



İŞ REAL ESTATE INVESTMENT TRUST CO.
ANNUAL REPORT 2010

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İş REIT in Brief

İş Real Investment Trust Co. (İş REIT) has been established in 1999. A portfolio management company that invests in real estate properties and real estate development projects, İş REIT is among the sector's leading companies in Turkey.

The rental properties portfolio of İş REIT comprises of offices, retail and hotel investments with an approximate area of 300,000 m² in total.

İş REIT is an important actor in the sector with its solid shareholding structure, professional management understanding and competent team, diversified and high-quality property portfolio, financially sound and qualified tenant mix, regular and stable income, and powerful brand equity that is associated with trust.

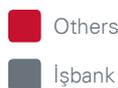
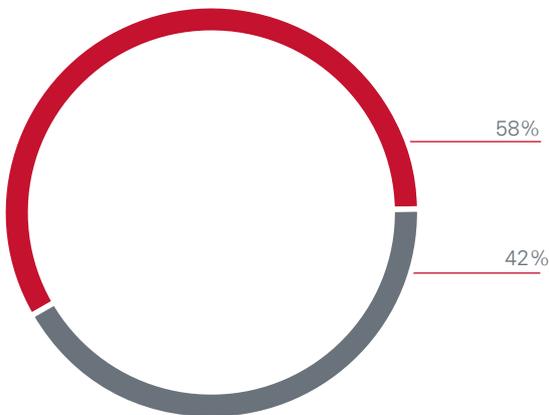
İş REIT engages in activities set out within the objectives and scope stipulated in regulations issued by the Capital Markets Board in a market where competition is intensifying each passing day.

Assigned a rating of AA+(tur) by Fitch Ratings and having reached USD 908 million in total net assets as of December 31st, 2010, İş REIT's shares are traded on the Istanbul Stock Exchange (ISE) Stock Market, Collective Products Market under the ticker symbol ISGYO.

İş REIT at a Glance

Date of Incorporation	6 August 1999
Issued Capital	TL 450,000,000
Authorized Capital	TL 2,000,000,000
Date of Initial Public Offering and IPO Price	1-3 December 1999/TL 1.4
Head Office	Istanbul

Capital and Shareholder Structure



	TL	%
İşbank	190,057,270	42
Others	259,942,730	58
Total	450,000,000	100

As of December 31st, 2010, the Company's free-float, based on ownership, was 42%.

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

1. Opening, formation of the Chairing Council and authorization of the Council to sign the minutes of the meeting
2. Reading and ratification of the Board of Directors' Report on 2010 activities and Statutory Auditors' Report and Independent Auditor's Report
3. Reading, deliberation and ratification of the balance sheet and profit & loss statement relating to the fiscal year 2010
4. Deliberation and decision on the Board of Directors' proposal concerning the distribution of profit for the year 2010
5. Release of the Board Members and the Auditors from their responsibilities for the activities and operations of the company in 2010
6. Election of the members of the Board of Directors and of Auditors pursuant to article 11 and article 19 of the Articles of Association
7. Determination of the fees to be paid to the members of the Board of Directors and Auditors
8. Informing the General Assembly on the grants and donations made in 2010
9. Wishes and suggestions

General Meeting of Shareholders and Participation

General meetings of shareholders convene in ordinary and extraordinary sessions. Annual general meetings are held at least once a year and within the shortest possible time following the close of the Company's fiscal year, to deliberate and decide upon the agenda prepared by the Board of Directors, taking into account the provisions of Article 369 of the Turkish Commercial Code.

A representative of the Ministry of Industry and Trade must be present at annual and extraordinary general meetings of shareholders. No decision taken at a general meeting of shareholders convened in the absence of a Ministry representative shall be valid.

45 billion shares that represent the Company's share capital entail 45 billion votes in total. Class A shares incorporate the privilege to make nominations to the seats on the Board of Directors. One of the Board members is elected from among nominations made by Class B shareholders, whereas the remaining members are elected from among nominations made by Class A shareholders.

At general meetings, each share of stock entitles the owner to one vote. Shareholders may have themselves represented at general meetings by proxies whom they may choose from among themselves or from outside the Company. Proxies, who are themselves shareholders in the Company, are entitled to exercise the voting rights of the shares they are representing as well as those of their own. The form of proxy statements is determined by the Board of Directors within the framework of the regulations laid down by the CMB. Proxy statements must be in written form. A proxy must vote in accordance with the wishes of the shareholder who has assigned his voting rights to

the proxy holder on condition that such a stipulation is made in the assigning shareholder's proxy statement. CMB regulations governing the exercise of proxy votes will be complied with.

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

Prerequisites for Participation in Meetings:

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

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

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

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



Vision

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

Mission

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

Objectives

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

Key Financial Highlights

Main Financial Indicators

Balance Sheet

TL mn	31.12.2006	31.12.2007	31.12.2008	31.12.2009	31.12.2010
Current Assets	32.7	133.3	119.4	145.3	90.2
Non-Current Assets	853.8	765.8	848.2	866.4	1,006.0
Total Assets	886.5	899.1	967.6	1,011.7	1,096.2
Short-Term Liabilities	58.0	15.5	17.4	14.8	21.6
Long-Term Liabilities	0.3	0.4	36.4	45.3	84.6
Shareholders' Equity	828.3	883.2	913.8	951.6	990.0
Total Liabilities	886.5	899.1	967.6	1,011.7	1,096.2
Net Profit for the Period	48.8	54.9	53.1	60.3	60.9

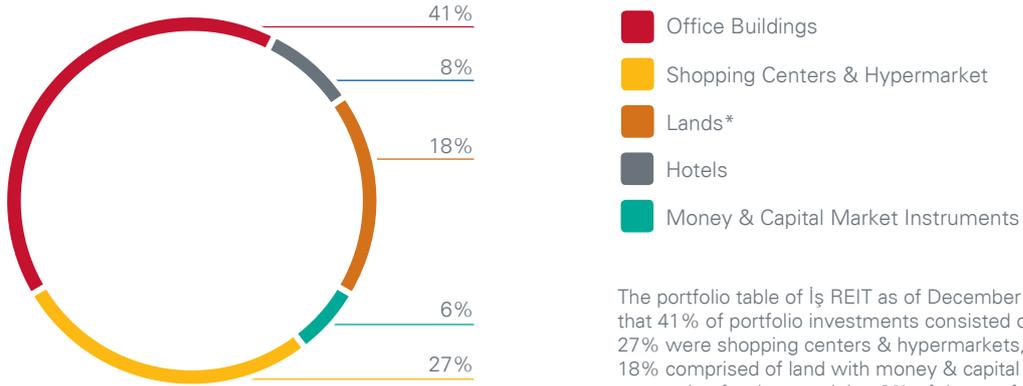
Financial Indicators

TL mn	31.12.2006	31.12.2007	31.12.2008	31.12.2009	31.12.2010
Sales Revenue	59.1	212.8	80.9	88.9	95.5
Cost of Sales	50.2	148.0	46.6	33.1	31.5
Gross Profit/Loss	8.9	64.8	34.3	55.9	64.0
General Administrative Expense	3.2	4.2	5.1	5.7	7.1
EBIT	5.7	60.7	29.2	50.2	56.9
EBITDA	39.6	81.6	51.5	73.6	80.5
Net Profit for the Period	48.8	54.9	53.1	60.3	60.9
Gross Profit Margin	15%	30%	42%	63%	67%
EBIT Margin	10%	29%	36%	56%	60%
EBITDA Margin	67%	38%	64%	83%	84%
Net Profit Margin	83%	26%	66%	68%	64%

(TL mn)



Portfolio Breakdown



The portfolio table of İŞ REIT as of December 31st, 2010 reveals that 41% of portfolio investments consisted of office buildings, 27% were shopping centers & hypermarkets, 8% were hotels, 18% comprised of land with money & capital market instruments accounting for the remaining 6% of the portfolio.

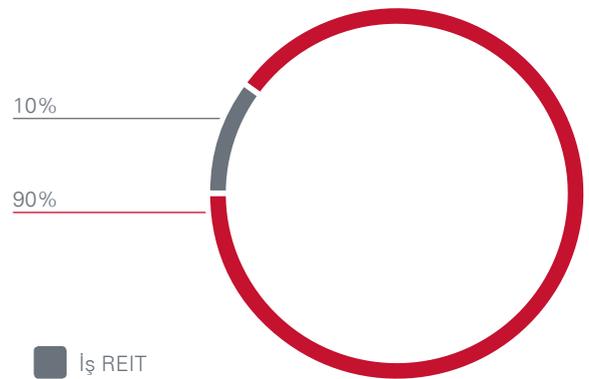
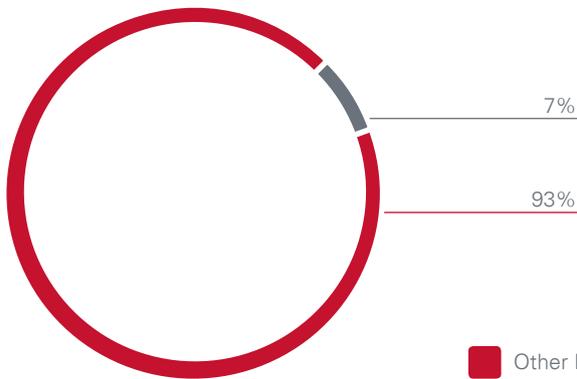
* Parcel no 110 located in Esenyurt, Istanbul on which Marmarapark Shopping Center Project will be developed and the Taksim Building acquired for developing an office project are recorded under "Lands".

