10 April 2013.

Believing in the importance of corporate governance principles and having paved considerable way in corporate governance practices, the Company receives corporate governance rating service from JCR Eurasia

Corporate Governance

JCR Eurasia Rating - Corporate Governance Rating	Outlook: Stable 8.81
Shareholders	8.78
Public Disclosure and Transparency	9.16
Stakeholders	8.32
Board of Directors	8.79

Rating. Following the annual review of the rating assigned to the Company for its Compliance with the CMB Corporate Governance Principles, JCR Eurasia upgraded the Company's corporate governance rating to 8.81, revising its outlook as stable. The Company was given the following ratings in the four main sections: Shareholders 8.78, Public Disclosure and Transparency 9.16, Stakeholders 8.32, Board of Directors 8.79.

According to JCR Eurasia Rating's methodological infrastructure and notation representation, the level of overall convergence of the Company with the principles of corporate governance corresponds to the [AAA (Trk) / Distinctive] category and its degree to the level of [a/ Excellent]. The results indicate at a high level of compliance with the corporate governance principles by the Company. In addition, JCR's ratings are internationally recognized.

With its revised compliance score, the Company continues to be traded on the BIST Corporate Governance Index, in which it was included on 28 December 2012.

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



Activities of the Audit Group

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

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

During 2013, the Audit Group monitored and reviewed all of the Company's activities and transactions in light of their compliance with the requirements of all the laws and regulations to which İş REIT is subject as well as with Board of Directors decisions and with the Company's own regulations and directives. In addition, the Group audited the activities and business processes handled by the Investors Relations, Human Resources and Education Departments.

Furthermore, the other audit activities performed during 2013 included a review of the feasibilities of the projects that the Company is still in development phase, supervision of compliance with tax and other legal obligations, study of the contracts to be signed by the Company, and evaluation and audit of the reportings to the senior management and principal shareholder.



Risk Management

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

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

Under article 378 of the Turkish Commercial Law (Statute 6102), a review was undertaken regarding the duties and responsibilities assigned to the Committee for Early Detection of Risk and the Board of Directors in relation to risk management and early detection of risk. Accordingly, bimonthly "Committee for Early Detection of Risk Report" is issued and submitted to the Board of Directors.

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

In the conduct of its portfolio management activities, the Company invests not just in real estate properties but also in money- and capital-market instruments. As of end-2013, real estate investments made up about

96% of the Company's overall investment portfolio. The most serious risk to which the Company is exposed on account of its activities is business environment risk. Risks within this scope include external factors such as changes in legislation/implementations with a potential impact on Company operations, and the supply and demand in the sector. The Company takes necessary measures to minimize its exposure to business environment risk, makes use of risk control systems and closely watches the effectiveness of these systems.

As of 31 December 2013, money- and capital-market vehicles made up only a 4% share of İş REIT's overall investment portfolio. These investments are exposed primarily to market risk, which is an expression of the potential losses that the Company may sustain on account of unfavorable movements in interest rates, exchange rates, and equity prices. The Company's exposure to market risk on account of its money- and capital-market investments is regularly quantified and the results of such measurements are compared to predetermined limits and reported to senior management.

Credit risk is an expression of the risks to which a company is exposed on account of contracts that it enters into for the sale or purchase of goods and/or services. In İş REIT's case, the risk is the possibility of the Company's suffering a loss in the value of a contract because a counterparty fails to fulfill some or all of their obligations under the terms of the agreement. To this end, the Company acts so as to minimize the credit risk involved in leasing/sales transactions and service purchases with third parties.

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

A "Company Risk Report" that is prepared and submitted every three months includes, among other things, information about the Company's business sector, key financial indicators, and the results of the unit's quantification and assessment of the risks which are inherent in the Company's activities.

cash projections; the maturity and the type of foreign currency relationships between the Company revenues and project finance costs are closely watched, and the Company's cash holdings and financing strategies are shaped accordingly.

Internal control

The Company's internal control system is established for the purpose of reviewing the relevance, adequacy and effectiveness of the Company activities and the controls in relation to these activities, and of reporting the outcomes to related units. The Unit responsible for internal control activities works in accordance with the "İş REIT Internal Control Unit Operating Principles Guideline" that governs the duties, powers, responsibilities, and operating principles and procedures of the individuals assigned to the Internal Control Unit.

The internal control system established at the Company has adopted a risk-focused approach to control. The controls developed to minimize and eliminate the risks inherent in the Company's operations and the adequacy of these controls make up the basis of the internal control activity. The Unit submits reports to the Board of Directors at three- and six-month intervals.



Human Resources

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

İŞ REIT's Human Resources & Education Department that takes a proactive, innovative, systematic, and open-communication approach, is aware of its impact on the Company's strategic decisions, and cooperates with all related parties.

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

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

Recruiting the Right Person in the Right Job

The Human Resources & Education Department fulfills the recruitment and hiring duties at İŞ REIT that sees every employee as a future leader.

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

Performance Management at İŞ REIT

İŞ REIT considers Performance Management as an essential element of the path that leads to the corporate goals. Accordingly, İŞ REIT has adopted target- and competency-based performance management. Along the line, competencies and targets that make the infrastructure of the system were differentiated according to units and titles, thus assuring the establishment of a fair and safe performance management system. In performance reviews, employees and managers get together to discuss the employee's strengths and development areas, and individual business performances are evaluated. Management of İŞ REIT employees makes the basis for other human resources processes such as salary management and rewarding and career management.

Training and Development at İŞ REIT

The training programs designed on a need basis are intended to bring about changes in the Company employees' knowledge, skills and attitudes, to enhance their motivation and job satisfaction along their career advancement, and to align corporate and individual goals. Our priority is to make training programs available for all Company employees within the frame of equality of opportunity. During 2013, 34 employees attended 42 different professional training programs, and training was given to all employees in Competition Law, Social Media and Occupational Health and Safety. The annual motivational training attended by the employees took place in May 2013.

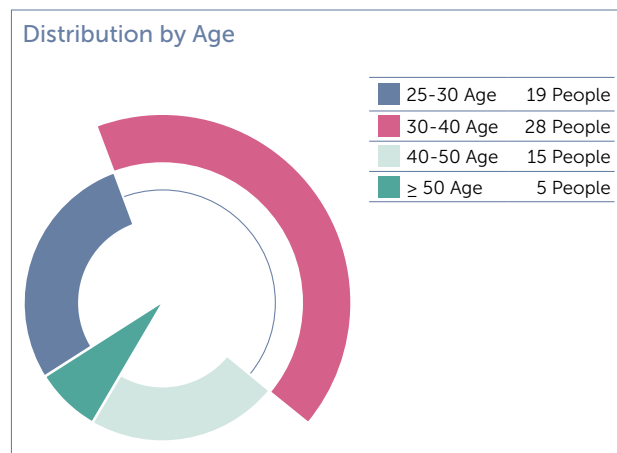
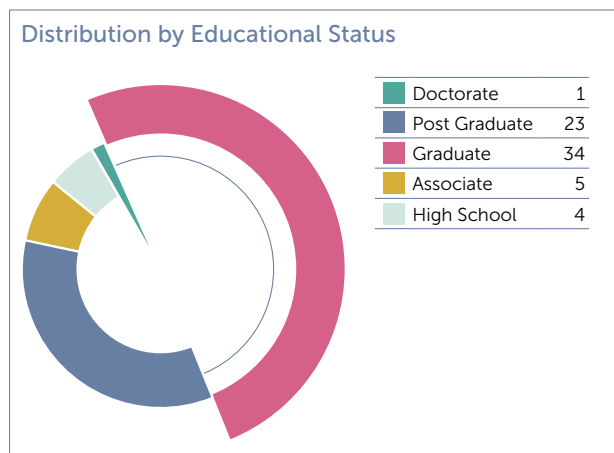
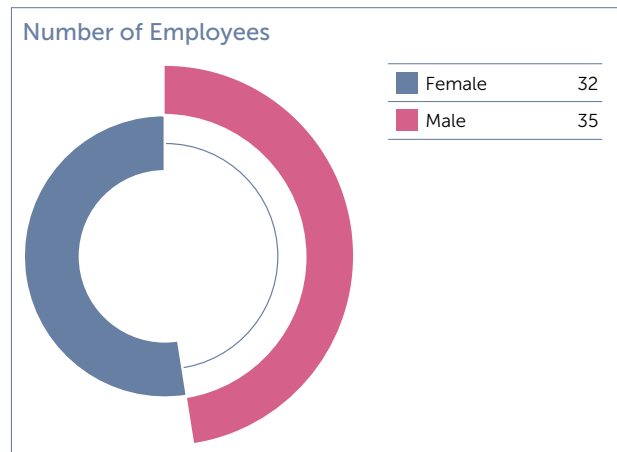
Groups and Coordinators within our organizational structure are presented below:

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

The average tenure at the Company is six years. Managers are promoted from within. During 2013 six employees were promoted to higher positions.

Outlook for 2014...

In 2013, İş REIT will maintain its management approach which is compatible with its structure, which seeks to make effective use of its inherent capacity and human resources, which is transparent and quantifiable, and which never compromises universally acknowledged ethical values. The Company will make renovations in its Performance Management System, which it recognizes as being vitally important to its ability to correctly read the indicators that underlie its success. Personnel training and development will continue at full speed in 2014, which are aimed at increasing all employees' consciousness and awareness of activities that contribute towards the better realization of the Company's objectives.





Corporate Social Responsibility

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

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

Besides creating living and working spaces worthy of people and of the cities in which they dwell, İş REIT also believes that the communal sustainability of such assets is no less important. In line with this conviction, in 2013 İş REIT continued to support sectoral development, social solidarity, art, and sport.

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

In addition, the Company began sponsoring the Konak Municipality Women's Handball Team in 2013, and contributed TL 250,000 for the fulfillment of the team's needs for the 2013-2014 season.

İş REIT was a sponsor of the Regional Education Seminar and the Assembly organized by Karşıyaka Rotary Club from 11 April through 14 April. During the event into which Karşıyaka Rotary Club put much effort and time, seminars were organized addressing various topics from personal development to the country's problems.

İş REIT regularly allows public-interest associations and foundations to put up stands and promote themselves at the shopping malls in its portfolio. Besides providing these organizations with free access to and use of

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

these premises, the Company also cooperates with them on all essential issues.

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

In the conduct of all of its activities, İş REIT takes pains to be a socially responsible actor who abides by the law and is mindful of environmental values. The Company was not a respondent to any suit brought against it for its having caused environmental harm in 2013.

Charitable Donations Policy

It is the policy of the Company to make charitable donations which are in line with its sense of social responsibility and which comply with applicable principles and procedures laid down by the Capital Markets Board. The Company made no charitable donations in 2013. The Company's publicly disclosed donations policy is presented below.

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

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

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



Additional Information Required by CMB Regulations

Related-Party Transactions

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

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

Rental income makes up a substantial part of the Company's normal business revenues. In 2013 the Company received a total of TL 44,329,415 paid to it as rent by related parties. As of the end of the reporting period (31 December 2013), total cash and cash equivalents belonging to the Company and held in accounts with İşbank amounted to TL 74,736,621 in value. As of the same date the Company had received, from İşbank, letters of guarantee totaling TL 377,205 and USD 54,000,000 in value. İşbank also holds senior mortgages over some of the Company's real estate properties amounting in total to USD 161,500,000 and TL 250,000,000. At the end of the reporting period, the Company's accounts showed that it owed the equivalent of USD 229,966,088 to İşbank on account of its borrowings from that bank.

In addition, payments were made in the respective amounts of TL 18,378,605 and TL 221,621,396 to T. Şişe ve Cam Fabrikaları A.Ş. and to Anadolu Cam Sanayi A.Ş. for the land purchased in 2013.

More detailed information about the related-party transactions which the Company was involved in during 2013 is provided in footnote 24 ("Related-party transactions") to the Company's financial statements provided elsewhere in this report.

In the "Conclusions" section of the "Affiliated Companies Report" published in compliance with the requirements of article 199 of the Turkish Commercial Law (Statute 6102), which went into effect on 1 July 2013, the following statement is made: All of the Company's dealings with its principal shareholder İşbank and with other members of the İşbank Group are in the nature of ordinary transactions

which are carried out on an arm's-length basis as part of the Company's normal business activities. The Company was adequately and appropriately compensated for each and every such transaction that it entered into at the time the transaction occurred. The conclusion reached is that there were no measures taken or refrained from which might have caused the Company to suffer a loss.

Suits Initiated Against the Company During the Reporting Period

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

Administrative or Judicial Action Initiated Against the Company or the Members of Its Governing Bodies

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

Legal Action Involving Other Group Companies

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

Transactions Involving Individuals Who Have Privileged Access to Company Information

No shareholder having management control over the Company, nor any Member of the Company's Board or of its senior management with administrative responsibility, nor any other person with privileged access to company information save for any of their spouses or their relatives by blood or by marriage unto the second degree informed the Board of Directors on any matter for incorporation in the agenda for provision of information at the General Assembly about transactions they were engaged in on their own behalf, which fall within the Company's object and scope.



Changes Made in Regulations during the Reporting Period

Changes Made in the Communiqué on Principles Regarding Real Estate Investment Companies

During the reporting period, the CMB abolished the Communiqué Serial:VI No: 11 on the Principles Regarding Real Estate Investment Companies, and published the Communiqué (III-48.1) on the Principles Regarding Real Estate Investment Companies. In essence, the said Communiqué;

- Sets out that at least 51% of a REIT's total assets should be constituted by real estate investments, and core activity field should be real estate investments,
- Abolished the obligation to have a leader entrepreneur, and processes involved in incorporation and transformation were simplified,
- Stipulates that permission of the CMB is required only in the case of transfers that result in a change in management control from among post-IPO share transfers, whereby procedural obligations of REITs were reduced without leading to a loss in efficiency in the designation of shareholders having management control in the REIT,
- Expanded special decisions to cover all related parties and transactions; imposed the obligation to publicly disclose certain information in the event of provision of consultancy, management or construction service from related parties, thereby targeting to ensure more efficient disclosure to investors and increase transparency in related party transactions,
- Allowed REITs to issue real estate certificates, thus increasing their funding facilities,
- Introduced a provision concerning the responsibility of the Board Member, or the relevant managing director if authorized, with respect to the obligations specified in the Communiqué, thus clarifying the responsibilities of the real entity and its executives.

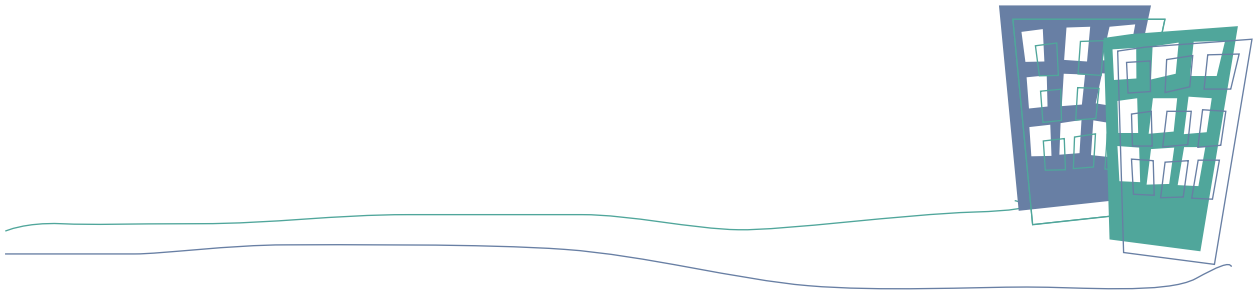
Communiqué on the Principles Regarding Real Estate Investment Companies (Serial:III, No:48.1) is accessible at www.spk.gov.tr.

Changes Made in the Communiqué on the Determination and Implementation of Corporate Governance Principles

The CMB published communiqués amending the Communiqué on the Determination and Implementation of Corporate Governance Principles during the year.

The outcomes of these changes are presented below:

- The "competition" issue was clarified as referred to in the relevant principle concerning the engagement of shareholders having management control, Board members, senior executives and their spouses and relatives by blood or marriage unto the second degree in transactions that might lead to a conflict of interest with the Company or its subsidiaries or to compete with the Company or its subsidiaries, and the obligation to get prior approval from the General Assembly for such transactions was abolished.
- Although the Corporate Governance Principles no longer obligate the General Assembly's approval, Board members must seek the approval of the General Assembly in order to transact with the Company, to borrow from the Company or to engage in a transaction of a commercial business nature that falls within the Company's business scope pursuant to the TCL.



- It has been added to the principles that the provision of Article 29/6 of the Capital Market Law will be applied when General Assembly decisions are passed in relation to transactions of a material nature as determined under the Corporate Governance Principles.
- The percentage of capital has been increased from 5% to 10% which was referred in the following principle: "neither the individual, nor his/her spouse, nor any relative of his/her whether by blood or by marriage unto the second degree, has, within the most recent five years, entered into any direct or indirect relationship involving employment in a position involving important duties and responsibilities, capital, or any commercial interest of a significant nature, with the Company, or with any related parties of the Company, or with any corporate entity whose shareholders control, whether directly or indirectly, a 5% or greater interest in the Company's capital or management".
- While the previous version required the approval of the majority of Independent Members for Board decisions relating to any Company transaction with related parties or relating to furnishing guarantee, pledge or mortgage in favor of third parties, the revised principle now incorporates the description "of a material nature" for the transactions, thus narrowing down the scope of the provision of the relevant article.
- Two new paragraphs were supplemented to Article 5 of the Communiqué. The paragraphs supplemented enable the CMB to appoint a board member ex officio to companies experiencing disputes among its shareholders or whose boards are stuck, so as to ensure implementation of corporate governance principles.

Consumer Protection Law no. 6502

"Consumer Protection Law no. 6502" was published in the Official Gazette on 28 November 2013 and will go into force six months after its publication date.

The new legislation has implications both with respect to the commencement timing of pre-sales and also for the REITs that sell units under promise to sell real estate agreements, which are made within the scope of pre-sales.

Although the new Consumer Protection Law no. 6502 includes some provisions that are aligned with those contained in the former Law no. 4077, it is understood from the wording of the new law that difficulties in implementation will be eliminated and the Ministry of Customs and Trade will carefully monitor that the provisions are implemented by the entire sector through the newly added provisions, as well as parallel provisions.

(*) On 03 January 2014, the CMB published the "Corporate Governance Communiqué (II-17.1)", which superseded the "Communiqué Serial: IV No: 56 on the Determination and Implementation of Corporate Governance Principles".



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

İş REIT's Portfolio

İş REIT's real estate portfolio consists of:

- Offices (37%)
- Hotel (1%)
- Shopping malls and hypermarkets (26%)
- Ongoing projects (34%)
- Lands (1%)
- Residences (1%)

Commercial Properties

- İstanbul İş Towers Complex (Tower 2 - Tower 3 - Kule Çarşısı Shopping Mall)
- Ankara İş Tower
- İstanbul Maslak Office Building
- Marmaris Mallmarine Shopping Mall
- Ankara Ulus Office Building
- Ankara Kızılay Office Building
- Antalya Office Building
- İstanbul Kanyon Shopping Mall
- İstanbul Real Hypermarket Building
- İstanbul Sirkeci Office Building
- İstanbul Güneşli Office Building
- İstanbul Marmara Park Shopping Mall
- Nevşehir Lykia Lodge Kapadokya Hotel

Real Estate Projects

Ongoing Projects

- İzmir Ege Perla Project
- İstanbul Tuzla Technology & Operation Center Project
- İstanbul Tuzla Mixed-Use Project

Completed Projects

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

Planned Projects

- İstanbul International Financial Center Project
- İstanbul Kartal Project
- İstanbul Topkapı Project

Lands

- İstanbul Levent İş Towers vacant land (7,613 m²),
- İstanbul Üsküdar land (32,081 m²)

Seven Seas Hotel and Kemer Imperial Hotel were sold on 2 August 2013. Rental income received from these hotels during 2013 amounted to TL 9,681 thousand.



İstanbul İş Towers Complex (Tower-2, Tower-3, Kule Çarşı Shopping Mall)



Rising in Levent, one of the central locations in İstanbul, İş Towers is a complex consisting of two office towers and a shopping mall midway along the thoroughfare linking Mecidiyeköy and Maslak.

The complex has established itself as one of İstanbul's iconic landmarks with its two office towers, each consisting of 34 storeys of which 27 are leasable and Kule Çarşı, a mall with 48 independent sections.

İş Towers is distinguished by virtue of its robust infrastructure, state-of-the-art technology, and outstanding architectural concept. Designed and developed to be an eco-friendly building, the complex is as mindful of the expectations of the future as of those of the present.

Primary choice of top-notch, financially solid domestic and foreign firms, İş Towers is also preferred for its convenient accessibility. Most of İş Towers' independent units are let on leases whose average term is five years.

In addition to the Tower 2, Tower 3 and Kule Çarşı Shopping Mall, İş Towers complex is home to the 52-storey headquarters building of İşbank, the İş Art and Culture Center with its 800-seat auditorium and art gallery, and a 479-vehicle car park.



Location
İstanbul Province,
Beşiktaş District,
Levent Quarter

Gross Area

80,124 m²

Acquisition Date

1999

Ratio of Rental Income
to Total Rental Income

32.8%

2013 Rental Income
(TL thousand - excl. VAT)

34,975

Appraised Value
(TL thousand)

550,000

İstanbul, Levent Land

Area

7,613 m²

Acquisition Date

1999

Appraised Value
(TL thousand)

1,175

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



Ankara İş Tower



Ankara İş Tower is erected in the Kavaklıdere district of Ankara as a modern structure with an aesthetic architecture.

Consisting of three blocks of offices located on a total of 29 storeys, Ankara İş Tower is a benchmark in the development of modern architecture in Turkey.

Noted as the tallest skyscraper in our country when it was built, Ankara İş Tower is a prestigious building successfully blending functionality with architectural aesthetics.

Having served as the headquarters of İşbank from 1975 to 1999, its present tenants are the Banking Regulation and Supervision Agency and İşbank.



Location
Ankara Province,
Çankaya District,
Kavaklıdere Quarter

Gross Area

26,488 m²

Acquisition Date

1999

**Ratio of Rental Income
to Total Rental Income**

7.8%

**2013 Rental Income
(TL thousand - excl. VAT)**

8,307

**Appraised Value
(TL thousand)**

100,000



İstanbul Maslak Office Building



Situated along the Levent-Maslak thoroughfare considered as İstanbul's financial and commercial hub, Maslak Office Building is a 12-storey office space.

Its ease of accessibility arising from its location, coupled with its commercial potential, makes the building a preferred choice for businesses. Current tenants of the Maslak Office Building are OMW Petrol Ofisi A.Ş. and İşbank.



Location
İstanbul Province,
Şişli District, Ayazağa
Localty

Gross Area

12,904 m²

Acquisition Date

2001

Ratio of Rental Income
to Total Rental Income

3.7%

2013 Rental Income
(TL thousand - excl. VAT)

3,958

Appraised Value
(TL thousand)

72,605



Ankara Ulus Office Building



Located in the Ulus district of Ankara, the Office Building was built in 1924.