Market Capitalization of the REITs

	TL mn	% Share
İŞ REIT	792.0	7
Other REITs	10,449.2	93
Market Total	11,241.2	100

Net Asset Value of the REIT Market

	TL mn	% Share
İŞ REIT	1,403.4	10
Other REITs	12,504.0	90
Market Total	13,907.4	100



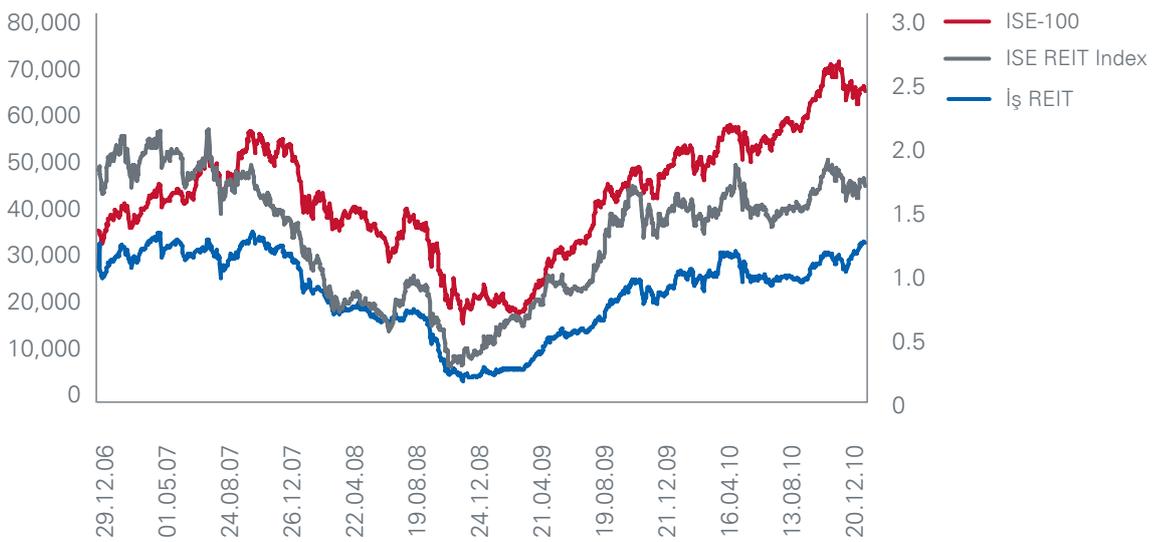
■ Other REITs ■ İŞ REIT

2010 İŞ REIT Daily Trading Volume and Share Price



İŞ REIT's daily trading volume averaged TL 7.3 million during the reporting period, which corresponds to a 70% increase year-to-year. With a closing price of TL 1.76 at year-end 2010, İŞ REIT share closed the year with approximately 44% discount as compared with the TL 3.12 net asset value per share.

ISE-100 Index, ISE REIT Index and İŞ REIT Share Price



During 2010, the ISE 100 Index gained value by 25%, the ISE REIT Index by 28%, and İŞ REIT share by 10% in terms of Turkish lira.

	31.12.2006	31.12.2007	31.12.2008	31.12.2009	31.12.2010
Market Capitalization (TL mn)	957	774	315	742	792
Market Share (%)	45%	24%	27%	26%	7%
Stock Exchange Closing Price (TL)	2.9	1.72	0.7	1.65	1.76
Net Asset Value per Share (TL)	3.2	2.53	2.61	2.78	3.12
Premium on Net Asset Value/Discount (%)	-9%	-32%	-73%	-41%	-44%
Earnings per Share (TL)	0.1083	0.1221	0.118	0.134	0.135
P/E Ratio	27	14	6	12	13

According to the data under the heading of "Transactions realized on behalf and account of foreign banks, brokerage houses or individuals" announced by the ISE on a monthly basis, foreign investors purchased USD 170.9 million of İŞ REIT shares and sold USD 170.5 million of İŞ REIT shares during the reporting period.

Pursuant to the Capital Markets Board of Turkey (CMB) resolution 21/657 dated 23.07.2010, trading principles have been differentiated for the shares of companies whose stock are quoted on the ISE. Accordingly, certain criteria have been set for classifying the companies under groups A, B and C; actions to be taken were identified with respect to the lists of groups A, B and C, and the said arrangement went into force as of October 1st, 2010. Lists to be developed on the basis of quarterly assessments for groups A, B and C are made available at all times on the ISE and KAP (Public Disclosure Platform) websites. With this arrangement, the CMB aims to ensure that investors act more consciously in their investments in stocks and learn about the exposure of the stock to be purchased, before the investment takes place. In this frame, İŞ REIT is classified under group A, and its stock is traded on the basis of continuous auction method and it can be subject to margin trading and short selling.



2001

- Maslak Building was included in the portfolio.
- Antalya Seven Seas Hotel was included in the portfolio.
- Marmaris Solaris Plaza (Mallmarine Shopping Center), was included in the portfolio.
- Tatilya Theme Park and the adjacent project land with an area of 50,000 square meters were included in the portfolio.

1999

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

1998

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

2005

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

2004

- Ankara Ulus Office Building was included in the portfolio.
- Ankara Kızılay Office Building was included in the portfolio.
- Antalya Office Building was included in the portfolio.

2006

- The İstanbul-Üsküdar land (32,081m²).was included in the portfolio.
- Turkey's first open-air shopping center, Kanyon Shopping Center was opened.
- Negotiations were initiated with ECE Türkiye, which wishes to develop a shopping center on Tatilya's adjacent lands, for transfer of superficies right in the concerned lands.
- The Kanyon Project endorsed its success, receiving the "Cityscape 2006 Architectural Review" award which is regarded as the Oscar of architecture.



2008

- Sirkeci Office Building was included in the portfolio.
- Güneşli Office Building was included in the portfolio.
- The İstanbul Kartal land (77,327 m²) was purchased from Tecim Yapı.

2007

- Real Hypermarket was opened for service.

2009

- An independent and permanent superficies right was established for a property located in Esenyurt, İstanbul, on behalf of ECE Türkiye.
- A plot of land with an area of 53,200 m², located in Tuzla, İstanbul, and the immovable located on it, were purchased with the aim of project development.

2010

- An 8-storey property in Beyoğlu, Taksim was included in the portfolio.
- Lykia Lodge Kapadokya Hotel was included in the portfolio.
- Club Magic Life Kemer Imperial Hotel was included in the portfolio.
- Two plots of land were purchased in Tuzla.





İş REIT will continue to capitalize on investment opportunities in domestic and international markets optimally in line with the appropriate conjuncture and conditions, paying regard to the risk-return balance.





As the country gaining the foreground in the distinctive segment of emerging countries, Turkey attained a growth of 8.9% in the first three quarters of 2010.

Distinguished shareholders,

The recovery process adopted varying pace across various economies.

In our assessment of 2009, we had noted that 2010 would be a year of transition and recuperation, and we had specifically underlined that the stagnation had lasted shorter than projected as a result of the strong collaboration between the authorities running central banks and fiscal policies, combined with the synchronized and coordinated introduction of action packages.

In reality as well, 2010 has been a period of recovery during which economic revival and growth got rolling. However, in the process, developed countries failed to match the speed of emerging countries in getting back on growth track. In addition, led particularly by Euro area countries, some developed economies sustained unprecedented budget deficits and public debts.

The high liquidity, created by large-scale expansionary monetary and fiscal measures, turned its course to the rapidly recovering emerging countries, which saw significant rises in stock market and asset values. Balloon effects that might result from this trend stand before us as possible risks. Increased investment inflow to emerging countries strengthened these countries' currencies, which in turn led to interventions in foreign currency markets and finally, to the "currency wars". Efforts to prevent the value

gains of emerging countries' currencies against the considerable devaluation of dollar came to the fore particularly from the last quarter of 2010 onwards.

The global instability and fragility of growth remains as a threat. Certain issues are confronted in sustainability, particularly in European economies. The outlook for 2011 hints that the recovery period will continue on the back of further actions, current and future, to be taken in developed countries, even if there will be slowdown in global growth.

Turkey gains the foreground in her own segment.

As the country gaining the foreground in the distinctive segment of emerging countries, Turkey attained a growth performance of 8.9% in the first three quarters of the reporting period. While the first two quarters saw two-digit figures in growth rates (11.8% and 10.2% respectively), growth declined to 5.5% with the relative elimination of the base effect in the third quarter. End-to-end growth for 2010 is estimated to materialize at 7.5%. As a result of the ongoing growth, and with the additional contribution of our performance in other macroeconomic indicators, Turkey's credit rating was upgraded by rating agencies.

In the period under review, Turkey was one of the primary countries that were able to capitalize on the increased global risk appetite. Our country stood out thanks to the absence of risky, high borrowing rates during the crisis. While such a structure indicates at

Message from the Chairman

an economy that fails to take advantage of market opportunities adequately and to achieve sufficient penetration in ordinary times, this can prove to be confidence-builder in crisis periods.

Valuable local currency phase experienced in Turkey along with other emerging economies that resulted from increased capital inflow bore its most important impact in foreign trade and current account balance. The current deficit became a relatively important issue due to consumption that resulted from revived domestic demand, and the level of exchange rates that further leveraged the foreign trade deficit. A key consideration here must be the quality and composition of the current deficit financing. The share of foreign direct investments diminishes, while that of portfolio investments and financing through loans increases. This arises as a risk element that must be monitored closely with respect to sustainability. In view of the course of hot money and expanded loans, the Central Bank of the Republic of Turkey (CBRT) adopted certain measures later in the year. The CBRT introduced some practices to narrow down liquidity, such as higher required reserve ratios and differentiation of required reserve ratios in connection with maturity, in an effort to control the financial sector, as well as the interest rate instrument used for price stability. These proactive measures were taken to prevent increased loan expansion and the current deficit nurtured by domestic demand from posing a threat against financial stability; as such, they are of particular significance since the CBRT undertook a

broader concept in financial stability, as opposed to price stability, and thus, expanded the coverage of its responsibilities.