Having served as İşbank's second headquarters, the building is an iconic structure by virtue of its economically active location, as well as for its architectural and historical associations. Ulus Office Building is let to İşbank on a 15-year lease.



Location
Ankara Province,
Altındağ District, Ulus
Quarter

Gross Area

6,194 m²

Acquisition Date

2004

**Ratio of Rental Income
to Total Rental Income**

3.3%

**2013 Rental Income
(TL thousand - excl. VAT)**

3,517

**Appraised Value
(TL thousand)**

25,500



Ankara Kızılay Office Building



Kızılay Office Building is situated in the Kızılay district, the commercial hub of Ankara.

The building is held by İşbank under a 15-year lease.



Location
Ankara Province,
Çankaya District,
Kızılay Quarter

Gross Area

5,175 m²

Acquisition Date

2004

**Ratio of Rental Income
to Total Rental Income**

2.8%

**2013 Rental Income
(TL thousand - excl. VAT)**

2,962

**Appraised Value
(TL thousand)**

24,271



Antalya Office Building



Situated in Antalya, the Office Building stands out both with its location and its high commercial potential.

Boasting a modern architectural design, the building is held by İşbank under a 15-year lease.



Location
Antalya Province,
Merkez District

Gross Area

3,353 m²

Acquisition Date

2004

Ratio of Rental Income
to Total Rental Income

1.4%

2013 Rental Income
(TL thousand - excl. VAT)

1,482

Appraised Value
(TL thousand)

14,575



İstanbul Sirkeci Office Building



Located in Sirkeci, a favorite district in the Old City that stands out with its historical heritage, **İstanbul Sirkeci Office Building** preserves its commercial value.

Occupying 4,170 m², the six-storey building is held by İşbank under a 15-year lease.



Location
İstanbul Province, Fatih
District, Sirkeci Quarter

Leasable Area

4,170 m²

Acquisition Date

2008

Ratio of Rental Income
to Total Rental Income

2.7%

2013 Rental Income
(TL thousand - excl. VAT)

2,907

Appraised Value
(TL thousand)

32,000



İstanbul Güneşli Office Building



The İstanbul Güneşli Office Building sits in Güneşli, the new commercial center of İstanbul, just six kilometers from Atatürk Airport.

Held by İşbank under a 15-year lease, the five-storey Güneşli Office Building occupies 20,805 m² grounds.



Location
İstanbul Province,
Küçükçekmece
District, Halkalı Quarter

Leasable Area

20,805 m²

Acquisition Date

2008

Ratio of Rental Income
to Total Rental Income

4.6%

2013 Rental Income
(TL thousand - excl. VAT)

4,951

Appraised Value
(TL thousand)

43,000

 İstanbul Kanyon Shopping Mall



Situated in the Levent district of Şişli township in İstanbul, Kanyon Shopping Mal is recognized as one of the most original and prestigious projects not just in Turkey but in all of Europe.

Born out of a joint venture between İş REIT and the Eczacıbaşı Group, Kanyon is a complex in its own right covering residential flats, offices and shopping center.

Set on an area of 38,940 m² and consisting of four storeys and 130 stores, Kanyon Mall is home to nine cinemas, a gym, a health center, bars, cafés, restaurants, and an indoor/outdoor swimming pool. Set apart from its peers with its open-air mall concept, Kanyon also houses residential units and offices.

Kanyon Mall, an earthquake-resistant structure, is built in compliance with national and international earthquake regulations. A prestigious project including houses with gardens, terraces or balconies at the heart of İstanbul, combined with a highly convenient and modern architecture, Kanyon is not just a shopping mall, but a living space frequently preferred by its visitors.

Initiated in mid-2011, the V2.0 project went live with the goals of enhancing customer and user comfort and satisfaction, and increasing the productivity and functionality of leasable area use. While the project pays regard to the evolving trends of Kanyon visitors, new brands and concepts were welcomed, leading to brand diversification and fulfillment of the guests' expectations to a large extent.

The turnover per square meter that went up in the mall in 2011-2012 also triggered a lively episode in trade. This activity reflected indirectly on rental income, resulting in an increase. Under the V2.0 project, the property value of Kanyon went up in line with the rise in rental and advertising income. Based on the mall's positioning as an "Urban Life Center" which was solidified with the V2.0 project and sets Kanyon apart from its peers, Kanyon sustained its leadership in the sector, remaining the primary choice in shopping, as well as in wining, dining and entertainment.



Location
İstanbul Province, Şişli
District, Levent Quarter

Net Area

38,940 m²

Opening Date

2006

Ratio of Rental Income
to Total Rental Income

24.7%

2013 Rental Income
(TL thousand - excl. VAT)

26,342

Appraised Value
(TL thousand)

365,000

* İş REIT holds the rights to a total of 18,853 m² of space in the shopping mall. Both the appraised value and the estimated rental income are calculated on the basis of this area.



Muğla Marmaris Mallmarine Shopping Mall



Located in Marmaris that has an important place in Turkey's tourism, Mallmarine Shopping Mall is the first modern mall established in the district.

Consisting of 30 independent sections, Mallmarine is a center of attraction for both domestic and international tourists.



Location
Muğla Province,
Marmaris District,
Kemeraltı Localty,
Atatürk Street

Net Area

3,172 m²

Acquisition Date

2001

Ratio of Rental Income
to Total Rental Income

0.5%

Appraised Value
(TL thousand)

9,187

2013 Rental Income
(TL thousand - excl. VAT)

508



Istanbul Marmara Park Shopping Mall



Situated in Esenyurt, İstanbul, Marmara Park Shopping Mall has been developed upon transfer of our Company's building rights on the property registered under parcel no. 110 to ECE Turkey.

Under the agreement for the transfer of building rights, İş REIT books about USD 4.6 million a year as rental income for having assigned its building rights.

Having a gross leasable area of approximately 74,000 m² and parking space for about 4,000 vehicles, Marmara Park Shopping Mall is among the biggest malls in Europe. Having opened its doors in October 2012, the shopping mall is the first one in Turkey that has implemented a galaxy design theme.

With more than 250 stores, a vast hypermarket, a DIY center, a huge consumer electronics outlet, cinemas, and an amusement park, İstanbul Marmara Park Shopping Mall offers its visitors a wide variety of options and products to choose from, along with unlimited fun.



Location
İstanbul Province,
Esenyurt District

Gross Area

62,347 m²

Appraised Value
(TL thousand)

96,600

2012 Superficies Right
Income (TL thousand -
excl. VAT)

9,463

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



İstanbul Real Hypermarket Building



Set in the Esenyurt district that has recently made its name with significant residence projects the Real Hypermarket Building went into service in 2007.

Developed by İş REIT, the project has a covered area of 53,479 m².

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

While the Real Hypermarket offers its customers a comfortable and enjoyable shopping experience to its customers with its 6-meter aisles and 8-meter ceiling, it contains more than 40,000 food and non-food products.



Location
Istanbul Province,
Esenyurt District,
Yakuplu Localty

Project Area

109 parcel

Enclosed Area

53,479 m²

Opening Date

2007

Appraised Value
(TL thousand)

79,500

2013 Rental Income
(TL thousand - excl. VAT)

4,766

Ratio of Rental Income
to Total Rental Income

4.5%



Nevşehir Lykia Lodge Kapadokya Hotel



Lykia Lodge Kapadokya Hotel is situated in Nevşehir that boasts fascinating historical and geographical heritage.

Taking its architectural inspiration from Nevşehir's historical heritage, the facility offers its guests a privileged and comfortable stay with its high quality management and service. The four-star Lykia Lodge Kapadokya Hotel that has 146 rooms and 291 beds is operated by Silkar Turizm under a twelve-year lease.

Set in Cappadocia, one of the crossroads of tourism, the facility also stands out with its architecture that reflects the geographical and historical texture of the Central Anatolia Region.

Lykia Lodge Kapadokya Hotel offers its guests seeking a relaxing, rejuvenating and entertaining vacation a unique experience with traditional flavors reflecting the rich culinary culture of the region offered in two indoor and outdoor restaurants, and with sports and amusement activities including basketball, volleyball, tennis on quartz sand court, mini football, billiards, table tennis, swimming pools and orchards.



Location
Nevşehir province,
Uçhisar town

Enclosed Area

28,827 m²

Acquisition Date

2010

Ratio of Rental Income
to Total Rental Income

1.6%

2013 Rental Income
(TL thousand - excl. VAT)

1,747

Appraised Value *
(TL thousand)

19,000

* The appraised value indicated above is calculated on the basis of three real estate properties: 28,827 m² of land registered in Block 2; Lykia Lodge Kapadokya Hotel, a four-star hotel located on the land; and 11,409 m² of land registered in Block 3 at the same location.



İstanbul Tuzla Çınarlı Bahçe



Having an area of 41,000 m², Çınarlı Bahçe housing project is located in Istanbul's Tuzla township.

Consisting of 476 units, the project offers the beauties of a "New Life in İstanbul" in comfortable houses designed in a modern architecture with great attention to detail.

Providing its residents a green living space with its rich landscaping and protected woods, Çınarlı Bahçe project's contractor was Mesa Mesken Sanayii A.Ş. Sales of units began by late October 2011, and life began on the compound in August 2013. 427 out of the 476 housing units were surrendered to their owners. Kanyon Ltd. Şti. has been designated as the operating company in order to ensure high quality and high-standard management of the project following delivery. All required tasks have been handed over to the Company, which is selected with a careful consideration of its references to date and which has started activities.

Having a total sellable area of approximately 58,000 m², the project's total development costs amounted to nearly USD 66 million, including land. While the sales activities commenced in the last week of October 2011, about 97% of the units on the market had been sold as at year-end 2013. On this basis, about 3% of the remaining units are still up for sale.



Location
İstanbul Province,
Tuzla District

Total Land Area

41,000 m²

Total Sellable Area

58,000 m²

Total Number of
Houses

476

Number of Houses
Held for Investment

30

Total Appraised Value
(TL thousand)

90,000

Appraised Value of Assets
Held for Investment
(TL thousand)

12,317



İstanbul Taksim Office Lamartine



Office Lamartine project was developed on a 578.72 m² site in Taksim İstanbul's the busiest, high-potential spot.

Located at the intersection of Cumhuriyet and Lamartine avenues, the office project is intended to meet the need for office spaces in the area with a leasable area of 3,856 m². Total development costs, including land, amounted to USD 13.5 million and the project was brought to completion in March 2013. The negative developments across the country bore an impact specifically on this area, as well. Therefore, the letting efforts were interrupted, even though shortly, but regained speed toward the end of the year. Having reached 40% on the basis of leasable square meters during the year, the occupancy rate is anticipated to reach nearly 90% by the end of the coming year.



Location
İstanbul Province,
Beyoğlu District, Şehit
Muhtar Localty

Leasable Area

3,856 m²

2013 Rental Income
(TL thousand - excl. VAT)

546

**Ratio of Rental Income
to Total Rental Income**

0.5%

Appraised Value
(TL thousand)

41,000

Ongoing Projects



İşbank Technology and Operation Center



Located in the high-potential, up-and-coming township of Tuzla on a 44,395 m² property, İşbank Technology and Operation Center Project will house the bank's information technology and data-storage units, training facility and accommodations for trainees. The project is being developed for İşbank on a turnkey-delivery basis and has been leased to the bank for a period of 25 years. The forecasted rental income to be generated on the project, which will have a leasable area of approximately 184,500 m², is USD 24 million per year.

Tuzla and nearby districts are fast becoming a center of commercial attraction particularly recently, due to businesses that relocate their headquarters and/or operational departments to the area.

The project's infrastructure, technological fitting and modern structure are believed to drive development in and around Tuzla.

About 30% of the building work has been completed and the project is slated for completion in 2015.



Istanbul Tuzla Mixed-Use Project



Tuzla mixed-use project is located right next to the Technology and Operation Center property in Istanbul's fast-developing township of Tuzla that offers great potential in terms of business and commerce. Developed on a land with an area of 21,305 m², the project is planned to include a small shopping mall and office spaces.

Planned to be used as a central plaza linking the two projects that will serve as a common area in which users and visitors on both sides can come together, Tuzla mixed-use project is intended to ensure continuity of activities on the two parcels.

The project's design and architectural works are being carried out by Skidmore, Owings & Merrill LLP (SOM), a world-famous architectural and engineering firm, and by Design Group. Nearly 36% of the soil works of the project have been completed and it is slated for completion in 2015. During 2013, activities continued to let the relevant spaces in the project to tenants.



İzmir Ege Perla Project



Located in İzmir, Turkey's third biggest city, Ege Perla is being developed on an area of 18,392 m². Situated within the borders of Konak township and regarded as the city's "New City Center", Ege Perla İzmir consists of;

- A shopping mall with about 25,000 m² of leasable area,
- residential and home-office units in different sizes and plans ranging from 1+1 to 5+1 executive unit.



The first mixed-use project to be undertaken in the area, Ege Perla has an investment value of approximately USD 170 million. Inspired by the old İzmir houses, the project is designed by world-renowned architect Emre Arolat to blend seamlessly into İzmir's lifestyle.

Potential buyers' demands began to be collected by mid-October for Ege Perla, where units went on sale on 7 November 2012. By the end of the year, 60% of the units on sale had been sold. Slated for completion by the end of 2015, the project's building activities are in progress.

CEFIC, a firm with 19 years of experience in the sector and an expert team, has been engaged to handle the leasing of the shopping mall included in the project.

Planned Projects



İstanbul International Financial Center Project

A property has been purchased with the target of developing a mixed-use project consisting of office and commercial spaces in İstanbul International Financial Center, which will become the capital of finance in İstanbul and enjoys an extremely advantageous position owing to its proximity to the city's main traffic arteries. The project will have a leasable/sellable area of approximately 30,000 m². The realization of the project will require a forecasted investment cost of nearly USD 120 million. The plans for the area are expected to be clarified with the completion of tendering processes to be carried out in the period ahead, and construction is anticipated to commence concurrently.



İstanbul Kartal Project

A mixed-use project consisting of residential units, commercial and office spaces is planned to be developed on an area of 77,327 m² located in Kartal, İstanbul. During 2013, initial work in relation to the project has been commenced and the architecture firm was designated. With an anticipated investment cost of about USD 300 million, the project is believed to be of a nature to add value and drive the standards upwards when completed. The project's details will be shared during 2014.



İstanbul Topkapı Project

Home to the former Topkapı Plant, the properties located in the Zeytinburnu township of İstanbul has been purchased for the development of a joint project with NEF.

The property was jointly bought at a price of TL 320 million, 75% of which has been borne by İş REIT and 25% by NEF (Timur Gayrimenkul).

It is planned to clarify the details of the İstanbul Topkapı project in 2014, which will be made public thereafter.



The Independent Auditors' Report Related to Annual Report

CONVENIENCE TRANSLATION INTO ENGLISH OF THE INDEPENDENT AUDITORS' REPORT RELATED TO ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

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

1. As a part of our independent audit procedures, we have evaluated whether the financial information, discussions and explanations of the Board of Directors included in İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company")'s Annual Report as of 31 December 2013 are consistent with the audited financial statements as of the same date.
2. Management is responsible for the preparation of such annual report in accordance with the "Legislation on Determination of Minimum Content Requirements For Companies' Annual Reports" and "Communique on Financial Reporting by Companies in Capital Markets".
3. Our responsibility, as independent auditors' of the Company, is to express an opinion on whether the financial information included in the Annual Report is consistent with the audited financial statements in the Independent Auditors' report dated 3 February 2014.

Our evaluation is based on the principles for the preparation and publication of annual reports as promulgated by "Turkish Commercial Code numbered 6102". These principles require us to

plan and perform procedures to obtain reasonable assurance on whether there is a material misstatement on the consistency of the financial information included in the Annual Report with the audited financial statements and any supporting information obtained by independent auditor during the audit.

We believe that our evaluations are sufficient and appropriate to provide a basis for our opinion.

4. In our opinion, the financial information, discussions and explanations by the Board of Directors included in the accompanying Annual Report are consistent with the audited financial statements of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi as of 31 December 2013.

İstanbul
26 February 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Orhan Akova
Partner



Dividend Policy

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

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

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

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

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

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



Profit Distribution Table

İŞ REAL ESTATE INVESTMENT TRUST Profit Distribution Table for the Year 2013 (TL)			
1. Paid-in/Issued Capital		630,000,000	
2. General Legal Reserve (based on legal records)		24,507,988.51	
Information regarding privileges in profit distribution according to the Articles of Association, if any, information on such privileges		There are no privileges in profit distribution	
		Based on CMB	Based on Legal Records
3.	Profit for the Period	116,156,720.00	99,314,260.59
4.	Taxes (-)	0.00	0.00
5.	Net Profit for the Period(=)	116,156,720.00	99,314,260.59
6.	Prior Period Losses (-)	0.00	0.00
7.	General Legal Reserve (-)	4,965,713.03	4,965,713.03
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD(=)	111,191,006.97	94,348,547.56
9.	Donations Made within the Year (+)	0.00	
10.	Net Distributable Current-Year Profit Including Donations	111,191,006.97	94,348,547.56
11.	First Shareholders Dividend	81,900,000.00	
	- Cash	31,500,000.00	
	- Bonus	50,400,000.00	
	- Total	81,900,000.00	
12.	Dividends For Preferred Shareholders	0.00	
13.	Dividends For Others	0.00	
	- Board Members	0.00	
	- Employees	0.00	
	- Other than Shareholder	0.00	
14.	Dividends For Usufruct Shares	0.00	
15.	Second Dividend to Shareholders	0.00	
16.	General Legal Reserves	0.00	
17.	Statutory Reserves	0.00	
18.	Special Reserves	0.00	
19.	EXTRAORDINARY RESERVES	29,291,006.97	12,448,547.56
20.	Other Sources for Distribution	0.00	0.00

DIVIDEND RATIO TABLE

	GROUP	TOTAL DIVIDENDS		TOTAL DIVIDENDS/NET DISTRIBUTABLE PERIOD PROFIT	OF TL 1 NOMINAL VALUE DISTRIBUTED PROFIT	
		CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
NET	A	45,000.00	72,000.00	0.10522%	0.13	13%
	B	31,455,000.00	50,328,000.00	73.55181%	0.13	13%
	TOTAL	31,500,000.00	50,400,000.00	73.65704%	0.13	13%



Corporate Governance Principles Compliance Report

1. Statement of Compliance with Corporate Governance Principles

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

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

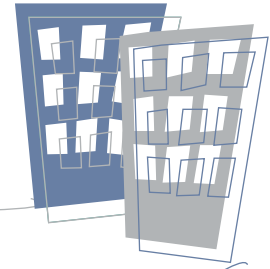
Our company exercises the necessary sensitivity for compliance with Corporate Governance Principles, and established the Corporate Governance Committee in 2007. The Committee's primary duties include monitoring compliance with corporate governance principles, undertaking improvements in these areas, and presenting recommendations to the Board of Directors. The Committee follows up the changes in legislation, with a particular focus on investor relations activities in respect of capital markets, and regularly reviews the Company's corporate governance

practices, constantly identifies improvement areas, and continually improves the Company's corporate governance system through new implementations enforced.

The Company's Articles of Association, which had been previously reviewed and revised within the frame of compliance with Corporate Governance Principles, have been amended in line with the provisions of the new Turkish Commercial Law and the new Capital Market Law that went into force. Necessary permissions for amending the Articles of Association have been obtained from the CMB and the T.R. Ministry of Customs and Trade. The approved draft amendments to the Articles of Association have been made available for our shareholders' information and review on the Public Disclosure Platform and on the corporate website. The text of the amended articles approved at the General Assembly Meeting held on 26 March 2013 was registered on 04 April 2013 and promulgated in the Turkish Trade Registry Gazette issue 8297 dated 10 April 2013. The amended text was also translated into English, and posted on the corporate website, thus keeping foreign investors informed about the subject.

Believing in the importance of corporate governance principles and having paved considerable way in corporate governance practices, the Company receives corporate governance rating service from the JCR Eurasia Rating. Following the annual review of the rating assigned to the Company for its Compliance with the CMB Corporate Governance Principles, JCR Eurasia upgraded the corporate governance rating to 8.81, revising its outlook as stable. The Company was given the following ratings in the four main sections: Shareholders 8.78, Public Disclosure and Transparency 9.16, Stakeholders 8.32, Board of Directors 8.79.

According to JCR Eurasia Rating's methodological infrastructure and notation representation, the level of overall convergence of the Company with the



principles of corporate governance corresponds to the [AAA (Trk) / Distinctive] category and its degree to the level of [a/ Excellent]. The results indicate at a high level of compliance with the corporate governance principles by the Company. In addition, JCR's ratings are internationally recognized.

JCR Eurasia is posted on the Company website in the "Investor Relations" section, under the heading "Corporate Governance".

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

PART I - SHAREHOLDERS

2. Investor Relations Unit

The Company's "Investor Relations Unit" has been active since 28 January 2005 within the relevant regulations of the CMB. Prior to each meeting, the Unit prepares a report to be submitted to the Board of Directors about the Unit's activities during the period, investor's remarkable comments and recommendations, and brokerages' comments and assessments about the Company. The Unit participates in the Board of Directors meetings, as and when necessary, and provides detailed information on the subject.

The Company's Investor Relations Unit operates under the name "Investor Relations and Corporate Compliance" within the "Investor Relations and Corporate Compliance, Risk Management and Internal Control Group". The Unit manager is Ayşegül Şahin Kocameşe, Head of the Investor Relations and Corporate Compliance, Risk Management and Internal Control Group. The Unit manager holds Capital Market Activities Advance Level License and Corporate Governance Rating Specialist License.

Contact details for the unit are presented below:

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

Investor Unit is also responsible for the consistent and effective management of the exercise of shareholders' rights, for public disclosure and provision of company-related information, and for overseeing matters related to the conduct of General Assembly Meetings and share capital increases.

During the reporting period, one-on-one meetings were held with domestic and international investment companies at the Company's headquarters, through which contact was established with almost 65 people. In addition to investor meetings organized at the Company's headquarters, teleconferences were held upon request. The majority of firms met with during the reporting period consisted of foreign brokerages' and asset management companies' analysts and fund managers, and the analysts and fund managers of domestic investors.

During the year, the Investor Relation Units responded to nearly 210 queries, most of which were received by email. Comprehensive information requests received from local, foreign, individual or corporate investors were responded to with careful observation of all matters with respect to public disclosure, and particularly the legislation and the Company's Disclosure Policy. About 78% of all requests for information were received from institutional investors; the remaining 22% consisted of queries from others about a variety of matters.



Corporate Governance Principles Compliance Report

Shareholders are able to request information either by directly contacting the Investor Relations Unit employees or by sending an email to the Unit's email address or using the contact form on the website.

In addition to investors' queries, the Unit also responds to information requests and surveys sent within the scope of research conducted by universities and various public institutions, as well as detailed information requests received from brokerages at the time of company coverage report preparation, thus supporting the activities of such institutions.

The questions raised at investor meetings and the queries directed to the Investor Relations Unit generally deal with such issues as the projects being developed by the Company, the course of rental income, the Company's financial statements, and its dividend policy. The Investor Relations Unit maintains proper records both of the written and oral queries that it receives and of the responses that it gives to them. Besides handling requests for information made to the Company, this Unit also regularly monitors the reports and bulletins published by brokerages in which any mention of the Company is made.

In addition, the Investor Relations Unit, which acts as an effective channel of communication between the Company and its shareholders, attended all meetings of the Corporate Governance Committee in an advisory capacity during the reporting period, and provided the Committee with information about its activities, important developments during the reporting period and regulatory changes that concern the investor relations activities. The Unit also played an active role in the improvement and rating of corporate governance practices.

3. Exercise of Shareholders' Right to Obtain Information

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

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

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

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

During the reporting period, the Company allocated the corporate website as required by the Regulation governing the websites of equity companies published by the Ministry of Customs and Trade, and incorporated the "Information Society Services" section. Investors link to the MKK portal via the Information Society

Services section and are able to access fundamental information about the Company.

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

Care is taken to publish announcements about the Company's activities, which will take place in the press, in national editions of newspapers with high circulation numbers. In addition, news and documents concerning ordinary and extraordinary General Assemblies of Shareholders are also posted on the corporate website. Requests to appoint a special auditor have not been stipulated as an individual right in the Company's articles of association. During the reporting period, our company did not receive any requests for the appointment of a special auditor.

4. Information About General Assembly

The Annual General Assembly of Shareholders for 2012 convened on 26 March 2013 at the address İş Kuleleri, Kule 1 , Kat: 41 Levent-Beşiktaş/İstanbul with 64.84% attendance, of which 64.84% were acting as proxies and 0.0001% were acting in person. Besides the shareholders, all Members of the Board of Directors and of the Board of Auditors participated in the meeting, as well as officials from the independent audit firm to give information about the Company's financial statements and the audited period, and company employees. Although the Company's articles of association contain no provisions precluding the media from attending the General Assembly, no members of the media attended the General Assembly convened.

Under the relevant requirements of the Turkish Commercial Law and the Ministry of Customs and Trade, the Company's General Assembly Meeting for 2012 was concurrently held on the Electronic General Meeting System hosted by the Central Registry Agency, and shareholders who are entitled to participate in the General Assembly Meeting were given the opportunity to electronically participate in the meeting, assign a proxy, make recommendations, voice their comments, and cast votes over this system.

The General Assembly process was conducted according to the Corporate Governance Principles and the provisions of the Turkish Commercial Law (TCL); in addition, the invitation for the meeting, including the agenda and the draft amendments, were published on the Public Disclosure Platform, the corporate website, the Electronic General Meeting System (e-GEM) of the MKK and in two national newspapers. In order to ensure that both Turkish and foreign investors were informed about meeting matters in advance, a "General Assembly Informative Document" was prepared in Turkish and English. This document, as well as the proxy form sample, the agenda and the dividend distribution proposal of the Board of Directors along with the invitation were all published on the Company website. The 2012 Annual Report was made available at the Company's headquarters and on the website for investor review 21 days before the meeting date. All documents prepared in relation to the General Assembly were also uploaded to the MKK's Electronic General Meeting System.

When preparing the agenda, the Board of Directors pays attention to take into consideration the matters communicated in writing by shareholders to the Company's Investor Relations Unit for their incorporation in the agenda. At the time the agenda for the 2012 Annual General Assembly was being prepared, no such requests have been received by the Company.

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

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

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



Corporate Governance Principles Compliance Report

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

Following the General Assembly, the meeting minutes were uploaded to the e-GEM, the minutes and the list of attendants were publicly disclosed via the Public Disclosure Platform, and was made available to shareholders by posting them under the heading "General Assembly Meetings" beneath the "Investor Relations" section of the Company website.

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

The Company Donations Directive, which was in force since December 2006, was superseded by the "Company Donations Policy", which sets out the principles and procedures applicable to the donations to be made by the Company. The policy was ratified at the Annual General Assembly for 2011.

As per Article 19 of the Capital Market Law, the limit of the donations to be made by a company is to be set at the General Assembly. Under İş REIT's Company Donations Policy, the donation budget set aside for the Company's donations during 2013 and approved by the General Assembly is TL 115,000. The Company did not make any donations in 2013. This matter will be presented for the information of the General Assembly pursuant to the Corporate Governance Principle numbered 1.3.10 and Article 6 of the CMB's Profit Share Communiqué (II-19.1).

A supporter of social solidarity, arts and sport, as well as the sector's development, the Company became the sponsor of Konak Municipality Women's Handball Team in 2013 and provided a support of TL 250,000 for fulfillment of the team's needs in the 2013-2014 season. This matter will also be presented for the information of the General Assembly.

During the General Assembly Meeting held during the year, Board of Directors Members were authorized to transact under Articles 395 and 396 of the TCL concerning "prohibition on doing business with the Company, on borrowing from the Company" and "non-compete". During the reporting period, neither the Board Members, nor shareholders having management control, nor executives with administrative responsibility or their spouses or relatives by marriage unto the second degree engaged in any material transaction that might lead to a conflict of interest between the Company or its subsidiaries, performed a transaction of a commercial business nature on own or another's behalf that falls under the business scope of the Company or its subsidiaries, or joined another company dealing with the same kind of commercial affairs in the capacity of an unlimited partner.

5. Voting Rights and Minority Rights

The Company's capital is divided into 630,000,000 shares, which are made up of Group A shares that correspond to TL 900,000 and Group B shares that correspond to TL 629,100,000. Group A shareholders have the privilege of nominating candidates to the election for membership to the Board of Directors. One Member of the Board of Directors is elected from among the candidates nominated by Group B shareholders, with all of the remaining Members being elected from among the ones nominated by Group A shareholders. Candidates for the Board of Directors nominated by the parent company are presented for the information of the shareholders during the General Assembly and are appointed by the decision adopted in the General Assembly.

The Article 14 of the CMB Communiqué on the Principles Regarding Real Estate Investment Companies (III.48.1) sets out that shareholders in a REIT may issue shares incorporating the privilege of nominating candidates for election of Board Members. REITs are not allowed to issue any securities that grant privileges other than the one to nominate candidates to the election of Board of Directors membership. Accordingly, the Company's articles of association contain no privileges regarding voting.

At the Company, each nominal value of TL 0.01 gives entitlement to one vote, and shareholders vote at General Assembly Meetings pro rata the total nominal value of the shares they hold, pursuant to Article 434 of the Turkish Commercial Law. Principles in relation to voting at General Assembly Meetings are set out in the Company's internal "General Assembly Operating Principles and Procedures Guidelines", which has been laid down for approval at the General Assembly and has been publicly disclosed. The Company's articles of association grant no privileges in relation to voting.

There are no companies with which the Company has cross-shareholding relationship.

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

6. Dividend Policy and Dividend Distribution Timing

During the reporting period, new provisions were added to the Company's Dividend Policy within the frame of the Corporate Governance Principles, in a manner that will not alter the Policy's main elements and essence. These new provisions were as follows:

- The dividend distribution proposal and timing will be discussed and decided upon at the General Assembly Meeting,
- There are no privileges regarding distribution of profit,
- In the event that the Board of Directors proposes against distribution of profit to the General Assembly, information on the reasons therefor and the usage manner of retained earnings will be presented to the shareholders at the General Assembly, included in the annual report, and disclosed publicly.

The Dividend Policy was ratified at the Annual General Assembly for 2012.

The current Dividend Policy of the Company is presented below:

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

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

The Board of Directors adopted a dividend distribution policy based on the principle of proposing to distribute at least 30% of the distributable profit in bonus shares or in cash to the General Assembly, while keeping a close eye on: maintaining the delicate balance between shareholders' expectations and the Company's need to grow, the Company's profitability.

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

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

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

At the Annual General Assembly for 2012 fiscal year, it was decided to distribute dividends in the total amount of TL 60,000,000 to shareholders: cash dividends worth TL 30,000,000 so that TL 0.1 (gross=net) (10%) dividend will correspond to each share with a nominal value of TL 1, and bonus shares worth TL 30,000,000. Cash dividend payout to shareholders was completed on 1 April 2013 and bonus share distribution on 17 May 2013.

The Board of Directors' proposal for distribution of 2013 period profit will be laid down for the approval of shareholders at the Annual General Assembly for 2013 fiscal year.



Corporate Governance Principles Compliance Report

7. Transfer of Shares

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

PART II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

First developed in 2005, the Company Disclosure Policy was updated in 2009 in line with the revised legislation, presented for the approval of the General Assembly and publicly disclosed. The Company's Disclosure Policy has been devised by the Board of Directors, which bears the responsibility and authority for monitoring, overseeing and improving the Policy. The Disclosure Policy is posted on the Company website under "Policies" under the heading "Corporate Governance" in the "Investor Relations" section.

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

Material event disclosures made during the reporting period were publicly disclosed via the "Public Disclosure Platform" in a manner to help with the decision-making of the individuals and institutions that will make use of the disclosure in an accurate, complete, intelligible, interpretable manner, easily accessible at low-cost, and were also posted in Turkish and in English on the Company website the same day. Pursuant to the CMB requirements regarding public disclosure of material events and in accordance with the decision of the Board of Directors, the individuals who are named in the list of authorized signatures to represent and bind the Company are designated

as individuals responsible for making material event disclosures.

Furthermore, the Company makes use of the "e-Governance: Corporate Governance and Investor Relations Portal" of the Central Registry Agency (MKK) and the "Information Society Services" link on the corporate website for provision of information to shareholders efficiently and accurately.

9. Company Internet Site and Its Content

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

The Company's shareholding structure, free from indirect and cross-shareholding relations, is updated to show also the non-corporate shareholders owning more than 5% share. Upon public disclosure of financial statements and notes, summary financial statements drawn up in English are posted on the English website pursuant to the capital market legislation.

The corporate website covers the elements as described in the Corporate Governance Principles, and the information posted on the website are regularly reviewed. The website is also monitored with respect to its compliance with applicable regulations in terms of its format and content.

During the reporting period, the Company allocated the corporate website as required by the Regulation governing the websites of equity companies published by the Ministry of Customs and Trade, and incorporated the "Information Society Services" section. Investors link to the MKK portal via the Information Society Services section and are able to access fundamental information about the Company.

Furthermore, under the service agreement made with Foreks Bilgi İletişim A.Ş., investors are provided with easy access to share performance, as well as to the Company's material event disclosures via a link on the home page.

10. Annual Reports

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

Care is taken to make sure that the annual report covers detailed information on Board Members and committees, as well as basic information about the Company's activities. In this frame, the annual report contains Board Members' résumés, their powers and responsibilities in the Company and the outside positions they hold, whether they make any transactions within the Company's main business scope under the Company's legal entity or on the Company's capital market instruments, whether they enter into a borrowing relationship with the Company. Other information covered by the report includes financial rights provided to Board Members and Independent Members' declarations of interest, operating principles of the Board of Directors, number of Board meetings held during the reporting period, attendance to meetings, number of decisions passed and information on the adoption manner of these decision; formation and operating principles of the committees set up under the Board of Directors, their activities during the reporting period, and the numbers of their meetings and decisions.

In addition, the annual report also addresses the major changes in legislation during the reporting period; disclosure of conflicts of interest, if any, between the Company and the providers of consultancy, rating, audit and assessment services; information on lawsuits brought against the Company during the year; administrative or judicial sanctions imposed against the Company or the members of the governing body; legal transactions with the Company group and disclosure of transactions performed by individuals having privileged access to company information.

PART III - STAKEHOLDERS

11. Keeping Stakeholders Informed

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

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

The sanctions applicable to company employees with respect to adherence to Code of Ethics take place in internal guidelines. Company employees can convey any transaction that contradicts with the legislation and are ethically inappropriate to the Audit Unit. An Ethics Hotline was set up during the reporting period, which will be used for stakeholders to convey any transactions deemed to contradict with the laws or the Company's ethical values to the Committee for Audit made up of Independent Board Members. An email account has been assigned for this line and email address has been announced on the corporate website. The Ethics Hotline can be accessed from the link <http://www.isgyo.com.tr/EthicalContact.aspx> on the website.

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

12. Stakeholder Participation in Management

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

The Company maintains constant communication with employees, pays due regard to their needs, and creates various platforms and mechanisms by which employees can convey their opinions and comments.



Corporate Governance Principles Compliance Report

Internal meetings are held, which are attended by company employees when necessary, and they play a significant role in the decision-making process of senior management.

Expectations and demands from all stakeholders involved with the Company are addressed on the basis of Code of Ethics and resolved through mutual communication. Contractual and other demands, requests and problems of real and legal persons, which the Company is dealing with in relation to rental agreements or promise to sell real property agreements, are forwarded to the Company's relevant committees through the Corporate Communications, Sales, Leasing and Marketing Group, and solution-oriented suggestions are discussed and decided on by these committees.

13. Human Resources Policy

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

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

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

The Company employs an "Open Door Policy" and establishes all necessary platforms for the most efficient use of communication tools. In view of the number of the Company's employees and its current organizational structure, a specific person has not been assigned as a representative to handle the relations with employees.

Employees' job descriptions were developed based on business analyses. Number of employees, on the other hand, was determined according to the units' workloads and on the basis of distribution of tasks in line with the demands of the Company's Groups. Employees are expected to embrace the performance-driven management concept and recognize that their individual involvement will contribute to customers and shareholders. Therefore, Company Performance Evaluation criteria and their printed results are shared with the employees. Employees who target to add value to their respective jobs are backed by the Human Resources and Education Department, and position themselves, gain access to self-development and manage their career objectives along with their managers.

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

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

14. Code of Ethics and Social Responsibility

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

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

Along the line, the Company extends support to numerous artistic and sports events, in addition to the activities carried out in the sector. The activities carried out with a view to allowing the young generation gain experience in the sector and to socially equip them coincide with our corporate mission that puts human at its core.

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

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

Acting upon the conviction that sustainable growth in all areas is crucial, and with its mission of creating desirable spaces for contemporary people and cities, İş REIT continued to support the sector's development and social solidarity as well as the arts and sports in 2013.

A supporter of social solidarity, arts and sport, as well as the sector's development, the Company became the sponsor of Konak Municipality Women's Handball Team in 2013 and provided a support of TL 250,000 for fulfillment of the team's needs in the 2013-2014 season.

İş REIT extended sponsorship support the Regional Education Seminar and the Assembly organized by Karşıyaka Rotary Club from 11 April through 14 April. During the event into which Karşıyaka Rotary Club put much effort and time, seminars were organized addressing various topics from personal development to the country's problems.

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

PART IV - BOARD OF DIRECTORS

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

Members of the Board of Directors:

Aydın S. Önder	Chairman, Non-Executive,
M Kemal Fettahoğlu	Vice Chairman, Non-Executive
Kemal Şahin	Board Member, Non-Executive
H. Cemal Karaoğlu	Board Member, Non-Executive, Independent
D. Sevdil Yıldırım	Board Member, Non-Executive, Independent
Engin Topaloğlu	Board Member, Non-Executive
Mete Uluyurt	Board Member, Non-Executive

Senior Management

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



Corporate Governance Principles Compliance Report

Within the frame of Corporate Governance Principles, a Nominating Committee was not set up at the Company, and its functions are fulfilled by the Corporate Governance Committee. Along the line, two Independent Members were nominated to the Corporate Governance Committee during the reporting period. The Corporate Governance Committee prepared evaluation reports establishing whether the candidates possessed the criteria of independence on 28 February 2013, and submitted them to the Board of Directors on the same dates. The Board of Directors finalized the list of nominees in the light of these evaluations and the finalized list of nominees was publicly disclosed.

During the reporting period, no events took place that compromised the independence of the Board Members. Declarations of interest by Board Members are on page 26.

Although there are no set rules on Board Members' undertaking other duties outside the Company, if they take on an executive role or hold a seat on the board of directors on, or offers consultancy service to, another company, this must not cause a conflict of interest. Also, as a basic principle, Independent Board Members must act so as to maintain the independence criteria described in the Principles. The external positions held by Board Members, their terms of office with the Company and distribution of positions are provided in the Members' résumés.

Aydın S. Önder - Chairman

Mr. Önder received his degree in political sciences and public administration from the Faculty of Economics and Administrative Sciences at the Middle East Technical University in 1985 and joined İşbank's Board of Inspectors in 1986. After serving in managerial positions at the Galata, Avcılar and Karaköy branches of İşbank, Mr. Önder was appointed as the head of Corporate Banking Marketing Division in 2003, as manager of the Levent Branch in 2006 and of the Gebze Corporate Branch in 2007. Serving as Deputy

CEO at İşbank since 13 April 2011, Mr. Önder has been the Chairman of the Board of Directors of İş REIT since 2011.

M. Kemal Fettahoğlu - Vice Chairman

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

Kemal Şahin - Board Member

Kemal Şahin got his degree in business administration from the Middle East Technical University in 1988, and joined İşbank as an assistant inspector on the Board of Inspectors. Following ten years of service on İşbank's Board of Inspectors, he was appointed as assistant manager to the Bank's Subsidiaries Division in 1998. He currently serves as a unit manager for Property Development, Healthcare and Food Industry Companies under the Subsidiaries Department at İşbank. Holding a seat on İş REIT's Board of Directors since 2004, Mr. Şahin is also a member of the Corporate Governance Committee and the Committee for Early Detection of Risk. In addition to his duties at İş REIT, Mr. Şahin also holds seats on the Boards of Directors of İş-Koray, a subsidiary of İşbank operating in the real estate development sector, on Mipaş, and İşmer, a management company. He is also a Board Member of Bayek, Antgıda and Erişim, İşbank's subsidiaries active in health, food and customer care sectors respectively.

H. Cemal Karaoğlu - Independent Board Member

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

D. Sevdil Yıldırım - Independent Board Member

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

Engin Topaloğlu - Board Member

Mr. Topaloğlu got his bachelor's degree in industrial engineering from Bilkent University in 1993 and his master's degree in the same department in 1995. Also

in 2011, Mr. Topaloğlu obtained his Ph.D. in finance and banking from Kadir Has University. He started his career in 1995 on the Board of Internal Auditors of İşbank as an auditor. Mr. Topaloğlu worked as Assistant Manager (2004-2007) and Group Manager (2007-2008) in the Budget and Planning Department. He also worked as Department Manager in the Enterprise Architecture Department from 2008 until 2011. Mr. Topaloğlu functioned as an Auditor in İş REIT between 2008-2009 and in İş Investment Company between 2009-2010. He was a Board Member at İş NET Company between 2010-2011. Mr. Topaloğlu currently serves as the Manager of Gebze Branch.

Mete Uluhurt - Board Member

Mr. Uluhurt graduated from Tarsus American High School in 1989 and from the Department of Economics at Bilkent University in 1994. He started his career on the Board of Internal Auditors of İşbank in 1996. Mr. Uluhurt was appointed as Assistant Manager in the Budget and Planning Department in 2004. Having pursued his master's studies in business administration at Boğaziçi University in 2005, Mr. Uluhurt worked as Vice Chairman of the Board of Internal Auditors, as Unit Manager in Change Management Department and as Unit Manager in the Department of Strategy and Corporate Performance Management respectively. He is currently working as Manager of Balmumcu Branch since 2011.

Turgay Tanes - CEO

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

16. Operating Principles of the Board of Directors

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



Corporate Governance Principles Compliance Report

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

The Board of Directors convened 10 times during the period and passed 67 resolutions. All Board Members attended all of the Board meetings that were held during the year. All decisions taken by the Board were passed unanimously. No dissenting opinions were expressed in any of the decisions taken during board meetings. Inasmuch as no votes were cast against any of the decisions that were taken, it was not necessary to make note of any opposition to them in meetings' minutes. No Board Member enjoys any special voting rights and/or has the power to exercise a veto.

Related party transactions of material nature during the reporting period were as follows: project finance loan in the amount of USD 110 million which was obtained from İşbank, and the decision to purchase the Zeytinburnu property owned by T. Şişe ve Cam Fabrikaları A.Ş. and Anadolu Cam San. A.Ş., upon which a loan of TL 180 million was utilized from İşbank in relation to the purchase of this property. The Board of Directors decisions about these transactions were taken unanimously with the affirmative votes of the Independent Board Members.

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

As required both by the Capital Markets Board's Corporate Governance Principles and by the Company's Board of Directors Operating Principles, there are three committees within the Board: a Corporate Governance Committee, a Committee for Early Detection of Risk, and a Committee for Audit. These committees are headed by Independent Board Members. All of the members of the Committee for Audit are Independent Board Members as per the legal requirement. The heads and members of committees are presented below.

Corporate Governance Committee	
Head	Member
D. Sevdil Yıldırım Independent Member	Kemal Şahin Member
Committee for Early Detection of Risk	
Head	Member
H. Cemal Karaoğlu Independent Member	Kemal Şahin Member
Committee for Audit	
Head	Member
H. Cemal Karaoğlu Independent Member	D. Sevdil Yıldırım Independent Member

The Board of Directors consists of seven members, two of whom are independent. Owing to the present structure of the Board of Directors, a Board Member may serve on more than one committee. All due consideration is given to the requirements of Corporate Governance Principles when selecting committee members.

Operating principles have been defined and publicly disclosed for each committee. Committees perform their functions within the frame of those principles. During the reporting period and after the conduct of the Company's annual meeting, the duties and responsibilities of Board Members were assigned and elections to committee seats were held as required by CMB Corporate Governance Communiqué, which were then publicly announced.

Neither a Nominating Committee nor a Remuneration Committee has been set up. The functions of these committees are performed by the Corporate Governance Committee.

A Corporate Governance Committee has been set up in compliance with the Capital Markets Board's rules and regulations concerning corporate governance and it has been charged with fulfilling the duties and responsibilities incumbent upon it under Corporate Governance Principles.

This Committee regularly reviews the Company's corporate governance practices and it strives to make improvements in them. During the reporting period, this Committee, along with the Investor Relations Unit, was actively engaged in the review process of the Company's corporate governance rating.

Besides its corporate governance duties, this Committee also gives importance to investor relations. At regular intervals, the Committee reviews the Company's investor relations activities and strategies and it ensures that the Board of Directors is kept informed about such issues on a regular basis. In addition to these functions, the Committee is also active in such areas as providing coordination among other committees and supporting their activities when necessary. It is a principle of the Corporate Governance Committee to meet at least once a month before the regular monthly meeting of the Board of Directors; however it may also convene more frequently as circumstances require. During the reporting period, the Committee held 11 meetings and passed 9 decisions.