When we analyze the issue within the context of low penetration mentioned above, we anticipate that no major negative impact will be caused to economic revival out of the restrictive effect of the CBRT's proactive measures. For instance, while total loans took 41% share of GDP in Turkey in 2009, the same ratio was 162% in EU-27. A key indicator in this respect in our sector is the ratio of housing loans to GDP, which is 5% in Turkey and 43% in EU-27. These data are indicative of the progress and penetration we can achieve, provided that the process is managed carefully.

Stepping into 2011...

While the current deficit stands as a risk element, budgetary performance and the positive look of the fiscal discipline create good impressions with respect to our country's reputation. This overall picture serves to increase foreign interest, while boosting the confidence in the economy. Betterment is observed also in consumer confidence. Retail expenses are going upwards, even if at a limited extent, and the expectations of the business world are improving. To these, we should add the healthy growth performance in the banking system, as well. The increase in lending goes hand in hand with betterment in asset quality, thereby reducing the non-performing loan ratios.



Turkey displayed a rapid development in real estate in 2010 as compared with 2009.

The real estate sector followed varying courses in the world and in Turkey.

Construction and real estate sectors followed a negative course across the world in 2010. Construction outlays showed a downward trend in the USA and Euro area; although incentive measures adopted in the USA reflected positively on indicators, improvements faded away after the measures were lifted. There is a downturn in commercial property prices as well. There are also concerns about potential hardships that might arise in commercial property financing and their repayments.

Turkey, on the other hand, displayed a rapid development in real estate in 2010 as compared with 2009. 8.3% in the first months of the reporting period, the expansion in the overall sector reached 24.6% in the third quarter. This rise was driven by the historically low interest rates, revived domestic demand, and increased demand for housing loans, which were complemented by the increased risk appetite in the banking sector. The present picture broadens the segment of the public that turns towards property purchase. Further expansion is likely to follow with the addition of those who used to invest their savings in traditional financial instruments, which currently lost their attraction, as well as those who did not have adequate purchasing power before.

The real estate sector poses strategic importance also for its positive impact on economic indicators because of its position as an alternative investment instrument

into which foreign investment flow can be channeled, as much as for its contribution to the extensiveness and sustainability of revival. It deserves to be stressed that real estate, when it is preferred by the foreign capital, will positively affect the financing quality of the current deficit, since it represents a longer term investment.

Contracted lending volume and the expectations regarding the course of interest rates in line with the latest measures adopted by the CBRT fuels the "wait and see" trend in the markets. Nurtured by these two elements, the said trend gains somewhat greater strength when we take into consideration the present supplies and the projects in progress, which will be put on the market. Last but not least, the post-election environment and the course of ratings assigned by the rating agencies will bear an impact on this wait.

In parallel, selling prices and rental fees for housing units exhibit a state of stagnation. As we have stated in previous years, there were no significant discounts in property prices. This time, we naturally believe that it would not be right to expect a sharp rise, either.

The increase in household expenses sheds light on the direction of our sector's development. While the ratio of household liabilities to GDP was 10% in 2006, the same went up to 16% as of the first half of 2010. We find this data significant for retail expenses, as well as for commercial property and housing demand. On the other hand, foreign retailers show rekindled interest

Message from the Chairman

in Turkey. It is already apparent that these factors are injecting life in shopping center projects that had slowed down or were postponed on the commercial property side. With 25 new shopping center projects, total leasable area goes up to 5.96 million m². There is an increase in foreign demand for renting, as well as a gradual rise in rental fees. The overall revival in economy and the enhanced confidence of the business world point at an upturn in new rental demands on the part of offices, as well.

We hold a positive outlook for the future of the sector.

Unless warranted by extraordinary circumstances and unless the present situation changes, we expect 2011 to be a more active year for the real estate and construction sectors than 2010 was. We foresee no major shrinkage in loan facilities based on the low interest rates on housing loans, and we expect no excessive surges in prices, with a balanced development on both demand and supply sides.

Again in line with the assumption that the current conjuncture remains unchanged, we expect sustained foreign interest and continued revival in office and shopping center investments in keeping with the positive expectations in the business world. We also anticipate formation of a business environment, which will be characterized by more selective developments that are focused on distinction and niches.

On the basis of key indicators, it is projected that housing loans will expand by an annual average of 4.5% in the 2010-2015 period, and reach TL 124 billion, which will account for 7.5% of the gross

domestic product. Based on a growth rate assumption of 4.5%, the retail expenses, which were worth USD 208 billion in 2009, are projected to reach USD 304 billion in 2015.

When we look into the shopping center sector, spending per leasable square meter is EUR 1,532 in the shopping centers in Turkey. This figure is EUR 4,330 in EU-27. Total leasable area is projected to increase from 5.9 million m² to 8 million m² in 2011, and to 9.7 million m² in 2015.

A year of leap forward for İŞ REIT

İŞ REIT had an active year in 2010 that befitted a year of leap forward. We consider purchasing as a matter of priority in our policies. We do not restrict ourselves to national borders; we pursue a strategy aiming to diversify geographies and investment types. We capitalize on opportunities paying due regard to domestic and international economic conjuncture, and along this path we will keep moving in the future.

The main highlight of the year was the addition of two tourist facilities to our portfolio, increasing the share of tourism in our rental income from 6% to 11%. With these two acquisitions, the number of tourist facilities in our portfolio went up to three. We continue to explore beyond national borders to tap investment opportunities in this field.

On the other hand, Tuzla and Taksim projects have progressed in line with our work schedule. Although lagging behind the schedule due to bureaucratic procedures and regulatory processes, İzmir and Altunizade projects are also moving ahead.



İş REIT will keep working and creating value for its sector, shareholders and other social stakeholders while maintaining its focus on profitable and stable growth.

A key strategy at İş REIT is to maintain a high flow of sustainable rental income. As a result of the investments, the Company's rental income potential amounted to USD 58.4 million (excluding VAT) as of December 2010. In the next five years, we aim to increase our rental income to USD 100 million, and to maintain and diversify the composition of our rental income both in terms of currency and sources on which they are generated, so as to secure sustainable performance.

We have authored a profitable growth performance in 2010. Our Company displays a consistent attitude in regular dividend distribution, while closely watching the opportunities the market presents and keeping a close eye on the Company's growth and profitability requirements.

İş REIT enjoys a solid financial structure and high liquidity. Medium- and long-term external financing at our disposal, combined with stable rental income, gives us the ability to make use of the market opportunities in alignment with our strategies. This also hands us the possibility to be more active in acquisitions, as well as in project development.

The Group's synergy is a major contributor.

In keeping with our deeply-rooted corporate tradition, we embrace an approach to corporate governance under which all of our shareholders, whether directly or indirectly represented, will have and maintain equal rights with our principal shareholder. While we pursue

activities whereby we will be able to create value for our Company and our shareholders, we also make use of the synergy derived from being a member of the İşbank Group, a rooted, strong, credible group that symbolizes stability.

In the period ahead, İş REIT will transform "its leap forward" into sustainable ascent.

In the coming period, İş REIT will continue to capitalize on investment opportunities in domestic and international markets optimally in line with the appropriate conjuncture and conditions, paying regard to the risk-return balance. Our Company will keep working and creating value for its sector, shareholders and other social stakeholders while maintaining its focus on profitable and stable growth.

On behalf of our Board of Directors, I would like to extend my gratitude to our distinguished shareholders who have always been supportive in the attainment of our goals and to our employees who are the architects of our achievements.

Yours sincerely,

Adnan Bali
Chairman of the Board



Ever since its establishment, İş REIT pursued the strategy of increasing the size, diversity and efficiency of its portfolio in its activities.





Real estate values and investments in developed countries remained flat in 2010.

Worldwide contraction in global economy and the real estate sector at the onset of 2011

The concerns and risks regarding the stability in the global economy's betterment linger, thus preventing a clear picture.

Despite new monetary expansion decisions introduced by the FED and the ECB, attempts to achieve revival in production and demand that would drive economic growth fail, while uncertainty and risks about public debts in the EU countries still continue. On the emerging countries front, tighter monetary policies started to gain the foreground in view of the warm-up and financial balloon risks created by rapid economic growth.

On the other hand, the Turkish economy achieved a high performance, registering growth figures that surpassed the projections. Standing out as the highest performer among OECD countries in the aftermath of the crisis, Turkey faces a significant issue in the increased current deficit, despite her positive performance in economic growth. In addition, it is a worrisome fact that long-term direct investments get a continually diminishing share in the composition of capital inflow to our country. In this respect, we are all waiting to see the implications of the CBRT's latest decisions in relation to financial stability.

Real estate sectors in developed countries did not improve in 2010, and the issues in the housing finance systems persisted, while construction activities and outlays continued to shrink.

The expectations in relation to commercial property market in developed countries were negatively affected by the concerns that economic revival will not be permanent in the USA and EU, which gave rise to the need for further actions. This situation also precludes revival in demand.

Promising developments and the REIT sector that grows stronger in Turkey

The strong growth of the national economy supports the construction and real estate sectors. With a rate of 24.6%, the construction sector was the fastest growing industry in the third quarter of 2010. Private and public construction outlays have expanded. New housing project activities gained momentum, while building permits obtained for housing developments increased in number.

In line with the accelerated growth in the Turkish construction sector, lending in the industry also picked up. The growth in housing loans taken out continued at an increasing pace across the year, and particularly in the last months of the year.

Message from the CEO

Housing prices and rents maintained their flat level. On the other hand, there is some revival in commercial properties, particularly in demands for renting offices and shopping centers, as well as in new investments, in parallel with improved consumer confidence and expectations.