In line with the duties incumbent upon it as specified in its operating principles and in compliance with the principles of applicable capital market laws, regulations, and administrative provisions during the reporting period, the Committee for Audit actively works in such matters as publicly disclosing the Company's financial statements, having independent audits conducted, and ensuring that the Company's internal control system functions effectively; all other aspects of the

independent auditors' activities were also supervised. During the reporting period, the Committee held 7 meetings and passed 8 decisions.

In accordance with the CMB's rules and regulations concerning corporate governance, the Committee for Early Detection of Risk has been set up to early detect the risks that may threaten the Company's existence, development and survival, to implement the necessary measures for identified risks and to manage the risks. It is also charged with conducting reviews of the risk management systems at least on an annual basis. The Committee members are also members of the Committee for Audit and the Corporate Governance Committee and they regularly attend the Committee for Audit meetings. Lately, the Company has been holding the Committee for Audit and Corporate Governance Committee meetings simultaneously; therefore, all committees and members attend the meetings, while coordination between committees is ensured.

18. Risk Management and Internal Control Mechanism

The Company's risk management activities are being carried out by the Risk Management Unit since 2005. This Unit reports to the Company's senior management in relation to the management of the risks inherent in the Company's operations within the frame of the Company's Risk Policy and other associated internal guidelines.

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

Furthermore, under Article 378 of the Turkish Commercial Law, an assessment was made of the duties and responsibilities charged to the Board of Directors with regard to risk management and early detection of risk. Accordingly, a "Committee for Early Detection of Risk Report" is prepared on a bimonthly basis and submitted to the Board of Directors for its information.



Corporate Governance Principles Compliance Report

The "Company Risk Catalogue" that covers all of the risks inherent in the Company's activities are updated as dictated by changing market and business conditions, new types of risks are defined, potential risks are identified, and risk mitigation measures are proposed. These efforts are intended to enable senior management to take whatever measures are needed to ensure that the Company's risks are effectively managed and develop necessary control systems.

Within the scope of portfolio management activities, the Company invests both in money and capital market instruments. At the end of the reporting period, the investments in the real estate sector made up 96% of the total portfolio investments. The main risk inherent in these activities is the business environment risk. These risks include external factors such as changes in the regulatory framework and practices with a potential impact upon the Company's activities and the supply/demand situation in the sector. The Company adopts the necessary measures, makes use of the control systems and monitors the effectiveness of these systems, in order to minimize the risks that might arise from the business environment.

As of 31 December 2013, money- and capital-market investments made up only a 4% share of the overall investment portfolio. These investments are exposed to an inherent market risk, which is an expression of the potential losses that the Company may sustain on account of changes in interest rates, exchange rates, and equity prices. The Company's exposure to market risk on account of its money- and capital-market investments is regularly quantified, and the results of such measurements are compared to predetermined limits and reported to the senior management.

Credit risk is an expression of the risks to which the Company is exposed on account of the failure of a counterparty to a contract concerning the purchase or sales of goods or services, to which the Company is a party, to fulfill the contractual requirements and to timely satisfy its contractual obligations, in part or in whole. With respect to real estate leasing/sales

transactions and service purchases involving third parties, the Company acts in a way to minimize its credit risk exposure.

Liquidity risk is defined as the possibility of the loss the Company may suffer on account of imbalances in its cash flow, resulting in unavailability of cash holdings or cash inflow sufficient in volume and quality to fully and timely fulfill its cash disbursement obligations. The Company invests in cash resources, which are not allocated to its projects, in money and capital market instruments in a manner to ensure full and timely fulfillment of its cash disbursement obligations, and keeps a close eye to ensure that the amounts and maturities are compatible. The Company's short and long-term financing needs are determined by way of regularly prepared cash projections, while the relationship between the Company's revenues and project finance costs is closely watched both in terms of maturity and of the type and amount of foreign currency. The Company's cash status and financing strategies are shaped accordingly.

The Company's internal control system is set up to review, control, monitor and assess the Company's activities, and the fitness, adequacy and effectiveness of these controls in relation to these activities. The results are reported to relevant units. The Unit responsible for internal control activities functions in accordance with the "İş REIT Internal Control Unit Operating Principles Guidelines", which sets out the establishment and operation of the Company's Internal Control Unit, internal control activities, the duties, powers and responsibilities of the individuals assigned to the Internal Control Unit, and the Unit's operating principles and procedures.

The internal control system created at the Company is based on a risk-focused approach to control; therefore, the internal control activity basically deals with controls that are developed to minimize and eliminate the risks inherent in the Company's activities and the adequacy of these controls. The Unit submits quarterly and semi-annual reports to the Board of Directors.

19. Strategic Goals of the Company

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

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

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

20. Financial Rights

Pursuant to Corporate Governance Principles, the remuneration principles for the Board Members and executives with administrative responsibility are put into writing and presented for the information of shareholders at the General Assembly. The Company's Remuneration Policy is available on the Company's website, under "Policies" under the heading "Corporate Governance" in "Investor Relations" section.

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

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

The financial benefits provided to the senior management cover salaries and bonuses. The financial rights provided to the senior management (CEO and Heads of Groups) last year amounted to TL 2,926 thousand gross.

During the reporting period, the Company engaged in no transactions such as lending, granting loans, extending credit through a third person under the name personal loan or providing guarantees, etc. involving Board Members or senior managers.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

As of and for the Year Ended 31 December 2013
with Independent Auditors' Report Thereon

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

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İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Independent Auditors' Report

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



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

We have audited the accompanying statement of financial position of İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company") as of 31 December 2013 and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

The Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards published by Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements provide a true and fair view of the Company.

An audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments; the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's 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 Anonim Şirketi as of 31 December 2013 and of its financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Reports on Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

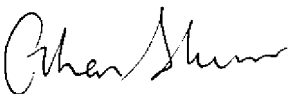
i) In accordance with Article 402 of the Turkish Commercial Code numbered 6102 ("TCC"), the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January -31 December 2013 are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

ii) Pursuant to Article 378 of TCC, the Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorised the committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the reporting date, the POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the mentioned committee is effective in the Company and it is comprised of 2 members. The committee has submitted the relevant reports to the Board of Directors with a two-month period, since its formation to the reporting date for the purposes of early identification of risks that jeopardise the existence of the Company and its development, applying the necessary measures and remedies in this regard, and managing the risks.

İstanbul,

3 February 2014

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Orhan Akova, Certified Public Accountant
Partner

Additional paragraph for convenience translation to English:

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



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Statement of Financial Position (Balance Sheet) As of 31 December 2013

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

	Notes	Audited 31 December 2013	Restated (*) Audited 31 December 2012
ASSETS			
Current assets		233.029.758	237.506.045
Cash and cash equivalents	5	101.043.123	84.515.508
Financial investments	6	4.235.850	8.515.936
Trade receivables	8	34.189.785	17.963.307
<i>Trade receivables from related parties</i>	24	11.678	7.191
<i>Other trade receivables</i>	8	34.178.107	17.956.116
Other receivables	9	10.814	8.612
Inventories	11	4.090.123	62.214.847
Prepaid expenses	16	79.655.842	47.549.820
<i>Prepaid expenses to related parties</i>	24	1.303.314	1.238.673
<i>Prepaid expenses to non-related parties</i>	16	78.352.528	46.311.147
Other current assets	16	9.804.221	16.738.015
Non-current assets		1.435.690.679	1.152.210.889
Trade receivables	8	22.730.613	27.068.514
<i>Trade receivables to non-related parties</i>	8	22.730.613	27.068.514
Derivatives	6	300.392	179.764
Equity accounted investees	3	1.269.965	1.240.428
Inventories	11	31.439.900	17.298.517
Investment properties	10	1.378.609.041	1.105.763.367
Tangible assets	12	1.228.136	487.797
Intangible assets	13	112.632	172.502
TOTAL ASSETS		1.668.720.437	1.389.716.934

(*) Please see Note 2.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Statement of Financial Position (Balance Sheet) As of 31 December 2013

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

	Notes	Audited 31 December 2013	Restated (*) Audited 31 December 2012
LIABILITIES			
Short-term liabilities		162.016.127	105.208.031
Short term borrowings	7	-	500.324
Current portion of long term borrowings	7	135.042.695	6.022.898
<i>Loans and borrowings from related parties</i>	24	27.978.637	5.702.873
<i>Other financial borrowings</i>	7	107.064.058	320.025
Trade payables	8	22.306.537	4.112.902
<i>Trade payables to related parties</i>	24	7.207.460	1.467.645
<i>Other trade payables</i>	8	15.099.077	2.645.257
Other payables	9	390.402	5.067.907
<i>Other payables to related parties</i>	24	-	431
<i>Other payables</i>	9	390.402	5.067.476
Deferred income	16	750.649	85.042.161
Short term provisions	14-15	210.927	165.933
<i>Provision for employee benefits</i>	15	169.376	121.820
<i>Other short term provisions</i>	14	41.551	44.113
Other short-term liabilities	16	3.314.917	4.295.906
<i>Other short-term liabilities to related parties</i>	24	361.574	919.413
<i>Other short-term liabilities</i>	16	2.953.343	3.376.493
Long-term liabilities		350.618.434	214.626.279
Loans and borrowings	7	215.530.226	129.050.108
<i>Loans and borrowings from related parties</i>	24	201.987.451	39.920.108
<i>Other financial borrowings</i>		13.542.775	89.130.000
Other payables	9	35.990.000	35.990.000
Deferred income	16	98.291.356	48.899.012
Long term provisions	15	806.852	687.159
<i>Provision for employee benefits</i>	15	806.852	687.159
EQUITY		1.156.085.876	1.069.882.624
Share capital	17	630.000.000	600.000.000
Inflation restatement difference on share capital	17	240.146.090	240.146.090
Share premium	17	423.981	423.981
Other comprehensive income that will never be reclassified to profit or loss	17	42.164	-
<i>Remeasurements of defined benefit obligation</i>		42.164	-
Other comprehensive income that are or may be reclassified to profit or loss	17	4.090	(278)
<i>Translation reserves</i>		4.090	(278)
Legal reserves	17	19.712.142	16.520.757
Prior years' profits	17	149.600.689	147.383.676
Net profit for the period		116.156.720	65.408.398
TOTAL EQUITY AND LIABILITIES		1.668.720.437	1.389.716.934

(*) Please see Note 2.

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



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Statement of Profit or Loss

For the Year Ended 31 December 2013

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

	Notes	Audited 1 January - 31 December 2013	Restated (*) Audited 1 January - 31 December 2012
Operating Activities			
Revenue	18	371.164.150	117.716.838
Cost of revenue (-)	18	(225.076.140)	(38.337.009)
Gross Profit		146.088.010	79.379.829
General administrative expense (-)	19	(12.764.636)	(8.077.212)
Other operating income	21	42.053.117	16.396.290
Other operating expense (-)	21	(28.650.222)	(21.087.572)
Operating Profit		146.726.269	66.611.335
Share of profit of equity-accounted investees	3	502.577	356.657
Operating Profit Before Finance Expense		147.228.846	66.967.992
Finance income	22	-	2.594.563
Finance expense (-)	22	(31.072.126)	(4.154.157)
Operating Profit before Tax From Continuing Operations		116.156.720	65.408.398
Tax Expense From Continuing Operations		-	-
-Corporate tax charge		-	-
-Deferred tax benefit		-	-
Net Operating Profit for the Period From Continuing Operations		116.156.720	65.408.398
Discontinued Operations			
Profit after tax for discontinued operations		-	-
Net Profit for the Period		116.156.720	65.408.398
Net profit for the period attributable to:			
Non-controlling interests		-	-
Equity holders of the parent		116.156.720	65.408.398
Basic earnings per share from continuing operations (par value of TL 1)			
	23	0,1844	0,1038
Diluted earnings per share from continuing operations (par value of TL 1)			
	23	0,1844	0,1038

(*) Please see Note 2.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Statement of Other Comprehensive Income For the Year Ended 31 December 2013

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

	<i>Audited</i> 1 January - 31 December 2013	<i>Restated (*) Audited</i> 1 January - 31 December 2012
Net Profit for the Period	116.156.720	65.408.398
Other Comprehensive Income		
Other comprehensive income that will never be reclassified to profit or loss		
<i>Remeasurements of defined benefit asset</i>	42.164	-
Other comprehensive income that are or may be reclassified to profit or loss		
<i>Translation reserves</i>	4.368	1.874
Other comprehensive income	46.532	1.874
TOTAL COMPREHENSIVE INCOME	116.203.252	65.410.272
Distribution of Total Comprehensive Income		
Non-controlling interests	-	-
Equity holders of the parent	116.203.252	65.410.272

(*) Please see Note 2.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Statement of Changes in Equity For the Year Ended 31 December 2013

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

	Notes	Share capital	Inflation restatement difference on share capital	Share premium
Balances at 1 January 2012		600.000.000	240.146.090	423.981
Transfers		-	-	-
Total comprehensive income		-	-	-
Dividends paid		-	-	-
Balances at 31 January 2012	17	600.000.000	240.146.090	423.981
Balances at 1 January 2013		600.000.000	240.146.090	423.981
Transfers		-	-	-
Total comprehensive income		-	-	-
Capital increase		30.000.000	-	-
Dividends paid		-	-	-
Balances at 31 January 2013	17	630.000.000	240.146.090	423.981

(*) Please see Note 2.

Other comprehensive income that will never be reclassified to profit or loss	Other comprehensive income that are or may be reclassified to profit or loss	Retained Earnings				Total
		Remeasurements of defined benefit obligation	Translation reserves	Legal reserves	Prior years' profits	
-	(2.152)	13.554.165	113.396.737	66.953.531	1.034.472.352	
-	-	2.966.592	63.986.939	(66.953.531)	-	
-	1.874	-	-	65.408.398	65.410.272	
-	-	-	(30.000.000)	-	(30.000.000)	
-	(278)	16.520.757	147.383.676	65.408.398	1.069.882.624	
-	(278)	16.520.757	147.383.676	65.408.398	1.069.882.624	
-	-	3.191.385	62.217.013	(65.408.398)	-	
42.164	4.368	-	-	116.156.720	116.203.252	
-	-	-	(30.000.000)	-	-	
-	-	-	(30.000.000)	-	(30.000.000)	
42.164	4.090	19.712.142	149.600.689	116.156.720	1.156.085.876	



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Statement of Cash Flows

For the Year Ended 31 December 2013

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

	Notes	Audited 1 January - 31 December 2013	Restated (*) Audited 1 January - 31 December 2012
A. Cash flows from operating activities			
Net profit for the period		116.156.720	65.408.398
Adjustments to depreciation and amortisation	20	19.726.424	24.897.577
Adjustments to provision for employee severance indemnity	15	167.070	300.938
Adjustments to provision for unused vacation	15	47.556	1.759
Provisions released in relation to investment properties and other tangible assets	10	(12.116.327)	(7.087.968)
Share of profit of equity accounted investees	3	(502.577)	(356.657)
Impairment provision on investment properties and other tangible assets	10	1.082.940	3.812.255
Gain on sale of investment properties	18	(24.247.936)	-
Allowance for doubtful receivables (net)	8	618.305	(171.451)
Gain/(losses) from derivatives	22	(120.628)	527.335
Interest income	18	(4.972.316)	(6.856.921)
Interest expense	22	2.588.062	3.626.822
Operating profit from before the changes in working capital		98.427.293	84.102.087
Changes in working capital			
Increase in trade receivables		(12.506.881)	(42.390.358)
Decrease in other receivables		(2.202)	(5.347)
Increase in other current assets		(26.706.124)	(46.786.570)
Changes in inventories	11	43.983.341	(47.521.425)
Increase in trade and other payables		13.516.133	112.932.308
Decrease in other short-term liabilities		(35.882.719)	(133.686)
Employee benefits paid during the period	15	(5.213)	(2.936)
Net cash provided by operating activities		80.823.628	60.194.073
B. Cash flows from investing activities			
Proceeds from financial assets		4.280.086	(1.991.333)
Purchases of investment property, tangible assets and intangible assets	10,12,13	(374.510.144)	(135.103.135)
Proceeds from sale of investment property	18	116.538.900	-
Dividends received		500.000	500.000
Equity accounted investees		(22.596)	(68.397)
Interest received		4.761.177	6.692.557
Net cash used in investing activities		(248.452.577)	(129.970.308)
C. Cash flows from financing activities			
Dividends paid	17	(30.000.000)	(30.000.000)
Increase in financial liabilities		214.241.585	81.183.000
Interest paid		(1.830.054)	(2.572.427)
Net cash used in financing activities		182.411.531	48.610.573
Increase in cash and cash equivalents before effect of changes in foreign currency rates		14.782.582	(21.165.662)
Effect of changes in foreign currency rates over cash and cash equivalents		1.533.896	83.919
Net increase/(decrease) in cash and cash equivalents		16.316.478	(21.081.743)
Cash and cash equivalents at the beginning of the period		83.865.335	104.947.078
Cash and cash equivalents at the end of the period	5	100.181.813	83.865.335

(*) Please see Note 2.

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



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

1. Organisation and operations of the Company

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi ("the Company") was established on 6 August 1999 by İş Gayrimenkul Yatırım ve Proje Değerlendirme Anonim Şirketi taking over all assets and liabilities of İş Gayrimenkul Yatırım ve Proje Değerlendirme Anonim Şirketi and Merkez Gayrimenkul Yatırım ve Proje Değerlendirme Anonim Şirketi, both of which operated separately and were established in 1998. The Company is a subsidiary of Türkiye İş Bankası Anonim Şirketi ("İş Bankası"). The Company's registered address is at İş Kuleleri Kule 2 Kat 10, 11 Levent Istanbul/Turkey.

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

The Company's shares have been traded on the Borsa İstanbul Anonim Şirketi (the former legal title "İstanbul Stock Exchange") ("BİST") since 1999.

The Company has 67 employees as of 31 December 2013 (31 December 2012: 54).

Kanyon Yönetim İşletim ve Pazarlama Limited Şirketi ("Kanyon") was established on 6 October 2004 by both 50% equal participations of the Company and Eczacıbaşı Holding Anonim Şirketi ("Eczacıbaşı Holding") The main objective and operations of the jointly controlled entity are the management of the residences, offices and shops; providing cleaning, maintenance, security, basic environmental set up and similar activities as well as acting as an agent in the introduction and marketing of the projects of the complexes, including property letting and sale.

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

2. Basis of presentation of financial statements

2.1 Basis of presentation

Statement of compliance

The Company prepared its financial statements in accordance with the communiqué No: II -14.1 "Communiqué on Financial Reporting Standards in Capital Markets" ("Communiqué") published by CMB, which is published at 13 June 2013 in the Official Gazette numbered 28676.

In accordance with the Article 5 of the Communiqué, the Company applies Turkish Accounting Standards ("TAS")/ Turkish Financial Reporting Standards ("TFRS"), which are endorsed by the Public Oversight Accounting and Auditing Standards Authority.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

The financial statements have been approved for issue by the Board of Directors on 3 February 2014. The General Assembly and the legal authorities have the authority to amend the statutory financial statements and these financial statements.

Additional paragraph for convenience translation into English

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

Preparation of financial statements

The accompanying financial statements have been prepared in accordance to "Announcement on Financial Statements and Disclosure Formats" of CMB dated 7 June 2013.

Functional and presentation currency

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

Basis of measurement

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

Preparation of financial statements in Hyperinflationary Periods

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

Comparative Information and Restatement of Prior Period Financial Statements

The financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes with respective disclosures for the major differences. Some certain reclassifications have been made on the statement of financial position as of 31 December 2012 and 1 January 2012 opening balance sheet and on the statement of profit or loss for the year ended 31 December 2012 in order to apply equity method consolidation instead of proportionate consolidation according to IFRS 11 -*Joint Arrangements* standard in line with the statement of financial position as of 31 December 2013 and statement of profit or loss for the year ended 31 December 2013.

The reclassifications defined below are applied in accordance with the "Announcement on Financial Statements and Footnote Disclosure" of CMB dated 7 June 2013:



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

As of 31 December 2012, job advances amounting to TL 46.310.006 and prepaid expenses amounting to TL 1.239.814 which were classified as "other current assets" have been reclassified in "prepaid expenses" in the comparative financial statements.

As of 31 December 2012, income accruals amounting to TL 1.674.802 which were classified as "other current assets" has been reclassified in "trade receivables" in the comparative financial statements.

As of 31 December 2012, short-term deferred income amounting to TL 265.558 which was classified in "other short-term liabilities" and long-term deferred income amounting to TL 3.204.198 which was classified in "other long-term liabilities" have been reclassified in "short-term deferred income" and "long-term deferred income" in the comparative financial statements.

As of 31 December 2012, short-term advances received amounting to TL 84.776.603 which were classified as "other short-term payables" and long-term advances received amounting to TL 45.694.814 which were classified as "other long-term payables" have been reclassified in "deferred income" in the comparative financial statements.

For the year ended 31 December 2012, interest income on bank deposits amounting to TL 5.945.061, gain or loss on marketable security transactions amounting to TL 726.939, interest income on government bonds and bills amounting to TL 847.780, interest income on reverse repurchase agreements amounting to TL 64.080, and other income amounting TL 4.409 which were classified as "finance income" have been reclassified in "revenue" as debt instruments revenue in the comparative financial statements.

For the year ended 31 December 2012, foreign exchange gains amounting to TL 16.191.188, which were classified as "finance income" have been reclassified in "other operating income" in the comparative financial statements.

For the year ended 31 December 2012, foreign exchange losses amounting to TL 21.087.565, which were classified as "finance expense" have been reclassified in "other operating expense" in the comparative financial statements.

Basis of consolidation

Jointly controlled entities

Jointly controlled entities are those entities over whose activities one or more entities have joint control, established by contractual agreement and requiring unanimous consent for economic benefits.

Jointly controlled entities which are constituted as Kanyon and Nest in Globe are accounted for using the equity method in the accompanying financial statements. Under the equity method, investments in the jointly controlled entities are carried in the statement of financial position at cost plus post acquisition changes in the Company's share of net assets of the jointly controlled entity and the comprehensive income reflects the share of the results of operations of the jointly controlled entities. Where there has been a change recognised directly in the equity of the jointly controlled entities, the Company recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. When the Company has rights only to the net assets of the arrangements, it accounts for its interest using the equity method according to IAS 28 *Investments in Associates and Joint Ventures*.

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



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

Foreign currency transactions

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

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. As of 31 December 2013, foreign currency translation differences amounting to 4.090 TL (31 December 2012: TL (278)) is the result of the equity method accounting of Nest in Globe, since the presentation and functional currency of Nest in Globe is Euro.

2.2 Changes in accounting policies

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

The Company has adopted IFRS 11 *Joint Arrangements* as well as the consequential amendments to IAS 28 *Investments in Associates and Joint Ventures*, with a date of initial application of 1 January 2012.

Under IFRS 11, the Company classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Company's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The Company has re-evaluated its involvement in its joint arrangements. As a result, its joint arrangements are continued to be classified as joint ventures. Notwithstanding the classification, the investments are recognised by applying the equity method starting from 1 January 2012.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

The following table summarises the adjustments made to the Company's statement of financial position at 31 December 2012, and its statement of profit or loss for the year ended 31 December 2012 as a result of the adoption of equity method for the Company's joint ventures:

ASSETS	31 December 2012			
	Reported before change	Reclassification ^(*)	Adjustments	As restated
Current assets	240.045.239	-	(2.539.194)	237.506.045
Cash and cash equivalents	85.194.100	-	(678.592)	84.515.508
Financial investments	8.515.936	-	-	8.515.936
Trade receivables	17.567.381	1.674.802	(1.278.876)	17.963.307
Other receivables	139.731	-	(131.119)	8.612
Inventories	62.214.847	-	-	62.214.847
Prepaid expenses	-	47.549.820	-	47.549.820
Other current assets	66.413.244	(49.224.622)	(450.607)	16.738.015
Non-current assets	1.151.891.843	-	319.046	1.152.210.889
Trade receivables	27.068.514	-	-	27.068.514
Derivatives	179.764	-	-	179.764
Equity-accounted investees	-	-	1.240.428	1.240.428
Inventories	17.298.517	-	-	17.298.517
Investment properties	1.105.763.367	-	-	1.105.763.367
Tangible assets	1.252.023	-	(764.226)	487.797
Intangible assets	274.406	-	(101.904)	172.502
Other non-current assets	31.433	-	(31.433)	-
Deferred tax assets	23.819	-	(23.819)	-
TOTAL ASSETS	1.391.937.082	-	(2.220.148)	1.389.716.934



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements

For the Year Ended 31 December 2013

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

31 December 2012

	Reported before change	Reclassification ^(*)	Adjustments	As restated
LIABILITIES				
Short-term liabilities	107.213.815	-	(2.005.784)	105.208.031
Short term borrowings	6.523.222	(6.022.898)	-	500.324
Current portion of long term borrowings	-	6.022.898	-	6.022.898
Trade payables	5.482.029	(431)	(1.368.696)	4.112.902
Other payables	90.077.873	(84.776.172)	(233.794)	5.067.907
Deferred income	-	85.042.161	-	85.042.161
Current tax liabilities	27.889	-	(27.889)	-
Short term provisions	145.830	-	(101.717)	44.113
Provision for employee benefits	231.968	-	(110.148)	121.820
Other short-term liabilities	4.725.004	(265.558)	(163.540)	4.561.464
Long-term liabilities	214.840.643	-	(214.364)	214.626.279
Long term borrowings	129.050.108	-	-	129.050.108
Other payables	81.817.556	(45.694.814)	(132.742)	35.990.000
Deferred income	-	48.899.012	-	48.899.012
Provision for employee benefits	768.781	-	(81.622)	687.159
Other long-term liabilities	3.204.198	(3.204.198)	-	-
EQUITY	1.069.882.624	-	-	1.069.882.624
Share capital	600.000.000	-	-	600.000.000
Inflation restatement difference on share capital	240.146.090	-	-	240.146.090
Share premium	423.981	-	-	423.981
Legal reserves	16.520.757	-	-	16.520.757
Translation reserves	(278)	-	-	(278)
Retained earnings	147.383.676	-	-	147.383.676
Net profit for the period	65.408.398	-	-	65.408.398
TOTAL LIABILITES	1.391.937.082	-	(2.220.148)	1.389.716.934



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

	1 January-31 December 2012			
	Reported before change	Reclassification ^(*)	Adjustments	As restated
Revenue	131.927.996	7.588.269	(21.799.427)	117.716.838
Cost of revenue (-)	(57.826.762)	-	19.489.753	(38.337.009)
Gross Profit	74.101.234	7.588.269	(2.309.674)	79.379.829
General administrative expense (-)	(9.983.739)	-	1.906.527	(8.077.212)
Other operating income	241.893	16.191.188	(36.791)	16.396.290
Other operating expense (-)	(65.482)	(21.087.565)	65.475	(21.087.572)
Operating Profit	64.293.906	2.691.892	(374.463)	66.611.335
Share of profit of equity-accounted investees	-	-	356.657	356.657
Finance income	23.947.968	(21.184.894)	(168.511)	2.594.563
Finance expense (-)	(22.718.908)	18.493.002	71.749	(4.154.157)
Operating Profit before Tax	65.522.966	-	(114.568)	65.408.398
Tax expense				
-Corporate tax charge	(131.408)	-	131.408	-
-Deferred tax benefit	16.840	-	(16.840)	-
Net Profit for the Period	65.408.398	-	-	65.408.398

(*) Explanations about reclassifications are shown in Note 2.1.

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

- TFRS 13 *Fair Value Measurement* (also see (i))
- TMS 1 *Presentation of Financial Statements* (Amendments) (also see (ii))
- TMS 19 *Employee Benefits (2011)* (also see (iii))

Fair Value Measurement

IFRS 13 *Fair Value Measurement* establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs.

It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 *Financial Instruments: Disclosures*.

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

ji) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Company has modified the presentation of items of other comprehensive ("OCI") in its statement of profit or loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

(ii) Employee benefits

As a result of the amendments to IAS 19 (2011), all actuarial gains and losses are recognised in other comprehensive income.

Prior to these amendments, all actuarial gains and losses had been recognised in profit or loss. As the amendments had no significant impact the comparative financial statements for the year ended 31 December 2012 have not been restated.

2.3 Changes in accounting estimates and errors

The preparation of the financial statements in conformity with Communiqué No II -14.1 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 10 -Investment property

Note 15 -Employee benefits

2.4 Standards and interpretations those are not yet effective as of 31 December 2013

2.4.1 Standards and interpretations that are effective in 2013

The Company applied all of the relevant and required standards TAS/TFRSs and related interpretations as of 31 December 2013.

2.4.2 Standards and interpretations that are not yet effective as of 31 December 2013

A number of new standards, amendments to standards and interpretations are not yet effective as of 31 December 2013, and have not been applied in preparing these financial statements. None of these standards and interpretations is expected to have significant effects on the financial statements.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

2.5 Summary of significant accounting policies

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

Revenue

Revenue include rent income, revenue from sale of investment properties and income from expenses made for investment properties invoiced to tenants, interests received from banks, income from capital market instruments.

2.5.1 Accounting of income and expense

Rent income from investment properties under operation leases

Rent income generated during the period from investment properties is recognised on an accrual basis. Revenue can only be realised if the amount is reliably measured and the inflow of the economic benefits related with the transaction to the Company is probable. Revenue is recognised as the fair value of the consideration amount received or receivable.

Income from expenses made for investment properties invoiced to tenants is recognised in the period when the service is provided by the Company.

Revenue from sale of investment property

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

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

Interest income and expense

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

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

Other income and expense

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

2.5.2 Investment property

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



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

Investment property under construction

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

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

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

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

Depreciation of investment properties is recognised on a straight-line basis over the useful lives of the assets from the date of acquisition. Useful lives of investment properties are shown above:

Buildings	10-50 years
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2.5.3 Tangible assets

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

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

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

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

Depreciation

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

Machinery and equipment	4-5 years
Vehicles	4-5 years
Furniture and fixtures	4-5 years



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

Subsequent costs

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

2.5.4 Intangible assets

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

Amortisation

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

2.5.5 Impairment of non-financial assets

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

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

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

2.5.6 Inventories

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

2.5.7 Financial instruments

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



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

i) Non-derivative financial assets

The Company initially recognises the financial assets on the date they are originated.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial asset that is created or retained by the Company is recognised as a separate asset or liability.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash, bank deposits with maturity periods of less than three-months and other highly liquid short-term investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. The carrying values of these assets are close to their fair values.

Financial assets at Fair value through profit or loss ("FVTPL")

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

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

Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. As of 31 December 2013, the Company has no held-to-maturity investments in its portfolio.

Available-for-sale financial assets ("AFS")

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

Available-for-sale financial assets are recognised at the commitment date of purchase. Gains and losses resulted from changes at the fair value of these assets are recognised in equity.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income. As of 31 December 2013, the Company has no available for sale investments in its portfolio.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

Reverse repurchase agreements

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

Trade receivables

Trade receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of trade receivables is the difference between its carrying amount, and the collectable amount. Losses are recognised in profit or loss and reflected in an allowance account against trade receivables. The Company assumes that the carrying values of trade receivables are close to their fair value.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised 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 recognised 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 recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

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



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

ii) Non-derivative financial liabilities

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

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

Financial liabilities

Financial liabilities are recognised with fair values in initial registration date. Financial liabilities are recognised with their acquisition costs including transaction costs and evaluated through amortised costs depending on the method of active interest rate. In case of enforcing, cancelling or abolishing the obligations based on the agreement; the Company deducts aforesaid financial obligations from registrations.

Trade and other payables

Trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

iii) Derivative financial instruments

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

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

iv) Paid-in capital

Ordinary shares

Ordinary shares are classified as paid in capital. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2.5.8 Offsetting

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

2.5.9 Effects of foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates on the dates of the transactions. The Company's financial statements and operation results are presented in TL which is effective currency and presentation currency of the Company.



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Notes to the Financial Statements For the Year Ended 31 December 2013

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

The Company uses the Central Bank buying rates of exchange that is valid at the transaction date, when converting the transactions made by foreign currency Monetary assets and liabilities denominated in foreign currencies on the reporting date are retranslated to the functional currency at the exchange rate on that date. Foreign currency differences arising on retranslation are recognised in profit or loss.

2.5.10 Borrowing costs

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

All other borrowing costs are recorded in the profit or loss in the period in which they are incurred.

2.5.11 Earnings per share

Earnings per share is calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held (Note 23).

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.

2.5.12 Events after the reporting period

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

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

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

2.5.13 Provisions, contingent asset and liabilities

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

If there is a probable cash inflow for an economic benefit, contingent asset must be disclosed in the notes to the financial statements. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised 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 Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

2.5.14 Government incentives

The Company, as a real estate investment trust, is exempt from corporate tax as disclosed in Note 2.5.15.

2.5.15 Taxation

The Company

According to Article 5/1(d) (4) of the New Corporate Tax Law No: 5220, the income of Real Estate Investment Trusts ("REIT") is exempt from Corporate Income Tax in Turkey. This exemption is also applicable to Quarterly Advance Corporate Tax.

According to New Corporate Tax Law Article 15/(3), the income of REITs is subject to 15% withholding tax irrespective of its distribution. The Council of Ministers has the authority to increase the withholding tax rate on REIT income to corporate income tax rate or reduce it to 0% or change it within the limits defined through publication of a Decree based on the Corporate Tax Law Article 15/(34). In accordance with New Corporate Tax Law Article 15/(2), income subject to corporate tax is also exempt from withholding tax.

According to temporary Article (1) of the New Corporate Tax Law, resolutions of the Council of Ministers related with Income Tax Law numbered 193 and Tax Law No: 5422 are valid up to new Decrees published by the Council of Ministers. Determined rates cannot exceed statutory limits defined at New Corporate Tax Law.

Based on the resolution of the Council of Ministers related to the withholding tax rates which were determined as 15% according to the New Corporate Tax Law Article 15/(3) published in the Official Gazette dated 3 February 2009 numbered 27130, the withholding tax rate is determined as 0% and this resolution is effective on the same date. Thereof, in accordance with the Article 5/1(d) (4) of the New Corporate Tax Law, real estate investment company earnings, regardless of the fact they are distributed or not, will be subject to 0% withholding.

Since the Company is exempt from Corporate Income Tax in Turkey in accordance with Article 5 of the Corporate Tax Law, deferred tax is not recognised.

Kanyon

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

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

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

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



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Notes to the Financial Statements For the Year Ended 31 December 2013

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Nest in Globe

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

2.5.16 Employee benefits/Retirement pay provisions

In accordance with TAS 19 (2011) all actuarial gains and losses are recognised in other comprehensive income. The most important change in new TAS 19 (2011) is related to the accounting for the defined benefit obligations effective from 1 January 2013.

Under the Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per IAS 19 (2011) *Employee Benefits*.

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

2.5.17 Share capital and dividends

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

2.5.18 Related parties

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

2.5.19 Leasing

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

The Company, as lessor in the operational lease transactions

Operational lease income is recognised in the profit or loss on a straight-line basis for the whole lease period in the agreement.

The Company, as lessee in the operational lease transactions

Operational lease expense is recognised in the profit or loss on a straight-line basis for the whole lease period in the agreement. Start-up costs for the realisation and optimisation of the operational lease agreement are added to the cost of the leased asset and amortised through the leased time on a straight line basis method.



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The Company, as lessee in the finance lease transactions

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

2.5.20 Statement of cash flows

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

2.5.21 Segment reporting

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

2.5.22 Restrictions on the investment portfolio of real estate investment trusts

Information given in "Control of compliance with restrictions on the investment portfolio" notes are summarised and derived from the financial statements prepared in accordance with the Communiqué No: II -14.1 and also within the framework of compliance control of the portfolio restrictions clause of Communiqué No: III -48.1, "Communiqué on Principles Regarding Real Estate Investment Companies". In addition since the information given in "Additional Note" comprise unconsolidated data; such information may not match with the information disclosed in the financial statements.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

3. Equity accounted investees

	Ownership (%)	31 December 2013	Ownership (%)	31 December 2012
Kanyon	50	1.269.965	50	1.238.223
Nest in Globe	50	-	50	2.205
		1.269.965		1.240.428

The summarised financial statements information of the jointly control entities under the equity method are listed below:

Kanyon	31 December 2013	31 December 2012
Current assets	8.333.013	5.703.296
Non-current assets	1.646.836	1.842.762
Short-term liabilities	(6.752.722)	(4.640.883)
Long-term liabilities	(687.197)	(428.728)
Net assets	2.539.930	2.476.447

Kanyon	1 January-31 December 2013	1 January-31 December 2012
Income for the period	65.701.349	56.839.444
Expense for the period (-)	(64.637.860)	(55.975.748)

Nest in Globe	31 December 2013	31 December 2012
Current assets	3.141	11.546
Non-current assets	-	-
Short-term liabilities	(12.095)	(7.136)
Long-term liabilities	-	-
Net assets	(8.954)	4.410

Nest in Globe	1 January- 31 December 2013	1 January - 31 December 2012
Income for the period	-	-
Expense for the period (-)	(67.291)	(150.382)

As of 31 December 2013, since the Company's share of losses exceeds its interest in Nest in Globe the carrying amount of the interest is reduced to zero.

The Company recognised profit amounting to TL 531.745 resulting from consolidation of Kanyon with equity method for the year ended 31 December 2013, in the accompanying statement of profit and loss (31 December 2012: TL 431.848). The Company recognised loss amounting to TL 29.168 resulting from consolidation of Nest in Globe with equity method for the year ended 31 December 2013, in the accompanying statement of profit and loss (31 December 2012: TL 75.191).



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4. Operating segments

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

	Ankara İş Kule Building	Istanbul İş Kuleleri Complex	Seven Seas Hotel	Maslak Petrol Ofisi Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building	İş Bankası Antalya Merkez Building	Kanyon Shopping Mall
31 December 2013									
Revenue									
Rent income	8.307.399	34.975.495	5.280.363	3.958.404	508.262	3.517.463	2.962.133	1.481.621	26.342.056
Income from the right of construction	-	-	-	-	-	-	-	-	-
Income from the sales of real estate	-	-	-	-	-	-	-	-	-
Income from the sales of investment property	-	-	64.042.500	-	-	-	-	-	-
Tenant contribution and service income	-	605.891	-	-	-	-	-	-	178.845
Other income	-	21.633	-	-	-	-	-	-	48.256
Total revenue	8.307.399	35.603.019	69.322.863	3.958.404	508.262	3.517.463	2.962.133	1.481.621	26.569.157
Depreciation charges	2.733.723	6.102.545	1.389.073	919.045	231.033	291.727	263.499	83.525	2.230.034
Insurance expense	48.137	871.389	35.392	38.759	31.077	20.167	11.547	6.594	390.487
Administrative expense	12.859	592.651	-	-	192.737	-	-	-	9.746.816
Tax and duty and other charges	228.312	841.245	664.849	132.858	11.193	20.875	42.330	25.260	893.205
Cost of sales of investment property and real estate	-	-	56.377.740	-	-	-	-	-	-
Impairment on investment properties	-	-	-	-	1.082.940	-	-	-	-
Reversal of impairment on investment properties	(4.710.290)	-	-	-	-	-	-	-	-
Other	83.778	-	-	-	11.480	-	-	-	-
Cost of sales	(1.603.481)	8.407.830	58.467.054	1.090.662	1.560.460	332.769	317.376	115.379	13.260.542
Gross profit	9.910.880	27.195.188	10.855.809	2.867.742	(1.052.198)	3.184.694	2.644.757	1.366.242	13.308.615
Capital investments	23.432	591.394	-	49.200	973	-	-	-	793.033

Real Hipermarket İstanbul Esenyurt	İstanbul Esenyurt (Marmara Park)	İş Bankası Güneşli	İş Bankası Sirkeci	Lykia Lodge Kapadokya Hotel	Antalya Kemer Imperial Hotel	Taksim Lamartine	Tuzla Çınarlı- bahçe Residences	Other real estate	Total
4.766.400	-	4.951.458	2.906.903	1.747.209	4.400.302	545.514	-	-	106.650.982
-	9.463.443	-	-	-	-	-	-	-	9.463.443
-	-	-	-	-	-	-	130.770.237	-	130.770.237
-	-	-	-	-	52.496.400	-	-	-	116.538.900
-	-	-	-	-	-	9.266	32.710	-	826.712
-	-	-	-	104.271	-	-	-	-	174.160
4.766.400	9.463.443	4.951.458	2.906.903	1.851.480	56.896.702	554.780	130.802.947	-	364.424.434
687.421	2.460.074	403.415	74.909	612.280	706.164	70.134	-	-	19.258.601
175.952	26.544	44.675	33.211	24.910	40.110	13.846	-	-	1.812.797
17.152	-	-	-	-	-	195.902	366.497	-	11.124.614
333.379	-	217.010	36.135	23.648	628.918	42.438	-	-	4.141.655
-	-	-	-	-	35.913.224	-	107.374.468	-	199.665.432
-	-	-	-	-	-	-	-	-	1.082.940
-	(2.427.015)	-	-	-	-	-	-	(4.979.022)	(12.116.327)
-	-	11.170	-	-	-	-	-	-	106.428
1.213.904	59.603	676.270	144.255	660.838	37.288.416	322.320	107.740.965	(4.979.022)	225.076.140
3.552.496	9.403.841	4.275.188	2.762.648	1.190.642	19.608.286	232.460	23.061.982	4.979.022	139.348.294
-	-	4.200	-	1.695	-	3.419.574	3.882.115	439.294.253	448.059.869



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	Ankara İş Kule Building	Ankara İş Kule Building	Ankara İş Kule Building	Maslak Petrol Ofisi Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building	İş Bankası Antalya Merkez Building	Kanyon Shopping Mall
31 December 2012									
Revenue									
Rent income	7.863.390	34.939.517	4.832.993	3.682.308	482.794	3.272.363	2.755.729	1.378.381	23.444.280
Income from the right of construction	-	-	-	-	-	-	-	-	-
Tenant contribution and service income	-	564.247	-	-	-	-	-	-	122.858
Other income	-	19.560	-	-	-	-	-	-	47.280
Total revenue	7.863.390	35.523.324	4.832.993	3.682.308	482.794	3.272.363	2.755.729	1.378.381	23.614.418
Depreciation charges	3.348.131	6.954.582	2.573.453	1.151.950	321.537	380.000	326.124	167.166	2.845.938
Insurance expense	52.267	849.966	104.186	38.880	22.463	29.489	13.853	7.628	417.462
Administrative expense	-	627.531	-	-	695.019	-	-	-	9.632.218
Tax and duty and other charges	211.791	780.672	1.114.976	123.276	11.015	19.364	39.266	23.436	826.846
Impairment on investment properties	-	-	-	-	959.545	-	-	-	-
Reversal of impairment on investment properties	(4.163.978)	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Cost of sales	(551.789)	9.212.751	3.792.615	1.314.106	2.009.579	428.853	379.243	198.230	13.722.464
Gross profit	8.415.179	26.310.573	1.040.378	2.368.202	(1.526.785)	2.843.510	2.376.486	1.180.151	9.891.955
Capital investments	184.153	144.038	10.402	83	381.082	-	69.980	-	1.965.455

Real Hipermarket Istanbul Esenyurt	Istanbul Esenyurt (Marmarapark)	İş Bankası Güneşli	İş Bankası Sirkeci	Lykia Lodge Kapadokya Hotel	Antalya Kemer Imperial Hotel	Other real estate	Total
4.547.648	-	4.603.013	2.681.962	1.554.705	4.027.494	-	100.066.577
-	8.967.505	-	-	-	-	-	8.967.505
-	-	-	-	-	-	286.542	973.647
-	-	-	-	-	-	54.000	120.840
4.547.648	8.967.505	4.603.013	2.681.962	1.554.705	4.027.494	340.542	110.128.569
687.420	2.460.073	825.220	462.150	717.552	1.253.903	-	24.475.199
186.027	-	49.676	43.142	25.945	72.183	-	1.913.166
-	-	-	-	-	-	-	10.954.768
544.832	235.576	201.302	33.518	21.935	79.021	-	4.266.828
-	-	-	-	-	-	2.852.710	3.812.255
-	(2.427.014)	-	-	-	-	(496.976)	(7.087.968)
-	-	-	-	2.761	-	-	2.761
1.418.279	268.635	1.076.198	538.810	768.193	1.405.107	2.355.734	38.337.009
3.129.368	8.698.870	3.526.815	2.143.152	786.512	2.622.387	(2.015.192)	71.791.561
-	-	13.873	-	-	550.627	148.665.388	151.985.081



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Reconciliation of income, assets and liabilities

	1 January - 31 December 2013	1 January - 31 December 2012
Sales revenue		
Segment revenue	364.424.434	110.128.569
Undistributed revenue	6.739.716	7.588.269
Total revenue	371.164.150	117.716.838
Cost of sales		
Segment costs	225.076.140	38.337.009
Total cost of sales	225.076.140	38.337.009
Assets	31 December 2013	31 December 2012
Segment assets	1.414.139.065	1.185.276.731
Other assets	51.307.425	43.357.019
Non-segment related assets	203.273.947	161.083.184
Total assets	1.668.720.437	1.389.716.934
Liabilities	31 December 2013	31 December 2012
Segment liabilities	511.616.782	318.981.218
Other liabilities	1.017.779	853.092
Total liabilities	512.634.561	319.834.310

5. Cash and cash equivalents

	31 December 2013	31 December 2012
Cash	-	80
Demand deposits	693.059	511.566
Time deposits	74.024.676	83.195.953
Mutual funds	26.302.476	698.697
Receivables from reverse repos	18.886	98.410
Other cash equivalents (*)	4.026	10.802
Total cash and cash equivalents in the statement of financial position	101.043.123	84.515.508
Interest accrued on cash and cash equivalents	(861.310)	(650.173)
Total cash and cash equivalents in the statement of cash flows	100.181.813	83.865.335



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<u>Time deposits:</u>			<u>31 December 2013</u>
<u>Currency</u>	<u>Interest rate (%)</u>	<u>Maturity</u>	
US Dollar	2,75-3,00	January 2014	41.876.342
TL	8,85 -8,95	January 2014	24.090.820
Euro	3,00	January-February 2014	8.057.514
			<u>74.024.676</u>

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

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	Cost	Fair value	Cost	Fair value
Mutual funds	25.645.760	26.302.476	694.344	698.697
	<u>25.645.760</u>	<u>26.302.476</u>	<u>694.344</u>	<u>698.697</u>

<u>Receivables from reverse repos</u>			<u>31 December 2013</u>
<u>Currency</u>	<u>Interest rate (%)</u>	<u>Maturity</u>	
TL	6,81	January 2014	18.886
			<u>18.886</u>

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

6. Financial investments/Derivatives

	<u>31 December 2013</u>	<u>31 December 2012</u>
Short-term financial investments		
Financial assets at fair value through profit or loss	4.235.850	8.515.936
	<u>4.235.850</u>	<u>8.515.936</u>
Derivative instruments		
Derivative assets held for trading (Note 24)	300.392	179.764
	<u>300.392</u>	<u>179.764</u>



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Notes to the Financial Statements

For the Year Ended 31 December 2013

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

The financial investments are held for trading and measured at fair value. The fair value is derived using the highest bid price for the respective financial asset in BIST as of 31 December 2013 or, in the absence of a quoted price at that date, the most recent transaction price, in the absence of these, asset is carried at cost.