With the revival in domestic demand exceeding the projections in 2010, the rapid expansion in household expenditure, relatively lower interest rates, and expectations for the low interest rates to continue for a significant period of time resulted in resurgence in shopping center projects that were slowed down or postponed during the crisis. In addition, foreign retailers show renewed interest in Turkey. New shopping centers that opened their doors during 2010 serve as a clear indication of revival.

While the ongoing growth momentum in the Turkish economy boosts the confidence in markets and foreign interest, it also continues to be a source of morale for the actors in our sector and gives us reason to have higher expectations from 2011.

Another noteworthy development in 2010 was that seven new REITs went public, thus bringing the number of REITs traded on the ISE to 21. This will have positive ramifications upon the companies engaged in the sector in terms of a higher level of institutionalization and solid financial structuring.

Total market price of these 21 REITs was worth TL 11.2 billion at year-end 2010, while the net asset value reached TL 13.9 billion. We believe that REITs will continue to grow stronger in the period coming through new IPOs and that their investment volumes will reach remarkable amounts.

In spite of these developments, a dilemma lingers with respect to the performance of the sector. As opposed to the general REIT structure that focuses on specializing in specific sectors across the world, the essential principle in Turkey is to have a portfolio of diverse properties. This structure bears importance with respect to proper risk management and rapid adjustment to opportunities that materialize in the subsectors due to the conjuncture. Despite regulatory requirements, a great majority of REITs in Turkey do not present a rich structure in terms of portfolio variety. İŞ REIT, on the other hand, is set apart in this context with its rich and diversified portfolio.

The foundation of our strategies: Preserving our “pioneering” position

All of İŞ REIT’s strategies are erected on protecting and further strengthening the Company’s pioneering position in the sector. Attaining this primary goal depends on institutionalization and commercial success. İŞ REIT possesses a corporate culture and corporate structure embraced by its executives and employees. This quality entails a solid approach



All of İş REIT's strategies are erected on protecting and further strengthening the Company's pioneering position in the sector.

to corporate governance that perceives equality, transparency and accountability in all operations as priority principles. On the other hand, close monitoring of the opportunities that increase value, rendering high rental income sustainable, and protecting the solid financial structure in an effort to maximize shareholder value make up the strongholds of the Company's commercial success.

İş REIT: One of the major actors in the sector

2010 was an active year in which the Company performed successfully. During the reporting period, the Company built on its property portfolio by adding an office building and two tourist facilities with ongoing operation arrangements.

As of year-end 2010, İş REIT had TL 1,403.4 million in total net assets, and a market capitalization of TL 798 million. In terms of value, 41% of the Company's portfolio investments comprised of offices, 27% of shopping centers, 8% of hotels, 18% of land, and 6% of money and capital market instruments.

In keeping with its objective of generating high rental income, the Company posted TL 74.4 million in rental income and TL 7 million superficieses income on its investment properties. By maintaining the productive and profitable company structure at all times, the Company posted TL 60.9 million in net profit for the period in 2010.

We are making major breakthrough with our projects

Our Company presses ahead with further leveraging the revival captured in 2010 through newly launched and ongoing projects. İş REIT increases its income on the back of projects that raise expectations and that will mark the coming years, as well.

The first one of the tourism investments in 2010 was the acquisition of the 28,827 m² land and the 4-star Lykia Lodge Kapadokya Hotel thereon located in Uçhisar, Nevşehir for a price of EUR 6 million. In addition, the Company purchased the property designated as plot of land with an area of 11,409 m² in the same location for EUR 1 million. The investment, which will add to the geographical and sectoral diversity of our portfolio, is expected to yield an internal rate of return of 9.89%.

The Company's second investment in the tourism sector was realized towards the end of 2010 with the inclusion of Magic Life Kemer Imperial Hotel in the portfolio. The total purchase price amounted to EUR 18,625,000 including the ownership in a real property owned by the Hotel and the superficieses right in another parcel. The rental yield on investment to be generated on the hotel is projected to be in the region of 9.4%.

Message from the CEO

We have strengthened the Company's presence in the tourism sector with our new investments that were added to the 5-star Seven Seas Hotel in our portfolio. We intend to move ahead with new investments in tourism, by closely monitoring the opportunities both in the Turkish and overseas markets.

During the reporting period, the Company also purchased a property in Beyoğlu, Taksim, İstanbul for USD 8.8 million. The plan is to demolish the existing structure so as to build a business complex that will house a bank branch and office spaces under the new project to be developed. Designed as first class offices, the building is expected to be rented out to prestigious companies on long-term leases. While the demolition is in progress, the construction of the project is slated for beginning in the second half of 2011.

Also in 2010, two separate parcels have been purchased in Tuzla, İstanbul for a total price of TL 53.6 million. A 25-year lease has been signed with İşbank for the Technology and Operations Center to be

developed on parcel no (I). On the plot of land that is adjacent to the before-mentioned parcel, it is planned to develop a complementary mixed-use project that features commercial units. We are forecasting to derive a 8.09% rate of return on the total project cost on the Technology and Operations Center project in Tuzla.

A housing project is intended to be developed on the plot of land in Tuzla (parcel no 1329) that was included in the portfolio in 2009, which is likely to create a synergy with the Technology and Operations Center. Upon obtaining the necessary permits, we plan to start the construction of the project during the course of 2011.

We are waiting for the finalization of the legal procedures and administrative processes for the mixed-use projects planned to be developed in Bayraklı, İzmir and Altunizade, İstanbul. The business plans are updated as necessary by keeping a close eye on the latest developments and changes concerning these locations.



İŞ REIT presses ahead with further leveraging the revival captured in 2010 through newly launched and ongoing projects.

Stepping into 2011...

The pace captured in economic growth and Turkey's increasing attraction add to optimistic expectations for 2011. Forecasted to be sustained in the year ahead, the economic performance will bring further action to the construction and real estate sectors. These two sectors will keep nurturing one another with the revived investments that were either postponed or halted during the crisis.

The housing sector will continue to develop within the frame of supply-demand, and supply of new housing units of every quality will display stable increase. It is widely believed that prices might see limited increases.

Investments and new supplies in new development and transformation zones continue so as to fulfill the expanding demand for the office sector. On the shopping centers wing, sector players are anticipated to turn towards differentiated and conceptual projects that will reflect the market expectations.

Investments in tourism are forecasted to continue along with the interest of foreign investors. Activity is believed to occur in the cities in Anatolia and in regions presenting strong potential in new hotel investments.

Ever since its establishment, İŞ REIT pursued the strategy of increasing the size, diversity and efficiency of its portfolio in its activities. As also displayed in its tourism investments in 2010, the Company will adhere to the same strategy in 2011 and capitalize on lucrative opportunities, while observing the principles of creating value and sustainability.

Based on our awareness of the responsibility we have towards our stakeholders, we will keep working with the objective of promoting our Company to an even stronger position every year. I would like to express my gratitude and best wishes to all our stakeholders, as we all hold a confident outlook for the future.
Yours sincerely,

Turgay Tanes
CEO



Adnan Bali - Chairman

Term of office: 27.03.2009-25.03.2011

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



Ali Cüneyt Demren - Independent Vice Chairman

Term of office: 26.03.2010-25.03.2011

Ali Cüneyt Demren is a graduate of the Economic and Commercial Sciences Academy. He joined İşbank as a trainee clerk in 1973, where he subsequently held various positions at different divisions and branches. He was promoted to Deputy Chief Executive Officer of İşbank in 1988. After serving in this position for nearly eight years, he retired in June 2006. Demren held seats as the chairman and a member on the Boards of Directors and as a member on the Board of Auditors at İşbank's associates.



Mehmet Sırrı Erkan - Board Member

Term of office: 26.03.2010-25.03.2011

Mehmet Sırrı Erkan graduated from the Faculty of Political Sciences at Ankara University. He joined İşbank as a trainee assistant inspector on the Board of Inspectors in 1981. He became an assistant manager in 1991 and accounting group manager in 1993 at the Accounting Department at İşbank. He was promoted to manager in 1995. Having served as a Deputy Chief Executive Officer at İşbank from 2001 until 2009, Erkan retired on 29 May 2009.



Kemal Şahin - Board Member

Term of office: 26.03.2010-25.03.2011
Kemal Şahin graduated from the Department of Business Administration at the Middle East Technical University in 1988. He worked as an assistant inspector and inspector for İşbank for a total of ten years. He currently serves as unit manager for Property Development, Food and Healthcare Industry Companies under the Subsidiaries Department of İşbank. He also holds seats on the Boards of Directors or Boards of Auditors in various İşbank subsidiaries. A member of the Board of Auditors from 1999 until 2003 in İş Real Estate Investment Trust Co., he has been serving as a Board Member in our Company since 2004.



Hulusi Cemal Karaoğlu - Independent Board Member

Term of office: 26.03.2010-25.03.2011
Hulusi Cemal Karaoğlu graduated from the Civil Engineering Department at the Faculty of Engineering at the Middle East Technical University in 1987. He completed his master's degree in the same department in 1991. He started his professional life in 1988 under a research program at the Imperial College. He worked as a project engineer at Yüksel Proje Uluslararası A.Ş. from 1989 until 1993, and was a board member at Başarı Yatırımlar Sanayi ve Ticaret A.Ş. from 1993 until 2003 and at Yüksel Proje Uluslararası A.Ş. from 2003 until 2008. He functioned as an engineer and executive in various fields including the preparation of constructional drawings, control services, and investment consultancy. He has been serving as the Deputy Chairman of the Board of Directors at Yüksel Proje Uluslararası A.Ş. since 2008.