<u>Financial assets at fair value through profit or loss</u>	<u>31 December 2013</u>		
	<u>Cost</u>	<u>Fair value</u>	<u>Carrying value</u>
Financial assets held for trading			
Government bonds	3.160.900	3.150.051	3.150.051
Private sector bonds	104.498	102.039	102.039
Quoted share certificates	1.090.295	983.760	983.760
	4.355.693	4.235.850	4.235.850

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

Interest rates of government bonds held-for-trading at 31 December 2013 are in-between 5,69% -13,07% (31 December 2012: between 6,12% -7,69%).

7. Loans and borrowings

The details of financial borrowings as of 31 December 2013 and 31 December 2012 are as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Short-term loans and borrowings:		
Short-term portion of long-term borrowings	135.042.695	6.022.898
Short-term bank borrowings	-	500.324
	135.042.695	6.523.222
Long-term loans and borrowings:		
Long-term bank borrowings	215.530.226	129.050.108
	215.530.226	129.050.108
Total loans and borrowings	350.572.921	135.573.330



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

The details of loans and borrowings as of 31 December 2013 and 31 December 2012 are as follows:

Currency	Interest rate (%)	Original amount	31 December 2013	
			Short-term (TL)	Long-term (TL)
US Dollar	Libor + 2,50 -Libor + 4,25	56.508.847	107.064.058	13.542.775
Euro	Euribor+3,50	16.975.000	7.121.012	42.726.075
TL	11,90	180.119.000	20.857.625	159.261.376
			135.042.695	215.530.226

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

Loans of the Company are used from a related party, Türkiye İş Bankası (Note 24) and also from QInvest LLC "QInvest" through the consultation of Qatar Islamic Bank ("QIB"). The Company received a counter guarantee amounting to USD 160 million, including guaranty of financing that was provided through the consultation of QInvest amounting USD 50.000.000, from Türkiye İş Bankası to constitute financing guaranty provided through the QIB in consultation of "QInvest". The investment properties are pledged in favour of İş Bankası amounting to USD 161.500.000 within the scope of the allocation of the counter guarantee.

The Company obtained a loan amounting to TL 180.000.000 with a maturity of 4 years to acquire the Zeytinburnu land. Zeytinburnu land is pledged in favour of İş Bankası amounting to TL 250.000.000.



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8. Trade receivables and payables

Short-term trade receivables and payables

	<u>31 December 2013</u>	<u>31 December 2012</u>
<u>Trade receivables</u>		
Notes receivable (*)	27.796.592	13.520.840
Rediscount of notes receivables (-)	(120.849)	(369.261)
Income accruals	5.612.972	1.674.802
Receivables from customers	745.299	3.118.031
Doubtful receivables	834.659	216.354
Provision for doubtful receivables (-)	(834.659)	(216.354)
Due from related parties (Note 24)	11.678	7.191
Other	144.093	11.704
	<u>34.189.785</u>	<u>17.963.307</u>
<u>Trade payables</u>		
Payables to suppliers	15.099.077	2.645.257
Due to related parties (Note 24)	7.207.460	1.467.645
	<u>22.306.537</u>	<u>4.112.902</u>

Long-term trade receivables

	<u>31 December 2013</u>	<u>31 December 2012</u>
<u>Trade receivables:</u>		
Notes receivable (*)	22.958.180	27.562.219
Rediscount of notes receivables (-)	(227.567)	(493.705)
	<u>22.730.613</u>	<u>27.068.514</u>

(*) As of 31 December 2013, notes receivable from customers is related to Ege Perla Project (31 December 2013: Çınarlı Bahçe Tuzla and Ege Perla projects).

As of 31 December 2013, provision for doubtful trade receivables is TL 834.659 (31 December 2012: TL 216.354). Provision for doubtful receivables is determined based on the historical collection performance.

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

	<u>31 December 2013</u>	<u>31 December 2012</u>
Opening balance, 1 January	(216.354)	(387.805)
Charge for the period	(712.461)	(88.515)
Provisions utilised	94.156	259.966
Closing balance	<u>(834.659)</u>	<u>(216.354)</u>



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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9. Other receivables and payables

	31 December 2012	31 December 2011
<u>Other receivables:</u>		
Other short-term receivables	10.814	8.612
	10.814	8.612
<u>Other payables -short-term</u>		
Deposits and guarantees given	371.986	5.049.060
Other payables to related parties	-	431
Other short-term payables	18.416	18.416
	390.402	5.067.907
<u>Other payables -long-term</u>		
Other long-term payables (*)	35.990.000	35.990.000
	35.990.000	35.990.000

(*) The TL 35.990.000 (31 December 2012: TL 35.990.000), is the amount to be paid to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi in relation to the purchase of the land registered in Kartal District Section 53, block 2274, lots 395, 397, 398, 399 and 408 and block 2846, lot 1 and block 2847 lot 1. The consideration will be paid to Tecim Yapı Elemanları İnşaat Servis ve Yönetim Hizmetleri San. ve Tic. Limited Şirketi via the proceeds on the sale of houses as part of a revenue sharing agreement based on the project development to be performed on the acquired land.

10. Investment property

As of 31 December 2013 and 31 December 2012, the details of investment properties are as follows:

	31 December 2013	31 December 2012
Investment property under operating lease	738.449.838	810.328.532
Investment property under construction and other	640.159.203	295.434.835
Total	1.378.609.041	1.105.763.367



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Notes to the Financial Statements For the Year Ended 31 December 2013

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As of 31 December 2013, total insurance amount on investment properties is TL 657.540.368 (31 December 2012: TL 521.290.749).

	31 December 2013		31 December 2012	
	Net book value	Fair value	Net book value	Fair Value
Investment property				
Ankara İş Kule Building	100.000.000	100.000.000	98.000.000	98.000.000
Istanbul İş Kuleleri Complex	251.973.594	550.000.000	257.484.746	495.000.000
Seven Seas Hotel	-	-	57.766.813	68.500.000
Maslak Petrol Ofisi Building	42.603.655	72.605.000	43.473.500	52.000.000
Mallmarine Shopping Mall	9.187.000	9.187.000	10.500.000	10.500.000
İş Bankası Ankara Merkez Building	15.636.606	25.500.000	15.928.333	24.900.000
İş Bankası Ankara Kızılay Building	13.419.690	24.271.000	13.683.189	21.750.000
İş Bankası Antalya Merkez Building	6.719.942	14.575.000	6.803.467	13.650.000
Kanyon Shopping Mall	102.421.482	365.000.000	103.858.483	346.000.000
Real Hipermarket Building	43.076.370	79.500.000	43.763.791	79.000.000
Istanbul Esenyurt (Marmarapark)	49.719.169	96.600.000	49.752.228	92.000.000
İş Bankası Güneşli Building	34.993.411	43.000.000	35.392.626	41.000.000
İş Bankası Sirkeci Building	20.587.629	32.000.000	20.662.538	30.000.000
Lykia Lodge Kapadokya Hotel	16.028.845	19.000.000	16.639.430	18.750.000
Antalya Kemer Imperial Hotel	-	-	36.619.388	43.815.000
Üsküdar Land	23.258.500	23.258.500	21.000.000	21.000.000
Izmir Ege Perla Project (*)	36.050.717	42.504.555	19.508.200	31.080.965
Kartal Project	45.591.582	132.050.000	38.504.066	56.598.000
Tuzla Çınarlı Bahçe Project	8.239.957	12.316.983	4.357.842	5.927.114
Tuzla Technology and Operations Center Project	112.398.259	120.500.000	62.554.341	90.000.000
Tuzla Karma Project	72.981.498	104.500.000	32.927.338	54.000.000
Taksim Lamartine Building	23.842.488	41.000.000	20.493.048	26.370.000
Levent Land	1.174.655	1.174.655	1.090.000	1.090.000
Ataşehir Finance Center Land	101.771.396	107.000.000	95.000.000	95.000.000
Zeytinburnu Land (**)	246.932.596	241.200.000	-	-
Total	1.378.609.041	2.256.742.693	1.105.763.367	1.815.931.079

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

(**) According to the Board of Directors resolution dated 9 October 2013, the Company decided to jointly purchase the plot total 130.024,5 m² area in Istanbul, Zeytinburnu District (former Topkapı Şişecam factory) with Timur Gayrimenkul Geliştirme Yapı ve Yatırım Anonim Şirketi ("NEF") with an amount of TL 320.000.000 excluding VAT, from Türkiye Şişe ve Cam Fabrikaları Anonim Şirketi and Anadolu Cam Sanayi Anonim Şirketi in order to develop a project with NEF. 75% and 25% of the plot will be purchased on behalf of the Company and NEF, respectively. According to the valuation report for the Zeytinburnu Land dated 8 October 2013, the fair value of 75% of Zeytinburnu Land which is owned by the Company is TL 241.200.000. As of 31 December 2013, the Company capitalised total expenditures related to title deed fees, management commission fees paid during the purchase of land and interest expenses totally amounting to TL 6.932.597.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

	Opening balance 1 January 2013	Purchases	Disposals	Impairment/ reversal of impairment	Closing balance 31 December 2013
Cost					
Ankara İş Kule Building	142.662.146	23.432	-	4.710.291	147.395.869
Istanbul İş Kuleleri Complex	340.401.026	591.394	-	-	340.992.420
Seven Seas Hotel	103.887.630	-	(103.887.630)	-	-
Maslak Petrol Ofisi Building	56.653.417	49.200	-	-	56.702.617
Mallmarine Shopping Mall	14.040.636	973	-	(1.082.940)	12.958.669
İş Bankası Ankara Merkez Building	19.000.000	-	-	-	19.000.000
İş Bankası Ankara Kızılay Building	16.309.980	-	-	-	16.309.980
İş Bankası Antalya Merkez Building	8.126.612	-	-	-	8.126.612
Kanyon Shopping Mall	121.018.233	793.033	-	-	121.811.266
Real Hipermarket Building	47.479.607	-	-	-	47.479.607
Istanbul Esenyurt (Marmarapark)	61.948.150	-	-	2.427.014	64.375.164
İş Bankası Güneşli Building	39.038.232	4.200	-	-	39.042.432
İş Bankası Sirkeci Building	23.107.500	-	-	-	23.107.500
Lykia Lodge Kapadokya Hotel	18.136.363	1.695	-	-	18.138.058
Antalya Kemer Imperial Hotel	39.324.251	-	(39.324.251)	-	-
Üsküdar Land	21.000.000	209.108	-	2.049.392	23.258.500
Izmir Project	19.508.200	16.542.517	-	-	36.050.717
Kartal Project	38.504.066	7.087.516	-	-	45.591.582
Tuzla Çınarlı Bahçe Project	4.357.842	3.882.115	-	-	8.239.957
Tuzla Technology and Operations Center Project	62.554.341	49.843.918	-	-	112.398.259
Tuzla Karma Project	32.927.338	40.054.160	-	-	72.981.498
Taksim Lamartine Building	20.493.048	3.419.574	-	-	23.912.622
Levent Land	1.090.000	7.735	-	76.920	1.174.655
Zeytinburnu Land	-	246.932.596	-	-	246.932.596
Ataşehir Finance Center Lnd	95.000.000	3.918.686	-	2.852.710	101.771.396
Total	1.346.568.618	373.361.852	(143.211.881)	11.033.387	1.587.751.976



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

	Opening Balance 1 January 2013	Charge for the period	Disposals	Closing balance 31 December 2013
Accumulated Depreciation				
Ankara İş Kule Building	44.662.146	2.733.723	-	47.395.869
Istanbul İş Kuleleri Complex	82.916.280	6.102.546	-	89.018.826
Seven Seas Hotel	46.120.817	1.389.073	(47.509.890)	-
Maslak Petrol Ofisi Building	13.179.917	919.045	-	14.098.962
Mallmarine Shopping Mall	3.540.636	231.033	-	3.771.669
İş Bankası Ankara Merkez Building	3.071.667	291.727	-	3.363.394
İş Bankası Ankara Kızılay Building	2.626.791	263.499	-	2.890.290
İş Bankası Antalya Merkez Building	1.323.145	83.525	-	1.406.670
Kanyon Shopping Mall	17.159.750	2.230.034	-	19.389.784
Real Hipermarket Building	3.715.816	687.421	-	4.403.237
Istanbul Esenyurt (Marmarapark)	12.195.922	2.460.073	-	14.655.995
İş Bankası Güneşli Building	3.645.606	403.415	-	4.049.021
İş Bankası Sirkeci Building	2.444.962	74.909	-	2.519.871
Lykia Lodge Kapadokya Hotel	1.496.933	612.280	-	2.109.213
Taksim Lamartine Building	-	70.134	-	70.134
Antalya Kemer Imperial Hotel	2.704.863	706.164	(3.411.027)	-
Total	240.805.251	19.258.601	(50.920.917)	209.142.935
Net Carrying Value	1.105.763.367	-	-	1.378.609.041



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

	Opening balance 1 January 2012	Purchases	Disposals	Transfers	Impairment/ reversal of impairment	Closing balance 31 December 2012
Cost						
Ankara İş Kule Building	138.314.015	184.153	-	-	4.163.978	142.662.146
Istanbul İş Kuleleri Complex	340.256.988	144.038	-	-	-	340.401.026
Seven Seas Hotel	103.877.228	10.402	-	-	-	103.887.630
Maslak Petrol Ofisi Building	56.653.334	83	-	-	-	56.653.417
Mallmarine Shopping Mall	14.619.099	381.082	-	-	(959.545)	14.040.636
İş Bankası Ankara Merkez Building	19.000.000	-	-	-	-	19.000.000
İş Bankası Ankara Kızılay Building	16.240.000	69.980	-	-	-	16.309.980
İş Bankası Antalya Merkez Building	8.126.612	-	-	-	-	8.126.612
Kanyon Shopping Mall	119.052.778	1.965.455	-	-	-	121.018.233
Real Hipermarket Building	47.479.607	-	-	-	-	47.479.607
Istanbul Esenyurt (Marmarapark)	59.521.136	-	-	-	2.427.014	61.948.150
İş Bankası Güneşli Building	39.024.359	13.873	-	-	-	39.038.232
İş Bankası Sirkeci Building	23.107.500	-	-	-	-	23.107.500
Lykia Lodge Kapadokya Hotel	18.136.363	-	-	-	-	18.136.363
Antalya Kemer Imperial Hotel	38.773.624	550.627	-	-	-	39.324.251
Üsküdar Land	20.200.000	395.828	-	-	404.172	21.000.000
İzmir Ege Perla Project	22.745.479	14.061.238	-	(17.298.517)	-	19.508.200
Kartal Project	38.153.577	350.489	-	-	-	38.504.066
Tuzla Çınarlı Bahçe Project	2.508.158	1.849.684	-	-	-	4.357.842
Tuzla Technology and Operations Center Project	45.037.382	17.516.960	-	-	-	62.554.342
Tuzla Karma Project	21.633.881	11.293.456	-	-	-	32.927.337
Taksim Building	15.155.221	5.337.827	-	-	-	20.493.048
Levent Land	990.000	7.196	-	-	92.804	1.090.000
Ataşehir Finance Center Land	-	97.852.710	-	-	(2.852.710)	95.000.000
Total	1.208.606.341	151.985.081	-	(17.298.517)	3.275.713	1.346.568.618



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

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

The fair values of the Company's investment properties at 31 December 2013 have been arrived at on the basis of valuations carried out as of December 2013 by three independent appraiser firms, except for Zeytinburnu Land which was valued in October 2013. Appraisal firms are accredited independent firms licensed by the Capital Markets Board of Turkey, and have appropriate qualifications and recent experience in appraising properties in the relevant locations. Appraisal studies are in compliance with International Valuation Standards and are arrived at by reference to market evidence of transaction prices for similar properties or reduction of future cash flows.

As of the reporting date, there are no restrictions on the sale of investment properties and no liabilities incurred from agreements related to the purchase, construction, development and maintenance. As of the reporting date, the investment properties are pledged in favour of İş Bankası amounting to USD 161.500.000 and TL 250.000.000.

During the period, the property rental income earned by the Company from its investment properties amounted to TL 106.650.982 (31 December 2012: TL 100.066.577). Direct operating expenses arising on the investment properties in the current period amounted to TL 25.410.708 (31 December 2012: TL 38.337.009).



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

11. Inventories

Short-term inventories

Completed residential units

Çınarlı Bahçe Tuzla residences (*)

31 December 2013 31 December 2012

4.090.123

62.214.847

4.090.123

62.214.847

Long-term inventories

Non-completed residential units

Izmir Ege Perla (**)

31 December 2013 31 December 2012

31.439.900

17.298.517

31.439.900

17.298.517

(*) The Company has started the Çınarlı Bahçe Tuzla project registered in Istanbul, Tuzla District on a plot total 41.000 m² area in the last quarter of 2011. The project consists of 7 blocks with 476 residences, a grocery and a kindergarten, and pre-sales of project has started on October 2011. As of 31 December 2013, preliminary sales contracts have been signed for total 430 residences. 427 residences have been completed and delivered to customers.

(**) The Company has started the Ege Perla Izmir project registered in Izmir, Konak District on a plot total 18.392 m² area in the third quarter of 2012. The project consists of 2 blocks with 111 residences, 65 offices and one shopping mall, and pre-sales of project has started on October 2012. As of 31 December 2013, preliminary sales contracts have been signed for total 91 residences and the Company received advance amounting to TL 92.713.675. The expected completion date of the project is December 2015.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

12. Tangible assets

	Machinery and equipment	Vehicles	Fixtures	Total
Cost				
Opening balance as of 1 January 2013	85.950	269.977	1.124.981	1.480.908
Purchases	-	-	1.094.615	1.094.615
Closing balance as of 31 December 2013	85.950	269.977	2.219.596	2.575.523
Accumulated Depreciation				
Opening balance as of 1 January 2013	85.414	169.979	737.718	993.111
Current year charge	536	36.868	316.872	354.276
Closing balance as of 31 December 2013	85.950	206.847	1.054.590	1.347.387
Net book value as of 1 January 2013	536	99.998	387.263	487.797
Net book value as of 31 December 2013	-	63.130	1.165.006	1.228.136
Cost				
Opening balance as of 1 January 2012	85.950	269.977	836.454	1.192.381
Purchases	-	-	288.527	288.527
Closing balance as of 31 December 2012	85.950	269.977	1.124.981	1.480.908
Accumulated Depreciation				
Opening balance as of 1 January 2012	85.414	122.736	621.403	829.553
Current year charge	-	47.243	116.315	163.558
Closing balance as of 31 December 2012	85.414	169.979	737.718	993.111
Net book value as of 1 January 2012	536	147.241	215.051	362.827
Net book value as of 31 December 2012	536	99.998	387.263	487.797

As of 31 December 2013 and 31 December 2012, there is no pledge on tangible assets.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

13. Intangible assets

	Computer programs	Total
Cost		
Opening balance as of 1 January 2013	1.688.338	1.688.338
Purchases	53.677	53.677
Closing balance as of 31 December 2013	1.742.015	1.742.015
Accumulated Depreciation		
Opening balance as of 1 January 2013	1.515.836	1.515.836
Current year charge	113.547	113.547
Closing balance as of 31 December 2013	1.629.383	1.629.383
Net book value as of 1 January 2013	172.502	172.502
Net book value as of 31 December 2013	112.632	112.632
Cost		
Opening balance as of 1 January 2012	1.560.293	1.560.293
Purchases	128.044	128.044
Closing balance as of 31 December 2012	1.688.337	1.688.337
Accumulated Depreciation		
Opening balance as of 1 January 2012	1.257.015	1.257.015
Current year charge	258.820	258.820
Closing balance as of 31 December 2012	1.515.835	1.515.835
Net book value as of 1 January 2012	303.278	303.278
Net book value as of 31 December 2012	172.502	172.502

As of 31 December 2013 and 31 December 2012, the Company does not have any internally generated intangible assets.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

14. Provisions, contingent assets and liabilities

	31 December 2013	31 December 2012
Provisions	41.551	44.113
	41.551	44.113
Letters of guarantee received (*)	165.146.173	55.848.070
	165.146.173	55.848.070

(*) Letters of guarantee consist of the letters received from tenants and suppliers of the Company.

Details of collaterals, pledges and mortgages ("CPM") given by the Company as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
A. CPM given for companies own legal personality (*)	710.318.855	384.486.309
B. CPM given in behalf of fully consolidated companies	-	-
C. CPM given for continuation of its economic activities on behalf of third parties (**)	18.857.366	11.895.787
D. Total amount of other CPM's	-	-
-Total amount of CPM's given on behalf of majority shareholder	-	-
-Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	-	-
-Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
Total	729.176.221	396.382.096

(*) CPM given for the Company's own legal personality consists of letters of guarantee amounting to TL 377.205 and USD 54.000.000 and pledge amounting to USD 161.500.000 and TL 250.000.000. As of 31 December 2013, the investment properties are pledged in favour of İş Bankası amounting to USD 161.500.000 and TL 250.000.000. As of 31 December 2012, the Company has 1st degree mortgage on its investment properties held amounting to USD 161.500.000 in favour of Türkiye İş Bankası. The Company received a counter guarantee amounting to USD 160 million from Türkiye İş Bankası to constitute financing guaranty provided. In this context, 1st degree mortgage was constituted in favour of İş Bankası from investment properties portfolio of the Company, İş Bankası Ankara Kızılay Building amounting to USD 11.000.000, İş Bankası Sirkeci Building amounting to USD 14.500.000, Kule-2 and Kule Çarşısı USD 136.000.000. The Company was funded amounting to USD 50.000.000 through the use of related counter guarantee limit amounting to USD 54.000.000.