Burak Sezercan - Statutory Auditor

Term of office: 26.03.2010-25.03.2011
Burak Sezercan graduated from the Department of Political Science and International Relations at Boğaziçi University. He started working in the Board of Auditors of İşbank in 1996. He pursued master's studies in banking and international finance at the City University Cass Business School in 2001 and 2002. He served as assistant manager in the Risk Management Department of İşbank from 2005. He has been appointed a unit manager in the same Department in 2008.



Erdal İnceler - Statutory Auditor

Term of office: 26.03.2010-25.03.2011
Erdal İnceler graduated from the Department of Economics at the Middle East Technical University. He joined İşbank in 1990 as an assistant specialist at the Training Department, and became an assistant manager and group manager at the same department in 1999 and 2005, respectively. He currently serves as a division manager at İşbank Human Resources Department. İnceler held memberships on the Boards of Auditors and Boards of Directors of various İşbank associates.



Murat Doğan - Statutory Auditor

Term of office: 26.03.2010-25.03.2011
Murat Doğan graduated from the Department of Industrial Engineering at Istanbul Technical University. He joined İşbank in 2010 as an assistant specialist at the Equity Participations Department. Doğan was promoted to assistant manager position in the same department in 2009.



Turgay Tanes - General Manager

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



Turgay Tanes (1)
General Manager

Hülya Demir (2)
Assistant General Manager

T. Aydan Ormancı (3)
Assistant General Manager

Tuğrul Gürdal (4)
Financial and Administrative Affairs
Manager

Bülent Otuz (5)
Electrical and Mechanical Project
Application Manager

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

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

Ömer Barlas Ülkü (8)
Internal Audit and Control Manager

Gökhan Temel (9)
Construction and Architecture Project
Application Manager

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

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

Özlem Yılmaz Savaşer (12)
Construction and Architecture Project
Application Assistant Manager

Merter Gürgün (13)
Investment and Project
Development Assistant Manager

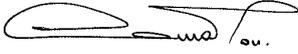




Declaration of Interest by the Independent Board Members

I hereby declare that I am independent, in the context defined in Article 4 paragraph (g) of the Communiqué on Principles Regarding Real Estate Investment Companies (trusts), from other shareholders holding 10% or higher share in the Company or possessing voting rights in that percentage; or from any shareholder in the Company holding a shareholding interest incorporating a right to nominate for a seat on the Board of Directors; or from companies from which consultancy services are procured, operating companies, or from any company in which any person cited in subparagraphs (a) and (b) of Article 18 of the Communiqué on Principles regarding Real Estate Investment Companies (trusts) (Serial: VI, No: 11) owns more than a 10% share or possesses voting rights in that percentage; or from the subsidiaries of the Company.

Hulusi Cemal Karaoğlu



Ali Cüneyt Demren



Companies from which Consultancy, Audit and Appraisal Services are Obtained

Tax Consultant

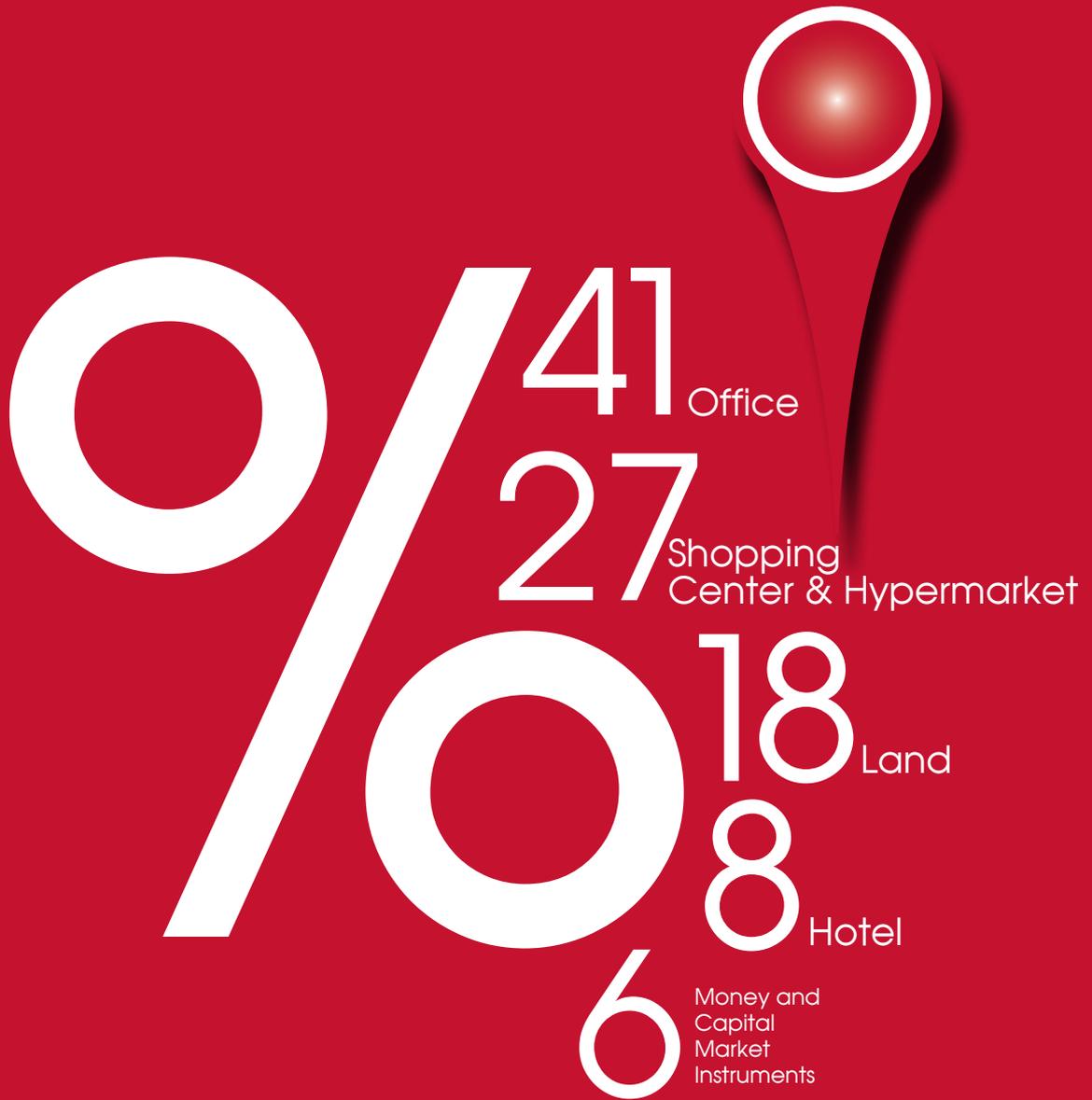
Başaran Nas Yeminli Mali Müşavirlik A.Ş.

Independent Auditors

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

Independent Appraisal Firm

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



Marmara Park Shopping Center

Planned to be developed by ECE Türkiye that has the superficies right in the project land, Marmara Park Shopping Center will be constructed to cover an approximate gross leasable area of 100,000 m² and a parking lot for 4,000 vehicles in average. Poised to be one of the largest shopping centers in Europe, the project to be developed will not only be a source of significant income for İş REIT, but it will also contribute added value to its vicinity and create employment.

Combined with the Real Hypermarket building in the same area, Marmara Park Shopping center that will be located in Esenyurt district will put USD 6 million towards total rental income, which corresponds to 12 times of the contribution of the previous investment, Tatilya.

Taksim Building

Office settlements are mostly positioned along the line designated as the "Central Business District" in İstanbul, the hub of the office market in Turkey with its immense potential. Yet, areas like Taksim that are always in demand also offer high potential for new office supply. There is a demand that needs to be fulfilled in the Taksim region, where modern and upscale office supply is particularly low.

Along these lines, İş REIT decided to purchase an 8-storey building in Beyoğlu, Taksim from İşbank for a price of USD 8.8 million on 10 August 2010 and the property was included in the portfolio on 24 August 2010.

With a view to capitalizing on the shortage of first class office buildings in the area, the Company plans to develop a new office project on the plot with a total

area of 578.72 m² located on the corner of Cumhuriyet and Lamartin Streets, upon demolition of the existing real property which enjoys a central position. The projected annual rental income from office floors to be rented out within the frame of the project is in the region of USD 1.13 million, which translates into a 10.2% return on investment.

Tuzla Land Purchases

On 26 November 2010, İş REIT purchased two plots of land for a price of TL 53.6 million to develop a project thereupon. Located in the Merkez quarter, Tuzla district of İstanbul, plot (I) has an area of 42,114.39 m² and plot (II) has an area of 20,375.87 m². It is planned to develop a "Technology and Operations Center" on plot no (I), depending on İşbank's list of requirements. A 25-year lease has been signed for renting out the said center to İşbank. The rental fee will be determined so as to generate 8.09% return on the final total project cost.

It is intended to realize a complementary mixed-use project on plot no (II), which will incorporate various commercial units.

İş REIT aims to develop a housing project on the plot with an area of 53,200 m² that was purchased in 2009 in the same region, which is believed to create synergy with the employees of the "Technology and Operations Center".

İzmir Bayraklı Project

A promise to sell agreement was signed with İşbank in 2007 for the 18,392 m² plot of land, and its ownership has been transferred to the Company in December 2010. Activities are underway for the development of a mixed-use project on the land.



Tourism Investments

Turkey outclasses many European countries with the tourism potential presented owing to the qualities that makes it an all-year-round attractive destination. Ranking ninth in the list of top international destinations, Turkey received 28.6 million foreigners in total only in 2010. The incoming tourist potential lost is as striking as the potential possessed. Potential visitors particularly from neighboring and Arabic countries prefer European countries despite the greater distance they represent in geographical and cultural terms. This fact shows the importance of increasing investments in tourism.

In order to tap this high potential, İş REIT gave pace to exploring opportunities to strengthen its position in the tourism sector, and acquired two tourism facilities during 2010 as a result of detailed research and studies.

Lykia Lodge Kapadokya Hotel

The first one of these investments is the four-star, 291-bedded Lykia Lodge Kapadokya Hotel located in the Cappadocia region in the city of Nevşehir, which has 146 rooms expanding across a land of 28,827 m². The Hotel was purchased for a total price of EUR 7 million together with the real property designated as plot of land with an area of 11,409 m² in the same location. The Hotel has been rented out to Silkar Turizm Yatırım ve İşletmeleri A.Ş. on a 12-year lease. The rental income projected to be generated during the lease totals EUR 8.7 million. The investment, which will increase the diversity of İş REIT's portfolio in terms of sector and geography, is expected to yield an internal rate of return of 9.89%.

Club Magic Life Kemer Imperial Hotel

Representing another İş REIT investment in the tourism sector, Club Magic Life Kemer Imperial Hotel was purchased on 8 December 2010 for a total price of EUR 18.6 million inclusive of the ownership in a real property owned by the Hotel and the superficies right in another parcel. The said properties have been rented out to Magic Life Der Club International Turizm Hizmetleri A.Ş., a company under TUI, on a ten-year lease. The starting lease will be EUR 1.75 million excluding VAT for the first year, which will be raised by 2% every three years. The rental yield on investment is projected to be in the region of 9.4%.

Activities of the Shareholder Relations Unit

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

The Annual General Meeting of the Company convened on March 26th, 2010 with 56.11% attendance, and all attending shareholders were represented in person. Documents that may be of use to shareholders were made available at the General Meeting for review by shareholders in hard copy as well as in electronic medium.

In 2010, the interest of national and foreign investors towards İş REIT continued to increase. Throughout the year, one-on-one meetings were held with approximately 100 domestic and international investment companies, investment funds and intermediary institutions at the Company headquarters. The Unit also made use of conferences held in and out of Turkey to get together with investors. All in all, a total of 130 people were contacted. Nearly 75% of the investors contacted during the course of the year consisted of companies operating abroad.

During the reporting period, approximately 160 information requests received by the Shareholder Relations Unit mostly by email have been fulfilled. Comprehensive information requests received from numerous domestic, foreign, individual and corporate investors have been handled in a multi-faceted and detailed manner, observing the applicable legislation and the Company's Disclosure Policy, in particular,

as well as all other considerations relating to public disclosure. Almost 55% of information requests have been directed by foreign investors and/or foreign intermediary institutions, while individual investors accounted for 10% of all information queries.

The questions asked during investor meetings and information requests submitted to the Shareholder Relations Unit mostly concerned İş REIT's financial statements, rental income, projects, future strategies and profit distribution policy. Records of such written and verbal information requests, and their responses, are maintained by the Shareholder Relations Unit.

The Company website is actively used to facilitate public disclosure and exercise of shareholder rights. Quarterly investor presentations in Turkish and English, and the balance sheet and income statement drawn up within the scope of financial statements, as well as material event disclosures made via the Public Disclosure Platform (KAP) are prepared in Turkish and English, and are posted on the corporate website the same day. Further, the Company website is updated as soon as possible in line with the major changes in the portfolio or the sector. In this way, accurate and up-to-date data are made available to investors and analysts, in particular, as well as different individuals or institutions that require information about the Company and its activities.

In addition, information requests and questionnaires from universities and various government organizations are also fulfilled within the scope of their research, and thus the studies of such institutions are supported.

Brief Information on İş REIT's Organizational Structure

İş REIT operates under six individual departments and Legal Counseling.

Investment and Project Development Department

The Investment and Project Development Department;

- handles project development,
- evaluates new investment offers,
- assumes technical responsibility for existing properties, maintenance and renewal investments,
- closely monitors its field of activity, and pursues and evaluates new investment opportunities in the real estate sector.

Project Application Department

The construction-architecture and mechanical-electrical sections of the Project Application Department undertake the management and coordination of projects and their constructions. The Department collaborates with all other Departments of İş REIT as required with respect to the technical, financial, legal and marketing aspects involved in project development, implementation and marketing phases.

Other tasks of the Project Application Department include the following:

- project preparation; determination of design criteria,
- checking conformity of projects with regulations and standards,
- preparation of work schedules and budgets,
- project management and coordination activities,
- soil surveys and land measurement,
- preparation of tender documents (qualification specifications, contract, technical and administrative specifications, etc.), receiving bids, and bringing

tender proceedings to their conclusion,

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

Corporate Communications and Marketing Department

The Corporate Communications and Marketing Department;

- coordinates the leasing and sales activities aimed at maximizing occupancy rates and the income potential of İş REIT's existing properties,
- handles post-leasing or after-sales relations,
- contributes to the feasibility studies of potential projects by providing and interpreting up-to-date market data,
- coordinates corporate communication activities, public relations, media relations, and advertising activities, and
- works to maintain and manage the corporate reputation.

Legal Counseling

The Legal Counseling Department;

- offers legal advice on İş REIT's activities,
- handles procedures on legal matters,

- monitors legal conflicts to which the Company is a party, keeps records for the same, and prepares and reviews contracts to which the Company is a party,
- resolves disputes concerning İŞ REIT's activities through judicial processes,
- prepares the legal grounds for projects, and
- follows up on formal notices served.

Financial and Administrative Affairs Department

The Financial and Administrative Affairs Department;

- handles İŞ REIT's accounting, budget, balance sheet, financing and insurance-related matters in accordance with relevant legislation and takes necessary action in a timely manner,
- manages and follows up on relations with relevant organizations,
- fulfills tasks relating to human resource planning and personnel policy; carries out procedures related to the rights of its personnel, retirement plans and similar procedures.

Risk Management and Investor Relations Department

The Risk Management and Investor Relations Department;

- performs the activities necessary for the exercise of shareholders' rights within the framework of applicable legislation, the articles of incorporation and other in-house arrangements,
- satisfies information requests received from domestic and international shareholders, investors, analysts, and institutions as part of public disclosure and keeping relevant parties informed,

- manages relations with governmental and private institutions under the framework of shareholders' rights,
- follows up on analysts' assessments and reports on İŞ REIT shares,
- conducts research and analysis regarding the Company and sector which may be associated with the value of the shares,
- manages relations with rating agencies, manages the ratings process, and publicly discloses the rating reports produced,
- develops risk policies pertaining to risks integrated in İŞ REIT's activities within the scope of risk management; monitors risks within the specified limits and reports these to the Company management.

Internal Audit and Control Department

The Internal Audit and Control Department;

- evaluates the efficiency and effectiveness of internal control, risk management and corporate governance systems and processes,
- ensures compliance with legislation, internal policies and procedures,
- monitors adherence to limits and limit overruns,
- conducts audits and controls on information and financial reporting systems, and reporting made to the senior management; evaluates work processes.

Corporate Social Responsibility

In 2010, İŞ REIT sponsored the “MIMED 2010 Students’ Prizes” organized by the Association of Architectural Education (MIMED), with the aim of providing guidance and support to the future architects with a professional perspective.

The Company was also an official sponsor of the “Week of Architecture in İzmir” organized by the İzmir Branch of the Chamber of Architects of Turkey on 4-10 October 2010. The World Day of Architecture is celebrated on the first Monday of October every year, and the event’s theme for 2010 was determined as “Better City, Better Life: Sustainable by Design” by the International Union of Architects (UIA). Various activities were organized throughout the week in an effort to bring the society in closer interaction with architecture.

Another project İŞ REIT supported in 2010 was the album “Listening to İstanbul” by pianist Seda Röder, who has won international acclaim at a young age. Currently working as an associate at the Music Department at Harvard University, Seda Röder is

known for her stellar music career. Performing many concerts in Europe and the USA, the musician successfully represents Turkey in the international arena. Sponsored by İŞ REIT, the album was received with great interest and admiration by music lovers.

In the third quarter of 2010, İŞ REIT donated TL 30,000 to Pakistan that was devastated by flood.

In addition to the above, İŞ REIT opens the doors of the shopping centers in its portfolio to associations and foundations working for the benefit of 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.

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



Other Matters

Changes in the Capital and Shareholding Structure

İş REIT holds TL 450,000,000 of issued capital, 42.23% of which is held by İşbank. There were no major changes in the Company's shareholding structure during the reporting period. As of December 31st, 2010, the Company's free-float, based on ownership, was 42%.

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

The Capital Markets Board of Turkey (CMB) resolution 21/655 dated 23.07.2010 defines the ISE-listed companies' share ratio in circulation as a concept that denotes the ratio of free float, and states that this ratio will be calculated and publicly disclosed by the Central Registry Agency (CRA). In this frame, based on the CRA report of December 31st, 2010, the nominal amount of İş REIT's shares in circulation was TL 216.9 million, which accounts for 48% of the Company's capital. Nearly 41% of the shares in circulation are held by foreign investors. While the share of foreign investors in the Company's capital decreased in the first quarter of 2010, it adopted an upward trend in the second quarter and followed a parallel course for the rest of the year.

Changes in the Management Structure and Organizational Structure

Members of the Board of Directors who have been elected at the Annual General Meeting and served during 2010, and their résumés are presented in this report (pages 24-25). At the General Meeting convened on 26 March 2010, Hulusi Cemal Karaoğlu and Ali Cüneyt Demren have been elected as Independent Board Members to succeed Turgut Sungur and Haldun Baydar, whose terms of office expired.

Similarly, Erdal İnceler and Murat Doğan have been elected to succeed statutory auditors Süleyman H. Özcan and Nil Sepetçi, whose terms of office expired.

There were no changes in the Company's management and organizational structure during the reporting period.