The Company obtained a loan amounting to TL 180.000.000 with a maturity of 4 years to acquire the Zeytinburnu land. Zeytinburnu land is pledged in favour of İş Bankası amounting to TL 250.000.000.

(**) Represents the cost of guarantors given to the related banks in return for the loan amount in case the buyers of the Company's ongoing residential and office projects use mortgage/business loan from contracted banks. In this respect, as of 31 December 2013, the ratio of CPM given by the Company to the Company's shareholders' equity is 1,6% (31 December 2012: 1.1%).



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

Operational leasing

The Company, as the lessor in the operational leasing transactions

The Company signed operational lease agreements as lessor for the investment properties in its portfolio with tenants which are shopping mall tenants, hotel operators and other third parties. The future minimum lease receivables as of 31 December 2013 and 31 December 2012 are as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
Less than 1 year	106.288.144	106.635.643
Between 1-5 years	223.500.647	250.901.376
More than 5 years	607.360.641	581.648.272
	<u>937.149.432</u>	<u>939.185.291</u>

15. Provision for employee benefits

	<u>31 December 2013</u>	<u>31 December 2012</u>
Short-term employee benefits		
Unused vacation provisions	169.376	121.820
	<u>169.376</u>	<u>121.820</u>
Long-term employee benefits		
Severance pay indemnity	806.852	687.159
	<u>806.852</u>	<u>687.159</u>

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

The amount payable consists of one month's salary limited to a maximum of TL 3.254,44 for each period of service as of 31 December 2013 (31 December 2012: TL 3.033,98).

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



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 December 2013, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective reporting dates have been calculated assuming an annual inflation rate of 6,10% and a discount rate of 9,80%, resulting in a real discount rate of approximately 3,49% (31 December 2012: 5,00% inflation rate, 7,73% discount rate, 2,60% real discount rate). The anticipated rate of for features is considered. As the maximum liability is revised semi annually, the maximum amount of TL 3.254,44 effective from 31 December 2013 has been taken into consideration in calculation of provision from employment termination benefits.

	<u>31 December 2013</u>	<u>31 December 2012</u>
Opening balance at 1 January	687.159	389.157
Service cost	113.953	91.893
Interest cost	53.117	34.868
Payments	(5.213)	(2.936)
Actuarial difference	(42.164)	174.177
Closing balance at period end	806.852	687.159

16. Prepaid expenses, other assets, deferred revenue and other liabilities

<u>Other current assets</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
Job advances (*)	78.347.608	46.310.006
Prepaid expenses (**)	1.308.234	1.239.814
	79.655.842	47.549.820

(*) The Company signed an agreement with Nida İnşaat -A Yapı (joint venture) for the construction work of Ege Perla project located in Konak, İzmir. As of 31 December 2013, job advances paid to Nida İnşaat -A Yapı under the agreement terms is TL 46.759.698 (31 December 2012: None).

The Company signed an agreement with Koray İnşaat Sanayi ve Ticaret A.Ş. for the construction work of Tuzla technology and operation project located in map G22B17A1C, parcels 1 and 2. As of 31 December 2013 job advances paid to Koray İnşaat Sanayi ve Ticaret A.Ş. under the agreement terms is TL 30.996.991 (31 December 2012: TL 36.008.520). Construction work of Çınarlı Bahçe Tuzla project located in map 20, parcel 1329 has completed by Mesa Mesken Sanayi A.Ş. As of 31 December 2013, there is no job advances paid to Mesa Mesken Sanayi A.Ş. under the agreement terms (31 December 2012: TL 8.040.211).

(**) As of 31 December 2013, prepaid expenses mainly consist of prepaid insurance expenses with related parties amounting TL 1.303.314 (31 December 2012: TL 1.238.673)

<u>Other current assets</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
Deferred VAT (***)	9.675.983	16.706.169
Prepaid taxes and dues payable	128.238	31.846
	9.804.221	16.738.015

(***) As of 31 December 2013, the Company paid VAT amounting to TL 4.463.446 for Zeytinburnu land purchased at 30 December 2013 (As of 31 December 2012, the Company paid VAT amounting to TL 16.779.661 for Ataşehir Finance Center land purchased at 17 July 2012).



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

Other short-term liabilities

	<u>31 December 2013</u>	<u>31 December 2012</u>
Taxes and dues payable	1.960.114	3.376.493
Expense accrual for title deed fees	993.229	-
Due to related parties (Note 24)	361.574	919.413
	<u>3.314.917</u>	<u>4.295.906</u>

Deferred income (Short-term)

	<u>31 December 2013</u>	<u>31 December 2012</u>
Deferred revenue (****)	697.593	265.558
Advances received (*****)	53.056	84.776.603
	<u>750.649</u>	<u>85.042.161</u>

Deferred income (Long-term)

	<u>31 December 2013</u>	<u>31 December 2012</u>
Deferred revenue (****)	94.584.024	45.694.814
Advances received (*****)	3.707.332	3.204.198
	<u>98.291.356</u>	<u>48.899.012</u>

(****) Consists of the contribution received from Real Hipermarketler Zinciri A.Ş. in relation to the Real Project and other rental payments received for future periods.

(***** Mainly consists of the advances received from the sale of the properties in Çınarlı Bahçe Tuzla Project and Ege Perla Project.

17. Shareholders' equity

Share capital

The composition of the paid-in share capital as of 31 December 2013 and 31 December 2012 is as follows:

	<u>31 December 2013</u>		<u>31 December 2012</u>	
	(%)		(%)	
İş Bankası	42,2	266.080.192	42,2	253.409.693
Anadolu Hayat Emeklilik A.Ş.	7,11	44.782.874	7,11	42.650.356
Anadolu Anonim Türk Sigorta A.Ş.	4,77	30.068.312	4,77	28.636.488
İş Net Elektronik Hizm. A.Ş.	1,33	8.351.594	1,33	7.953.899
Other	2,6	16.358.784	2,6	15.579.794
Publicly traded	42	264.358.244	42	251.769.770
Historic share capital	<u>100</u>	<u>630.000.000</u>	<u>100</u>	<u>600.000.000</u>

The Company has increased its share capital to TL 630 million by TL 30 million from retained earnings with In the Ordinary General Shareholders' Meeting decision dated 26 March 2013. The decision on the capital increases, approved by the Capital Markets Board on 8 May 2013; the use of the right to receive bonus shares commenced on 15 May 2013.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

The total number of ordinary shares consists of 630.000.000 shares with a par value of TL 1 per share. All of the shares are issued to name and TL 900.000 of the total amount is Group A and TL 629.100.000 of the total amount is Group B shares. Group A shareholders have the privilege to nominate candidates during the Board of Directors member elections. One member of Board of Directors is selected among the candidates nominated by Group B shareholders while the rest is selected among the candidates nominated by Group A shareholders. There is no other privilege given to the Group A shares.

The total number of ordinary shares of Kanyon consists of 100.000 shares with a par value of TL 1 per share. 50.000 shares are Group A shares pertaining to Eczacıbaşı Holding A.Ş.. The other 50.000 are Group B shares belonging to İş Gayrimenkul Yatırım Ortaklığı A.Ş. Three members of Management Committee are selected among the candidates nominated by Group A shareholders while the remaining three are selected among the candidates of Group B shareholders.

The total number of ordinary shares of Nest in Globe consists of 90.000 shares with a par value of Euro 1 per share and paid-in-capital of Nest in Globe is amounted to Euro 18.000. 45.000 shares are Group A shares pertaining to Kayı Holding A.Ş. The other 45.000 are Group B shares belonging to İş Gayrimenkul Yatırım Ortaklığı A.Ş. In addition, the Company has given Euro 87.000 (TL 211.297) as capital advance to Nest in Globe as of the reporting date.

Adjustment to share capital

Adjustment to share capital amount is TL 240.146.090 as of 31 December 2013 and 31 December 2012. Adjustment to share capital represents the restatement effect of the cash contributions to share capital equivalent to purchasing power of TL.

Share premium

As of 31 December 2013, share premiums amounting TL 423.981 represent excess amount of selling price and nominal value for each share during initial public offering of the Company's shares (31 December 2012: TL 423.981).

Restricted reserves

	<u>31 December 2013</u>	<u>31 December 2012</u>
Legal reserves	19.712.142	16.520.757
	<u>19.712.142</u>	<u>16.520.757</u>

Legal reserves consist of first and second legal reserves. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the paid-in share capital. The second legal reserve is calculated as the 10% of dividend distributions, in excess of 5 percent of paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital.

Prior years' profits

	<u>31 December 2013</u>	<u>31 December 2012</u>
Prior years' profits	149.600.689	147.383.676
	<u>149.600.689</u>	<u>147.383.676</u>



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

Dividend distribution

For the period ended 31 December 2013, 2012 net distributable profit amounting to TL 30.000.000 after first legal reserve and second legal reserve has been committed to be distributed on a cash basis, and dividend of shares traded on BIST has been distributed on 28 March 2013, the other dividend of shares that are not traded on Istanbul Stock Exchange has been distributed on 1 July 2013.

According to CMB's decision on 27 January 2010 numbered 02/51, corporations traded on the stock exchange market are not obliged to distribute a specified amount of dividends. For corporations that will distribute dividends, in relation to the resolutions in their general meeting the dividends may be in cash, may be free by adding the profit into equity, or may be partially from both. It is also permitted not to distribute determined first party dividends falling below 5 percent of the paid-in capital of the company but, corporations that increased capital before distributing the previous year's dividends and as a result their shares are separated as "old" and "new" are obliged to distribute 1st party dividends in cash.

In this content, profit distribution amount calculated with the CMB's minimum compulsory profit distribution regulations on net distributable profit amount according to CMB regulations will be distributed if the amount is sufficient, if not statutory net distributable profit amount will be distributed. Dividend distribution will not be performed if there is loss in the financial statements prepared in accordance with the CMB regulations or in the statutory financial statements.

In the Ordinary General Shareholders' Meeting held on 26 March 2013, the distribution of 2012 net profit was determined as follows:

	Amount
First legal reserve (TCC 466/1) 5%	3.191.385
Dividend	30.000.000
Second legal reserve (TCC 466/2)	-
Capital increase through bonus issues(*)	30.000.000
Transferred to prior years' profits	2.217.013
Total	65.408.398

(*) In the Ordinary General Shareholders' Meeting held on 26 March 2013, it was decided to distribute bonus shares amounting to TL 30.000.000 of 2012 net profit. The decision on the capital increases, approved by the Capital Markets Board on 8 May 2013; the use of the right to receive bonus shares commenced on 15 May 2013.

Foreign currency translation differences

Foreign currency translation differences is due to the translation of equity items of Nest in Globe into TL.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

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For the Year Ended 31 December 2013

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

18. Revenue and cost of revenue

	1 January-31 December 2013	1 January-31 December 2012
Income from sales of real estate	130.770.237	-
Income from sales of investment property	116.538.900	-
Rent income	106.650.982	100.066.577
Income from right of construction	9.463.443	8.967.505
Tenant contribution and service income	826.712	973.647
Other revenue	174.160	120.840
Total real estate revenues	364.424.434	110.128.569
Interest income on bank deposits	4.430.178	5.945.061
Gain on buy/sell of marketable securities	1.109.299	726.939
Interest income from government bonds, treasury bills and private sector bonds	517.658	847.780
Interest income from reverse repos	24.480	64.080
Other interest income	658.101	4.409
Total debt instruments revenue	6.739.716	7.588.269
Total revenue	371.164.150	117.716.838
Cost of revenue	1 January-31 December 2013	1 January-31 December 2012
Cost of sales of real estate	(107.374.468)	-
Cost of sales of investment property	(92.290.964)	-
Depreciation charges	(19.258.601)	(24.475.199)
Administrative expenses	(11.124.614)	(10.954.768)
Taxes and dues	(4.141.655)	(4.266.828)
Insurance expenses	(1.812.797)	(1.913.166)
Impairment on investment properties	(1.082.940)	(3.812.255)
Reversal of impairment on investment properties	12.116.327	7.087.968
Other	(106.428)	(2.761)
	(225.076.140)	(38.337.009)



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

19. General administrative expenses

	<u>1 January-31 December 2013</u>	<u>1 January-31 December 2012</u>
Personnel expenses	5.797.265	4.411.848
Outsourced service expenses	5.592.715	3.024.145
Provision for doubtful receivables	618.305	88.515
Depreciation and amortisation	467.823	422.378
Taxes and duties	288.528	130.326
	<u>12.764.636</u>	<u>8.077.212</u>

20. Expenses by nature

<u>Personnel expenses</u>	<u>1 January-31 December 2013</u>	<u>1 January-31 December 2012</u>
General administrative expenses	5.797.265	4.411.848
	<u>5.797.265</u>	<u>4.411.848</u>
<u>Depreciation and amortisation</u>	<u>1 January-31 December 2013</u>	<u>1 January-31 December 2012</u>
Cost of sales	19.258.601	24.475.199
General administrative expenses	467.823	422.378
	<u>19.726.424</u>	<u>24.897.577</u>

21. Other operating income/expense

Details of other operating income/expense for the years ended 31 December 2013 and 2012 are as follows:

	<u>1 January-31 December 2013</u>	<u>1 January-31 December 2012</u>
Foreign exchange gains	41.172.459	16.191.188
Other	880.658	205.102
	<u>42.053.117</u>	<u>16.396.290</u>
	<u>1 January-31 December 2013</u>	<u>1 January-31 December 2012</u>
Foreign exchange losses	(28.526.480)	(21.087.565)
Other	(123.742)	(7)
	<u>(28.650.222)</u>	<u>(21.087.572)</u>



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

22. Finance income/expense

For the year ended 31 December 2012, finance income amounting to TL 2.594.563 consists of foreign exchange gains on loans and borrowings.

	1 January-31 December 2013	1 January-31 December 2012
Foreign exchange losses	(28.604.692)	-
Interest expense on loans and borrowings	(1.898.161)	(2.559.563)
Other interest expense	(689.901)	(1.067.259)
Derivative gains/(losses), net	120.628	(527.335)
	<u>(31.072.126)</u>	<u>(4.154.157)</u>

23. Earnings per share

	1 January - 31 December 2013	1 January - 31 December 2012
Number of shares in circulation during the period	600.000.000	600.000.000
Bonus shares (*)	30.000.000	-
Number of shares in circulation as of 31 December (total)	<u>630.000.000</u>	<u>600.000.000</u>
Weighted average number of shares in circulation (*)	630.000.000	600.000.000
Net profit attributable to the equity holders of the parent	116.156.720	65.408.398
Earnings per share	0,1844	0,1038
Diluted earnings per share	0,1844	0,1038

(*) Capital increase is realised from internal sources and increase in number of share is used for computation of prior period earnings per share.

(**) As of 31 December 2013 capital of the Company consists of 630.000.000 shares that are valued 1 Kuruş for each one.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

24. Related party disclosures

Related parties of the Company are direct or indirect subsidiaries of İş Bankası and the directors and personnel of the Company.

Receivables from related parties are mainly due to sales transactions and the average payment term is one month. By nature no interest is calculated on these receivables and no guarantees have been received.

Payables due to related parties are mainly due to purchase transactions and the average credit payment term is one month. No interest is calculated on these payables.

Details of related party balances are as follows:

Balances at İş Bankası	31 December 2013	31 December 2012
Demand deposits	693.059	511.566
Time deposits	74.024.676	83.195.953
Receivables from reverse repo transactions	18.886	98.410
	74.736.621	83.805.929

The Company has letters of guarantee amounting TL 377.205 TL and USD 54.000.000 (31 December 2012: TL 336.009 and USD 54.000.000) from İş Bankası. In addition, 1st degree mortgage is instituted by the Company in favour İş Bankası amounting to USD 161.500.000 on some investment properties.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

As of 31 December 2013 and 2012, the Company has mutual funds, established by İş Yatırım Menkul Değerler A.Ş., İş Bankası and İş Portföy Yönetimi A.Ş.

	31 December 2013			
	Trade	Other	Trade payables	Other liabilities
	receivables	receivables	Short-term	Short-term
	Short-term	Short-term	Short-term	Short-term
Balances with related parties				
Kanyon Yönetim İşl. Paz. Ltd. Şti.	-	-	1.343.585	1.743
Türkiye Şişe ve Cam Fab. A.Ş.	-	-	192.999	87.017
Paşabahçe Cam San. Ve Tic. A.Ş.	-	-	784	56.833
Anadolu Hayat Emeklilik A.Ş.	-	-	-	33.841
Anadolu Anonim Türk Sigorta A.Ş.	11.678	1.303.314	840.737	-
Avea İletişim Hizmetleri A.Ş.	-	-	53.932	40.066
Trakya Cam Sanayii A.Ş.	-	-	-	34.510
Anadolu Hayat Emeklilik A.Ş.	-	-	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	28.667
Anadolu Cam Sanayii A.Ş.	-	-	4.270.447	25.270
Soda Sanayii A.Ş.	-	-	-	22.983
Camiş Madencilik A.Ş.	-	-	-	9.052
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	344.285	9.491
Paşabahçe Mağazaları A.Ş.	-	-	2.768	2.007
Şişecam Sigorta Hizmetleri A.Ş.	-	-	-	1.881
İş Bankası	-	-	5	4.779
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	-	3.430
İş Net Elektronik Hizmetler A.Ş.	-	-	2.360	-
Softtech Yazılım Teknolojileri A.Ş.	-	-	15.140	-
Due to shareholders	-	-	192	-
Other	-	-	140.226	-
	11.678	1.303.314	7.207.460	361.574



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

<i>Balances with related parties</i>	31 December 2013	
	Short-term	Long-term
İş Bankası	27.978.637	201.987.451
<i>Transactions with related parties</i>	Interest expense on loans	
İş Bankası		1.898.161

As of 31 December 2013, the Company's financial assets at fair value through profit or loss include private sector bonds belonging to related parties comprising the following:

<i>Balances with related parties</i>	31 December 2013		31 December 2012	
	Nominal value	Fair value	Nominal value	Fair value
İş Bankası	364.750	348.750	2.040.000	2.035.114
İş Finansal Kiralama A.Ş.	-	-	180.000	181.504
Total	364.750	348.750	2.220.000	2.216.618



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

	31 December 2012				
	Trade	Other	Trade	Trade	Other
	receivables	receivables	payables	payables	liabilities
	Short-term	Short-term	Short-term	Short-term	Short-term
Balances with related parties					
Kanyon	-	-	637.395	-	573.086
Türkiye Şişe ve Cam Fab. A.Ş.	-	-	-	-	73.206
Paşabahçe Cam San. Ve Tic. A.Ş.	-	-	-	-	49.103
Anadolu Anonim Türk Sigorta A.Ş.	-	1.238.673	633.995	-	40.567
Avea İletişim Hizmetleri A.Ş.	1.437	-	3.554	-	37.473
Trakya Cam Sanayii A.Ş.	-	-	-	-	29.816
Anadolu Hayat Emeklilik A.Ş.	-	-	-	-	29.238
İş Yatırım Menkul Değerler A.Ş.	-	-	-	-	24.767
Anadolu Cam Sanayii A.Ş.	-	-	-	-	21.832
Soda Sanayii A.Ş.	-	-	-	-	18.879
Camiş Madencilik A.Ş.	-	-	-	-	7.821
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	174.793	-	7.309
Camiş Elektrik Üretim A.Ş.	-	-	-	-	2.953
Paşabahçe Mağazaları A.Ş.	-	-	-	-	1.734
Şişecam Sigorta Hizmetleri A.Ş.	-	-	-	-	1.629
İş Finansal Kiralama A.Ş.	2.815	-	-	-	-
İş Bankası	-	-	3.421	-	-
İş Yatırım Ortaklığı A.Ş.	245	-	-	-	-
İş Portföy Yönetimi A.Ş.	2.694	-	484	-	-
İş Net Elektronik Hizmetler A.Ş.	-	-	3.461	-	-
Due to shareholders	-	-	-	431	-
Diğer	-	-	10.542	-	-
	7.191	1.238.673	1.467.645	431	919.413

	31 December 2012	
	Loans and borrowings	
	Short-term	Long-term
Balances with related parties		
İş Bankası	6.203.197	39.920.108
Transactions with related parties		Interest expense on loans
İş Bankası		2.559.563



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

As of 31 December 2013, the Company entered into an interest option derivative transaction with İş Bankası and TL 300.392 (31 December 2012: TL 179.764) accrual of this derivative transaction is recognised in the Company's statement of financial position and also TL 120.628 derivative trading gains (31 December 2012: TL (527.335) derivative trading loss) is recognised in the Company's profit or loss for this transaction.

In addition, the Company paid commission amounting to USD 378.000 (31 December 2012: USD 189.000) +BITT to İş Bankası for the letter of guarantees amounting to USD 54.000.000.