Statement on Foreseeable Risks Inherent in our Activities

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

Investments in the real estate sector constituted nearly 94% of the total portfolio investments at year-end. Such investments may be undertaken by means of purchasing completed real estate for the purposes of sale and/or rent as well as by project development for the same purposes. The business environment risk may be considered as a key risk integrated with such activities.

At the end of 2010, money and capital market investments comprised 6% of the Company's total portfolio value. These investments are undertaken to utilize the Company's funds in the money and capital markets until they are directed to investment expenditures. The risk associated with such investments constitutes the market risk.

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

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

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

Information on Lawsuits in which the Company is a Party

No warnings, notices or monetary fines were issued by public authorities against the Company in 2010.

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

Principles Regarding the Operation of REITs

Principles Regarding the Operation of Real Estate Investment Trusts

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

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

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

The “Communiqué Amending the Communiqué on Principles Regarding Real Estate Investment Companies” (Serial: VI, No: 27) was published in the Official Gazette issue 27537 dated 30.03.2010.

By the said Communiqué, the CMB introduced an exception to the Article 25/I that read: “Occupancy permit must have been obtained and condominium must have been created for any building and similar structure to be included in the portfolio”. Accordingly, in the event that hotels, shopping centers, business centers, hospitals, commercial warehouses, plants, office buildings and similar structures, which the company owns on its own or in conjunction with other parties, are used in their entirety or in part solely for the purpose of generating rental or similar income, presence of the occupancy permit and alignment of the designation stated in the title deed with the present situation of the property will be deemed sufficient.

İstanbul

İstanbul İş Towers Complex
 Tower-2
 Tower-3
 Kule Çarşı Shopping Center
 Parking lot
 Maslak Building
 Kanyon Shopping Center
 Real Hypermarket Building
 İstanbul Esenyurt Land (Marmara Park Shopping Center)
 Sirkeci Office Building
 Güneşli Office Building
 Taksim Building
 Üsküdar Land
 Kartal Land
 Tuzla Lands
 Esenyurt Land
 Levent Land



İş REIT Portfolio of Properties

The sources of our rental income

- Tower 2 and Tower 3 housed in the Istanbul İş Towers Complex, the Kule Çarşı Shopping Center on the platform joining these two towers, and the parking lot
- Ankara İş Tower
- İstanbul Maslak Building
- Antalya Seven Seas Hotel
- Marmaris Mallmarine Shopping Center
- Ankara-Ulus Office Building
- Ankara-Kızılay Office Building
- Antalya Office Building
- İstanbul Kanyon Shopping Center
- İstanbul Real Hypermarket Building
- İstanbul Sirkeci Office Building
- İstanbul Güneşli Office Building
- İstanbul Esenyurt-Parcel no: 110 (Marmara Park Shopping Center)
- Nevşehir Lykia Lodge Kapadokya Hotel
- Antalya Club Magic Life Kemer Imperial Hotel

Other properties

- İstanbul 4. Levent land (7,613 m²)
- İstanbul Üsküdar land (32,081 m²)
- İstanbul Kartal land (77,327 m²)
- İstanbul Esenyurt Parcels No: 102 and 103 (747,3 m²)

Planned projects

- İstanbul Taksim Building
- İstanbul Tuzla Land (Parcel no: I and II)
- İstanbul Tuzla Land (Parcel no: 1329)
- İzmir Bayraklı Land

Istanbul, İş Towers Complex



Address:
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4.Levent
Istanbul

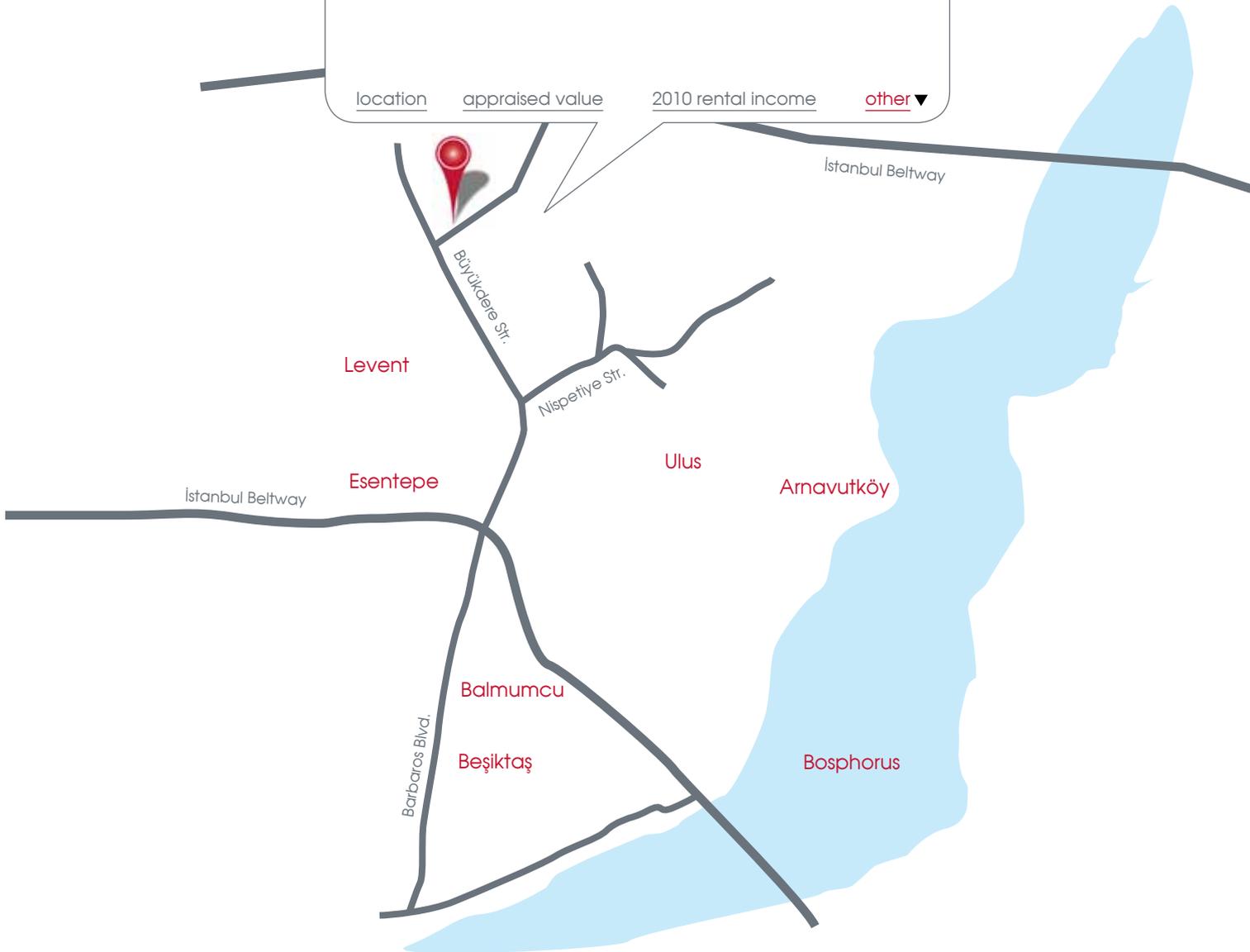


location

appraised value

2010 rental income

other ▼



Sound infrastructure, modern technology and a distinctive architectural style

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

Location	İstanbul province, Beşiktaş district, 4. Levent quarter
Gross Area	80,124 m ²
Acquisition Date	1999
Appraised Value (TL)	410,000,000
2010 Rental Income (TL, excluding VAT)	27,349,498

Located right in the center of Mecidiyeköy-Maslak axis, İş Towers Complex is comprised of two 34-storey office blocks with 27 leasable floors in each, and the shopping center, Kule Çarşı, covering 48 independent units.

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

The tenant mix of İş Towers is composed of prestigious and financially sound national and foreign companies, each a leader in its respective sector. Independent sections in the complex are rented out on leases averaging five years.

The İş Towers Complex covers the 52-storey İşbank Head Office building, an auditorium seating 800, and an art gallery, which host the activities of the İş Art & Culture Center, in addition to Tower 2, Tower 3 and Kule Çarşı included in İş REIT's portfolio.

İstanbul Land-1

Location	4th Levent in front of İş Towers
Area	7,613 m ²
Acquisition Date	1999
Appraised Value (TL)	952,000