Transactions with related parties	1 January -31 December 2013				
	Purchases (*)	Interest received	Rent income	Other income	Other expense
İş Bankası	-	4.477.447	17.458.804	239.983	26.169
Anadolu Anonim Türk Sigorta A.Ş.	1.930.322	-	4.138.652	69.493	-
Anadolu Hayat Emeklilik A.Ş.	139.553	-	2.678.160	40.518	-
İş Finansal Kiralama A.Ş.	-	6.588	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	2.622.197	-	904.787	10.474	-
İş Yatırım Menkul Değerler A.Ş.	-	-	3.425.067	34.323	16.624
T.Şişe ve Cam Fabrikaları A.Ş.	18.378.605	-	5.397.571	102.211	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	317.632	1.143	-
İş Net Elektronik Hizmetler A.Ş.	44.468	-	9.538	-	79.282
İş Portföy Yönetimi A.Ş.	-	-	22.251	-	31.970
Paşabahçe Mağazacılık A.Ş.	14.214	-	591.970	2.402	28.147
Avea İletişim Hizmetleri A.Ş.	48.051	-	59.815	-	-
Paşabahçe Cam San. ve Tic. A.Ş.	-	-	3.524.696	68.047	-
Trakya Cam Sanayi A.Ş.	-	-	2.136.752	41.319	-
Soda Sanayi A.Ş.	-	-	1.422.260	29.494	-
Anadolu Cam Sanayi A.Ş.	221.621.396	-	1.564.106	30.256	-
Camiş Madencilik A.Ş.	-	-	560.601	10.838	-
Şişecam Sigorta Hizmetleri A.Ş.	-	-	116.753	2.258	-
Softtech Yazılım Teknolojileri A.Ş.	-	-	-	-	173.835
	244.798.806	4.484.035	44.329.415	682.759	356.027

(*) Anadolu Anonim Türk Sigorta A.Ş. balance is related to the insurance of investment properties. İş Merkezleri Yönetim ve İşletim A.Ş. balances are related to operational charges of İş Kuleleri and Mallmarine Shopping Mall. T.Şişe ve Cam Fabrikaları A.Ş. and Anadolu Cam Sanayi A.Ş. balances are related to purchase of 75% of Zeytinburnu Land on 9 October 2013.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

<i>Transactions with related parties</i>	1 January -31 December 2012				
	Purchases (*)	Interest received	Rent income	Other income	Other expenses
İş Bankası	-	6.272.049	15.777.135	-	22.091
T.Şişe ve Cam Fabrikaları A.Ş.	-	-	5.097.984	103.696	-
Anadolu Anonim Türk Sigorta A.Ş.	2.032.765	-	3.567.438	76.943	-
Paşabahçe Cam San. Ve Tic. A.Ş.	4.297	-	3.421.029	69.621	-
İş Yatırım Menkul Değerler A.Ş.	-	-	3.123.076	33.366	2.958
Anadolu Hayat Emeklilik A.Ş.	110.458	-	2.497.168	41.456	-
Trakya Cam Sanayi A.Ş.	-	-	2.073.042	42.275	-
Anadolu Cam Sanayi A.Ş.	-	-	1.518.537	30.956	-
Soda Sanayi A.Ş.	-	-	1.312.779	26.768	-
İş Finansal Kiralama A.Ş.	-	8.784	1.107.987	17.184	-
İş Merkezleri Yönetim ve İşletim A.Ş.	1.879.345	-	734.905	10.364	315.456
İş Portföy Yönetimi A.Ş.	-	-	732.765	12.546	21.878
Camiş Madencilik A.Ş.	-	-	544.268	11.089	-
Paşabahçe Mağazacılık A.Ş.	7.154	-	531.624	2.458	100.000
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	-	298.859	5.897	-
Camiş Elektrik Üretim A.Ş.	-	-	205.243	4.187	-
Şişecam Sigorta Hizmetleri A.Ş.	-	-	113.351	2.310	-
İş Yatırım Ortaklığı A.Ş.	-	-	94.915	1.292	-
Avea İletişim Hizmetleri A.Ş.	34.077	-	63.254	-	-
İş Net Elektronik Hizmetler A.Ş.	108.246	-	8.631	-	55.140
Softtech Yazılım Teknolojileri	70.000	-	-	-	177.159
	4.246.342	6.280.833	42.823.990	492.408	694.682

(*) Anadolu Anonim Türk Sigorta A.Ş. balance is related to the insurance of investment properties. İş Merkezleri Yönetim ve İşletim A.Ş. balances are related to operational charges of İş Kuleleri and Mallmarine Shopping Mall.



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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Benefits provided to key management personnel:

Benefits provided to board of directors, general manager, senior group presidents and group presidents are as follows:

	1 January-31 December 2013	1 January-31 December 2012
Salaries and other short term benefits	3.063.810	1.631.552
Employee termination benefits	314.905	100.712
	3.378.715	1.732.264

25. Nature and level of risks arising from financial instruments

a) Capital risk management

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

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

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

b) Financial risk factors

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

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



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements

For the Year Ended 31 December 2013

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b.1) Credit risk management

Exposure to maximum credit risk as of reporting date	Receivables				Bank deposits	Financial investments (***)	Derivative instruments	Other (****)
	Trade receivables		Other Receivables					
	Related parties	Other parties	Related parties	Other parties				
31 December 2013								
Maximum net credit risk as of the reporting date (A+B+C+D+E) (*)	11.678	51.295.468	-	10.814	74.717.735	3.252.090	300.392	26.325.388
-The part of maximum risk under guarantee with collateral etc. (**)	-	5.622.416	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	11.678	50.936.809	-	10.814	74.717.735	3.252.090	300.392	26.325.388
B. Net book value of financial assets which are overdue but not impaired	-	358.939	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-	-
-Past due (gross carrying amount)	-	834.659	-	-	-	-	-	-
-Impairment (-)	-	(834.659)	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc	-	-	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	-	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-

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

(**) Collaterals consist of notes, cheques and mortgages.

(***) Since share certificates are not exposed to credit risk, share certificates are not included in financial investments.

(****) Cash and cash equivalents, consisting of mutual funds, government bonds, receivables from reverse repo and other liquid assets with less than 3 months maturity, are included.



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

Exposure to maximum credit risk as of reporting date	Receivables				Bank deposits	Financial investments (***)	Derivative instruments	Other (****)
	Trade receivables		Other Receivables					
	Related parties	Other parties	Related parties	Other parties				
31 December 2012								
Maximum net credit risk as of the reporting date (A+B+C+D+E) (*)	7.191	16.288.505	-	8.612	83.707.519	8.390.656	179.764	807.909
-The part of maximum risk under guarantee with collateral etc. (**)	-	2.912.387	-	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	7.191	16.536.771	-	8.612	83.707.519	8.390.656	179.764	807.909
B. Net book value of financial assets which are overdue but not impaired	-	1.016.674	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-	-
-Past due (gross carrying amount)	-	-	-	-	-	-	-	-
-Impairment (-)		2.638						
-The part of net value under guarantee with collateral etc	-	770.183	-	-	-	-	-	-
-Not past due (gross carrying amount)	-	218.992	-	-	-	-	-	-
-Impairment (-)	-	(216.354)	-	-	-	-	-	-
-The part of net value under guarantee with collateral etc.	-	-	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-	-	-

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

(**) Collaterals consist of notes, cheques and mortgages.

(***) Since share certificates are not exposed to credit risk, share certificates are not included in financial investments.

(***) Cash and cash equivalents, consisting of mutual funds, government bonds, receivables from reverse repo and other liquid assets with less than 3 months maturity, are included.



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Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure to credit risks is monitored on a continuous basis.

The aging of the overdue but not impaired receivables are as follows:

31 December 2013	Receivables		Total
	Trade Receivables	Other Receivables	
Past due 1-30 days	271.227	-	271.227
Past due 1-3 months	74.878	-	74.878
Past due 3-12 months	6.984	-	6.984
Past due 1-5 years	5.850	-	5.850
Total overdue receivables	358.939	-	358.939
Total collateralised portion	358.939	-	358.939

31 December 2012	Receivables		Total
	Trade Receivables	Other Receivables	
Past due 1-30 days	936.582	-	936.582
Past due 1-3 months	62.849	-	62.849
Past due 3-12 months	17.243	-	17.243
Past due 1-5 years	-	-	-
Total overdue receivables	1.016.674	-	1.016.674
Total collateralised portion	770.183	-	770.183

Collaterals that are past due but not impaired

Collaterals held for trade receivables that are past due but not impaired as of the reporting date are as follows:

	31 December 2013		31 December 2012	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Letters of guarantee	322.958	322.958	749.800	749.800
Letters of blockage	718	718	-	-
Cash collaterals	35.263	35.263	20.383	20.383
	358.939	358.939	770.183	770.183



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Notes to the Financial Statements For the Year Ended 31 December 2013

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

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. On the other hand, derivative financial liabilities are presented based on their gross cash inflows and outflows which have not been discounted. Derivative instruments are settled and realised on a net basis based on their respective gross cash inflows and outflows which have not been discounted. When the receivables and payables are not fixed, the amount disclosed is calculated via an interest rate derived from yield curves as of the reporting date.

31 December 2013

<u>Contractual maturities</u>	<u>Carrying Value</u>	<u>Total cash outflows according to contract (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Non derivative Financial liabilities						
Loans and borrowings	350.572.921	426.483.441	1.042.678	140.367.936	261.100.524	23.972.303
Trade payables	22.306.537	22.306.537	22.306.537	-	-	-
Other payables	36.433.458	36.433.458	-	443.458	35.990.000	-
Total liabilities	409.312.916	485.223.436	23.349.215	140.811.394	297.090.524	23.972.303

<u>Contractual maturities</u>	<u>Carrying Value</u>	<u>Total cash outflows according to contract (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Derivative financial liabilities						
Derivatives cash inflow	300.392	300.392	-	-	-	300.392
Derivatives cash outflow	(155.630)	(155.630)	-	-	-	(155.630)



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31 December 2012

<u>Contractual maturities</u>	<u>Carrying Value</u>	<u>Total cash outflows according to contract (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Non derivative Financial liabilities						
Loans and borrowings	135.573.330	147.378.290	1.125.785	9.300.008	118.548.707	18.403.790
Trade payables	4.112.902	4.112.902	4.112.902	-	-	-
Other payables	41.057.907	41.057.907	-	5.067.907	35.990.000	-
Total liabilities	180.744.139	192.549.099	5.238.687	14.367.915	154.538.707	18.403.790

<u>Contractual maturities</u>	<u>Carrying Value</u>	<u>Total cash outflows according to contract (I+II+III+IV)</u>	<u>Less than 3 months (I)</u>	<u>3-12 months (II)</u>	<u>1-5 years (III)</u>	<u>More than 5 years (IV)</u>
Derivative financial liabilities						
Derivatives cash inflow	179.764	179.764	-	-	-	179.764
Derivatives cash outflow	(155.633)	(155.633)	-	-	-	(155.633)

b.3) Market risk management**b.3.1) Foreign currency risk management**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures of the Company are measured using sensitivity analysis and stress scenarios.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency transactions lead to currency risks.

The exchange rates applied as of 31 December 2013 and 31 December 2012 are as follows:

	<u>US Dollar</u>	<u>Euro</u>
31 December 2013	2,1343	2,9365
31 December 2012	1,7826	2,3517



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

The foreign currency denominated monetary and non-monetary assets and liabilities of the Company as of the reporting date are as follows:

31 December 2013

	TL Equivalent (Functional currency)	US Dollar	Euro
1. Trade Receivables	-	-	-
2a. Monetary Financial Assets	50.626.824	19.858.024	2.807.371
2b. Non Monetary Financial Assets	-	-	-
3. Other	57.642.174	27.057.919	-
4. CURRENT ASSETS	108.268.998	46.915.943	2.807.371
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non Monetary Financial Assets	-	-	-
7. Other	22.730.611	10.756.772	-
8. NON CURRENT ASSETS	22.730.611	10.756.772	-
9. TOTAL ASSETS	130.999.609	57.672.715	2.807.371
10. Trade Payables	836.428	384.188	5.604
11. Financial Liabilities	114.316.008	50.224.896	2.425.000
12a. Other Monetary Liabilities	-	-	-
12b. Other Non Monetary Liabilities	569.103	129.060	100.000
13. SHORT TERM LIABILITIES	115.721.539	50.738.144	2.530.604
14. Trade Payables	-	-	-
15. Financial Liabilities	56.137.913	6.283.952	14.550.000
16a. Other Monetary Liabilities	-	-	-
16b. Other Non Monetary Liabilities	93.153.351	41.908.832	1.262.500
17. LONG TERM LIABILITIES	149.291.264	48.192.784	15.812.500
18. TOTAL LIABILITIES	265.012.803	98.930.928	18.343.104
19. Net asset/liability position of Off balance sheet derivatives (19a-19b)	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-
19.b. Off-balance sheet foreign currency derivative liabilities	-	-	-
20. Net foreign currency asset/liability position	(134.013.193)	(41.258.213)	(15.535.733)
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(120.663.525)	(37.035.012)	(14.173.233)
22. Fair Value of foreign currency hedged Financial assets	-	-	-
23. Hedged foreign currency assets	-	-	-
24. Hedged foreign currency liabilities	-	-	-



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements

For the Year Ended 31 December 2013

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

31 December 2012

	TL Equivalent (Functional currency)	US Dollar	Euro
1. Trade Receivables	-	-	-
2a. Monetary Financial Assets	41.821.984	22.242.088	924.113
2b. Non Monetary Financial Assets	-	-	-
3. Other	73.899.685	41.456.123	-
4. CURRENT ASSETS	115.721.669	63.698.211	924.113
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non Monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	115.721.669	63.698.211	924.113
10. Trade Payables	631.339	330.358	18.048
11. Financial Liabilities	6.022.898	179.527	2.425.000
12a. Other Monetary Liabilities	-	-	-
12b. Other Non Monetary Liabilities	5.317.637	139.935	2.155.117
13. CURRENT LIABILITIES	11.971.874	649.820	4.598.165
14. Trade Payables	-	-	-
15. Financial Liabilities	129.050.108	50.000.000	16.975.000
16a. Other Monetary Liabilities	-	-	-
16b. Other Non Monetary Liabilities	48.758.544	25.627.719	1.307.383
17. LONG TERM LIABILITIES	177.808.652	75.627.719	18.282.383
18. TOTAL LIABILITIES	189.780.526	76.277.539	22.880.548
19. Net asset/liability position of Off balance sheet derivatives (19a-19b)	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-
19.b. Off-balance sheet foreign currency derivative liabilities	-	-	-
20. Net foreign currency asset/liability position	(74.058.857)	(12.579.328)	(21.956.435)
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(93.882.361)	(28.267.797)	(18.493.935)
22. Fair Value of foreign currency hedged Financial assets	-	-	-
23. Hedged foreign currency assets	-	-	-
24. Hedged foreign currency liabilities	-	-	-



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

Foreign currency sensitivity

The Company is mainly exposed to foreign currency risk on Euro and US Dollar.

The following table details the Company's sensitivity to 10% increase in the currency of Euro and US Dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The positive amount indicates the increase in profit/loss and equity.

<u>31 December 2013</u>		
	<u>Appreciation of foreign currency</u>	<u>Devaluation of foreign currency</u>
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset/liability	(7.904.383)	7.904.383
Portion hedged against US Dollar risk (-)	-	-
US Dollar net effect	(7.904.383)	7.904.383
<u>If Euro changes against TL by 10%</u>		
Euro net asset/liability	(4.161.970)	4.161.970
Portion hedged against Euro risk (-)	-	-
Euro net effect	(4.161.970)	4.161.970
<u>31 December 2012</u>		
	<u>Appreciation of foreign currency</u>	<u>Devaluation of foreign currency</u>
<u>If US Dollar changes against TL by 10%</u>		
US Dollar net asset/liability	(5.039.017)	5.039.017
Portion hedged against US Dollar risk (-)	-	-
US Dollar net effect	(5.039.017)	5.039.017
<u>If Euro changes against TL by 10%</u>		
Euro net asset/liability	(4.349.219)	4.349.219
Portion hedged against Euro risk (-)	-	-
Euro net effect	(4.349.219)	4.349.219



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b.3.2) Interest rate risk management

Interest rate risk represents the risk of fair value decrease in the Company's interest rate sensitive assets due to market fluctuations.

As of 31 December 2013, the maturity of the Company's assets and liabilities for refinancing is in line with the maturity analysis provided in the liquidity risk management section stated above. Therefore, the notes to the financial statements do not include a separate interest rate risk table.

The government bonds classified as financial asset at fair value through profit or loss in the accompanying financial statements is subject to interest rate risk. The sensitivity analyses have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period at 1%. If interest rates increase or decrease by 1% as of 31 December 2013, the net profit would decrease by TL 33.517 and increase by TL 34.226, respectively (31 December 2012: TL 68.503 decrease and TL 78.627 increase).

The 1% increase or decrease in TL interest rates for floating interest rate financial instruments of the Company would not affect the profit before tax with the assumption of other variables stay constant according to analyses of the Company as of 31 December 2013 (31 December 2012: TL 61.456 decrease and TL 56.144 increase).

Interest rate position table

		<u>31 December 2013</u>	<u>31 December 2012</u>
Fixed Interest Rate Financial Instruments			
Financial Assets	Financial assets classified at fair value through profit or loss	3.252.090	8.390.656
	Time deposits at banks	74.024.676	83.195.953
	Receivables from reverse repo transactions	18.886	98.410
Financial Liabilities		180.119.000	500.324
Floating Interest Rate Financial Instruments			
Financial Assets		-	-
Financial Liabilities		170.453.920	135.073.006

b.3.3) Equity price risk

The Company is also exposed to equity price risk arising from equity investments. As of 31 December 2013, if Equity Price Index of the BIST was 10% higher/lower and all other variables were held constant; the price changes in equity investments classified as financial assets at fair value through profit or loss would result in an increase or a decrease amounting to TL 98.376 (31 December 2012: TL 1.300) on profit before tax.



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Notes to the Financial Statements For the Year Ended 31 December 2013

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

26. Fair value of financial instruments

31 December 2013	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Book value	Note
<u>Financial Assets</u>						
Cash and cash equivalents	74.717.735	26.325.388	-	-	101.043.123	5
Financial investments	-	4.235.850	-	-	4.235.850	6
Trade receivables	-	-	34.178.107	-	34.178.107	8
Due from related parties	-	-	11.678	-	11.678	24
Other financial assets	-	-	10.814	-	10.814	9
<u>Financial Liabilities</u>						
Loans and borrowings	-	-	-	107.064.058	107.064.058	7
Loans and borrowings from related parties	-	-	-	243.508.863	243.508.863	7
Trade payables	-	-	-	15.099.077	15.099.077	8
Trade payables to related parties	-	-	-	7.207.460	7.207.460	26
Other payables	-	-	-	36.380.402	36.380.402	9
<u>31 December 2012</u>						
<u>Financial Assets</u>						
Cash and cash equivalents	83.707.519	807.989	-	-	84.515.508	5
Financial investments	-	8.515.936	-	-	8.515.936	6
Trade receivables	-	-	17.956.116	-	17.956.116	8
Due from related parties	-	-	7.191	-	7.191	24
Other financial assets	-	-	8.612	-	8.612	9
<u>Financial Liabilities</u>						
Loans and borrowings	-	-	-	89.450.025	89.450.025	7
Loans and borrowings from related parties	-	-	-	46.123.305	46.123.305	24
Trade payables	-	-	-	2.645.257	2.645.257	8
Trade payables to related parties	-	-	-	1.468.076	1.468.076	24
Other payables	-	-	-	41.057.907	41.057.907	9

The Company management assumes that the book value of financial assets represents their respective fair values.

Financial assets

Financial investments, recognised in financial statements are reflected at fair values. The Company assumes that the carrying values of the cash and cash equivalents are close to their fair value because of their short-term nature.



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Financial liabilities

The Company assumes that the carrying values of the trade payables and other financial liabilities are close to their fair value because of their short-term nature.

Financial liabilities are recognised with their acquisition costs including transaction costs and evaluated through amortised costs depending on the method of active interest rate.

The Company assumes that the carrying values of the floating interest rate banks loans are close to their fair value, since floating interest rate banks loans are re-priced recently. The Company assumes that the carrying values of the fixed interest rate banks loans are close to their fair value, since the opening date of the bank loan is close to the reporting period and there is no significant change in the market interest rates.

Fair Value of Financial Instruments

The fair value of financial assets and liabilities are determined as below:

Level I: Financial assets and liabilities are carried at quoted prices in an active market which are used for similar financial assets and liabilities.

Level II: Other than quoted prices specified in Level I, financial assets and liabilities are carried at inputs used to determine direct or indirect observable market prices.

Level III: Financial assets and liabilities are carried at inputs which are used in determining fair value of financial assets and liabilities but not based on any observable market data.

The levels of the financial assets and liabilities presented in fair values are as follows:

Financial assets	31 December 2013	Fair Value Level As of the Reporting Date		
		Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss (*)				
Held for trading	30.538.326	30.538.326	-	-
Derivatives held for trading	300.392	-	300.392	-
	30.838.718	30.538.326	300.392	-
Financial assets	31 December 2012	Fair Value Level As of the Reporting Date		
		Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss (*)				
Held for trading	9.860.153	9.860.153	-	-
Derivatives held for trading	179.764	-	179.764	-
	10.039.917	9.860.153	179.764	-

(*) The balance consists of government bonds, private sector bonds, equity certificates, mutual funds under cash and cash equivalents and derivative assets held for trading purposes.

27. Events after the reporting period

None.



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Notes to the Financial Statements For the Year Ended 31 December 2013

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Additional Note: Control of compliance with restrictions on the investment portfolio

The main accounts of separate financial statements	Related regulation	31 December 2013	31 December 2012
A Capital and money market instruments	III-48.1. Article 24/(b)	105.278.973	93.031.444
B Real estates, rights supported by real estates and real estate projects	III-48.1. Article 24/(a)	1.414.139.064	1.185.276.731
C Affiliates	III-48.1. Article 24/(b)	287.548	264.952
Due from related parties (other receivables)	III-48.1. Article 23/(f)	-	-
Other assets		148.036.914	110.168.332
D Total assets	III-48.1. Md. 3/(k)	1.667.742.499	1.388.741.459
E Loans and borrowings	III-48.1. Article 31	350.572.921	135.573.330
F Other financial liabilities	III-48.1. Article 31	1.034.780	44.113
G Financial lease obligations	III-48.1. Article 31	-	-
H Due to related parties (other payables)	III-48.1. Article 23/(f)	-	431
I Equity	III-48.1. Article 31	1.155.065.774	1.068.620.610
Other liabilities		161.069.024	184.502.975
D Total liabilities and equity	III-48.1. Article. 3/(k)	1.667.742.499	1.388.741.459
Other separate financial information	Related regulation	31 December 2013	31 December 2012
A1 Capital and money market instruments amount held for 3-year real estate payments	III-48.1. Article 24/(b)	-	-
A2 Time balances/demand balances TL/ foreign currency	III-48.1. Article 24/(b)	74.717.735	83.707.519
A3 Foreign capital market instruments	III-48.1. Article 24/(d)	-	-
B1 Foreign real estates, rights supported by real estates and real estate projects	III-48.1. Article 24/(d)	-	-
B2 Inactive land	III-48.1. Article 24/(c)	24.433.155	22.090.000
C1 Foreign affiliates	III-48.1. Article 24/(d)	237.548	214.952
C2 Participating to operating company	III-48.1. Article 28	50.000	50.000
J Non-cash loans	III-48.1. Article 31	134.486.771	108.492.196
K Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Article 22/(e)	-	-



İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi

Notes to the Financial Statements For the Year Ended 31 December 2013

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

Portfolio restrictions	Related regulation	31 December 2013	31 December 2012	Min/Max ratio
1 Mortgage amounts of the mortgaged lands that the project will be developed on without ownership	III-48.1. Article 22/(e)	0%	0%	Max 10%
2 Real estates, rights supported by real estates and real estate projects	III-48.1. Article 24/(a), (b)	85%	85%	Min 51%
3 Capital and money market instruments and subsidiaries	III-48.1. Article 24/(b)	6%	7%	Max 49%
4 Foreign real estates, rights supported by real estates and real estate projects, affiliates and capital market instruments	III-48.1. Article 24/(d)	0%	0%	Max 49%
5 Inactive land	III-48.1. Article 24/(c)	1%	2%	Max 20%
6 Participating to operating company	III-48.1. Article 28	0%	0%	Max 10%
7 Borrowings limits	III-48.1. Article 31	42%	23%	Max 500%
8 Time balances/demand balances TL/foreign currency	III-48.1. Article 22/(e)	4%	6%	Max 10%



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