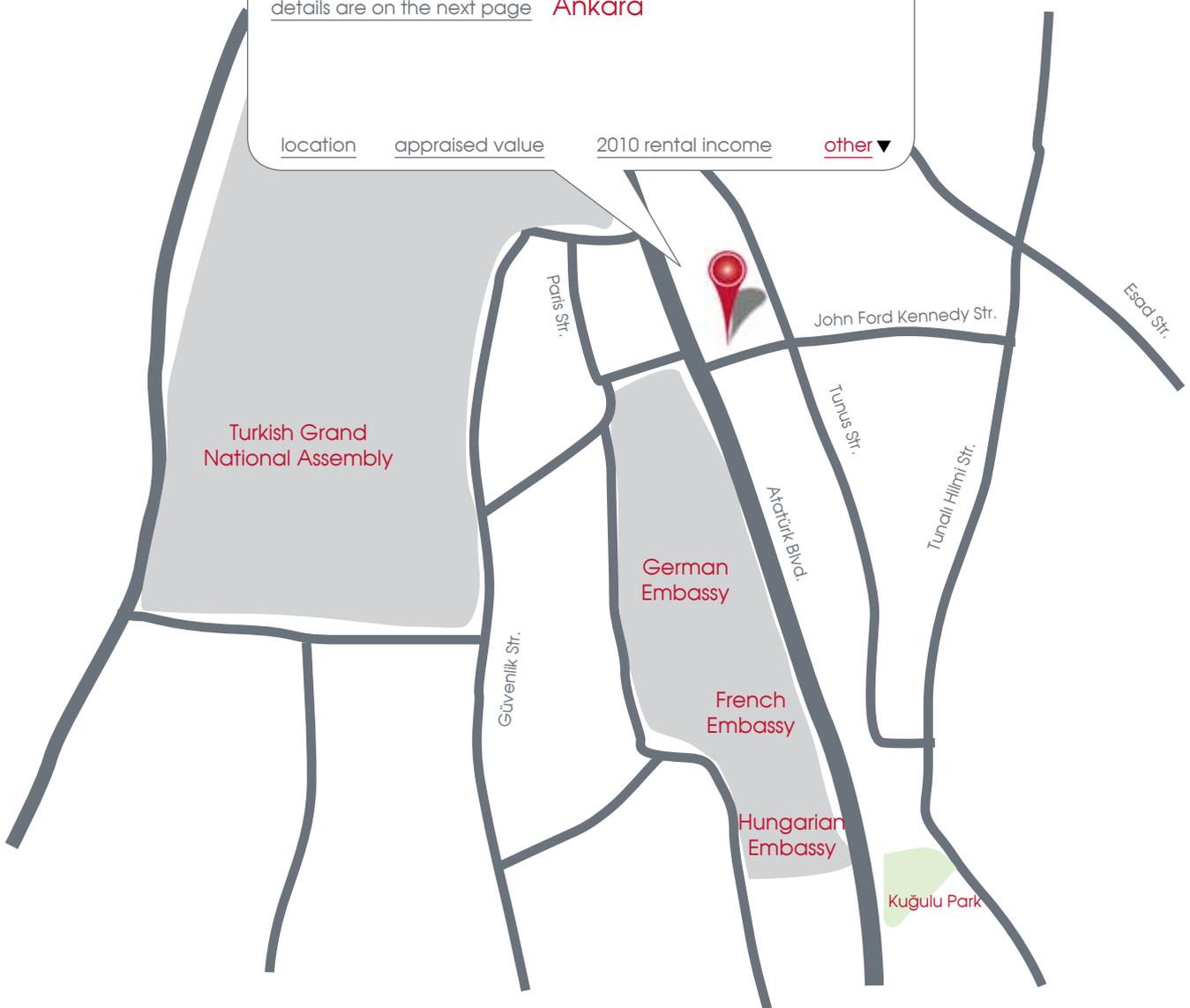
The land, located in 4th Levent in front of İş Towers, is included in İş REIT's portfolio.

Ankara İş Tower



Address: **Kavaklıdere**
details are on the next page **Ankara**

location appraised value 2010 rental income other ▼



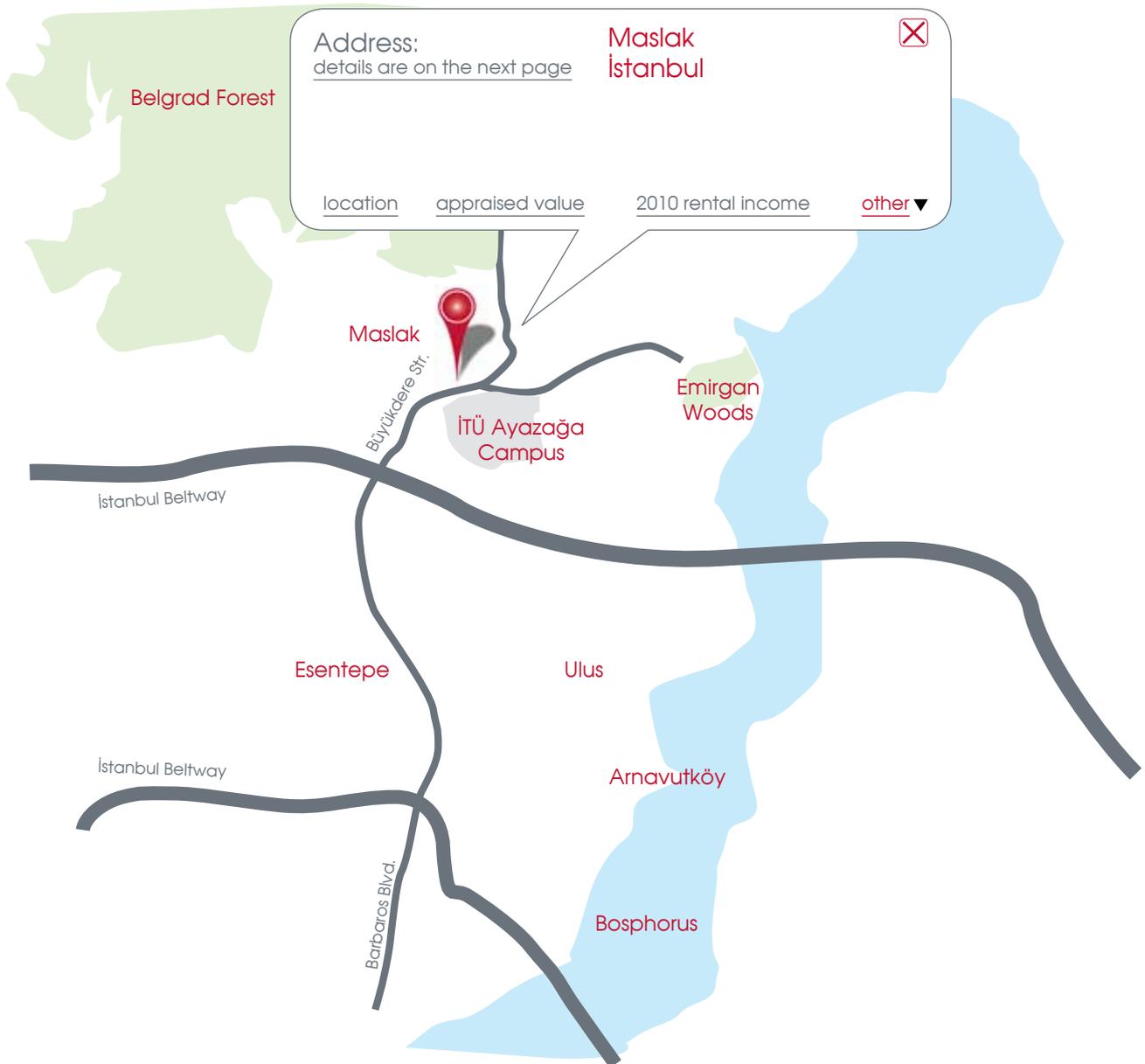
An architectural concept that exquisitely blends aesthetics and functionality

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

Location	Ankara province, Çankaya district, Kavaklıdere quarter
Gross Area	26,488 m ²
Acquisition Date	1999
Appraised Value (TL)	96,000,000
2010 Rental Income (TL, excluding VAT)	6,656,405

An office building composed of 3 blocks and 29 storeys located in Kavaklıdere, Ankara, Ankara İş Tower initiated the advent of modern buildings in Ankara and has become a symbol in this sense. The tallest building in Turkey when it was first built, Ankara İş Tower is an original and prestigious building with an architectural concept the exquisitely blends aesthetics and functionality. Ankara İş Tower, located in the diplomatic and political heart of the country, served as the head office of İşbank from 1975 until 1999. Ankara İş Tower is leased to İşbank and the Banking Regulation and Supervision Agency.

Maslak Building



Located in one of İstanbul's most significant centers of trade and finance

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

Location	İstanbul province, Şişli district, Ayazağa quarter
Gross Area	12,904 m ²
Acquisition Date	2001
Appraised Value (TL)	45,000,000
2010 Rental Income (TL, excluding VAT)	3,120,525

Located in Maslak, one of İstanbul's most significant centers of trade and finance, the Maslak Building enjoys an advantageous status in terms of access and offers a tremendous commercial potential. The 12-storey Maslak Building is currently leased to Petrol Ofisi and İşbank.

Seven Seas Hotel



Located in an area with strong development potential in tourism and high commercial value

The Seven Seas Hotel is a 5-star seaside touristic facility with 366 rooms and 861 beds.

Location	Antalya province, Manavgat district, Sorgun village, Lake Titreyen locality
Covered Area	52,699 m ²
Acquisition Date	2001
Appraised Value (TL)	66,200,000
2010 Rental Income (TL, excluding VAT):	5,984,365

The Seven Seas Hotel is a 5-star seaside resort with 366 rooms and 861 beds, located near Lake Titreyen in Antalya.

Situated by the side of Lake Titreyen, a natural wonder, and in an area occupied by facilities that address tourists from the upper income group, the Hotel is operated by Magic Life, a leading European tour operator.

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

Mallmarine Shopping Center



The first modern shopping center in Marmaris

The tenant mix of Mallmarine is composed in view of the region's characteristics, demands and needs.

Location	Muğla province, Marmaris district, Kemeraltı quarter, Atatürk Street
Net Area	3,172 m ²
Acquisition Date	2001
Appraised Value (TL)	11,000,000
2010 Rental Income (TL, excluding VAT)	441,780

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

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

Ulus Office Building



In a central location offering commercial development potential

Situated in a central location offering commercial potential development potential, the office building in Ulus is a landmark carefully preserved from the past to the present.

Location	Ankara province, Altındağ district, Ulus quarter
Gross Area	6,194 m ²
Acquisition Date:	2004
Appraised Value (TL)	24,000,000
2010 Rental Income (TL, excluding VAT)	2,771,422

The office building in Ulus situated in a central location of Ankara and offers commercial development potential. It is a symbolic landmark, which has been carefully preserved from the past to present. Built in 1924, the Ulus Building formerly served as the İşbank's second head office, and is as architecturally exceptional as it is commercially valuable. The building has been rented out to İşbank on a 15-year lease.

Antalya Office Building



Address:
details are on the next page

Merkez
Antalya

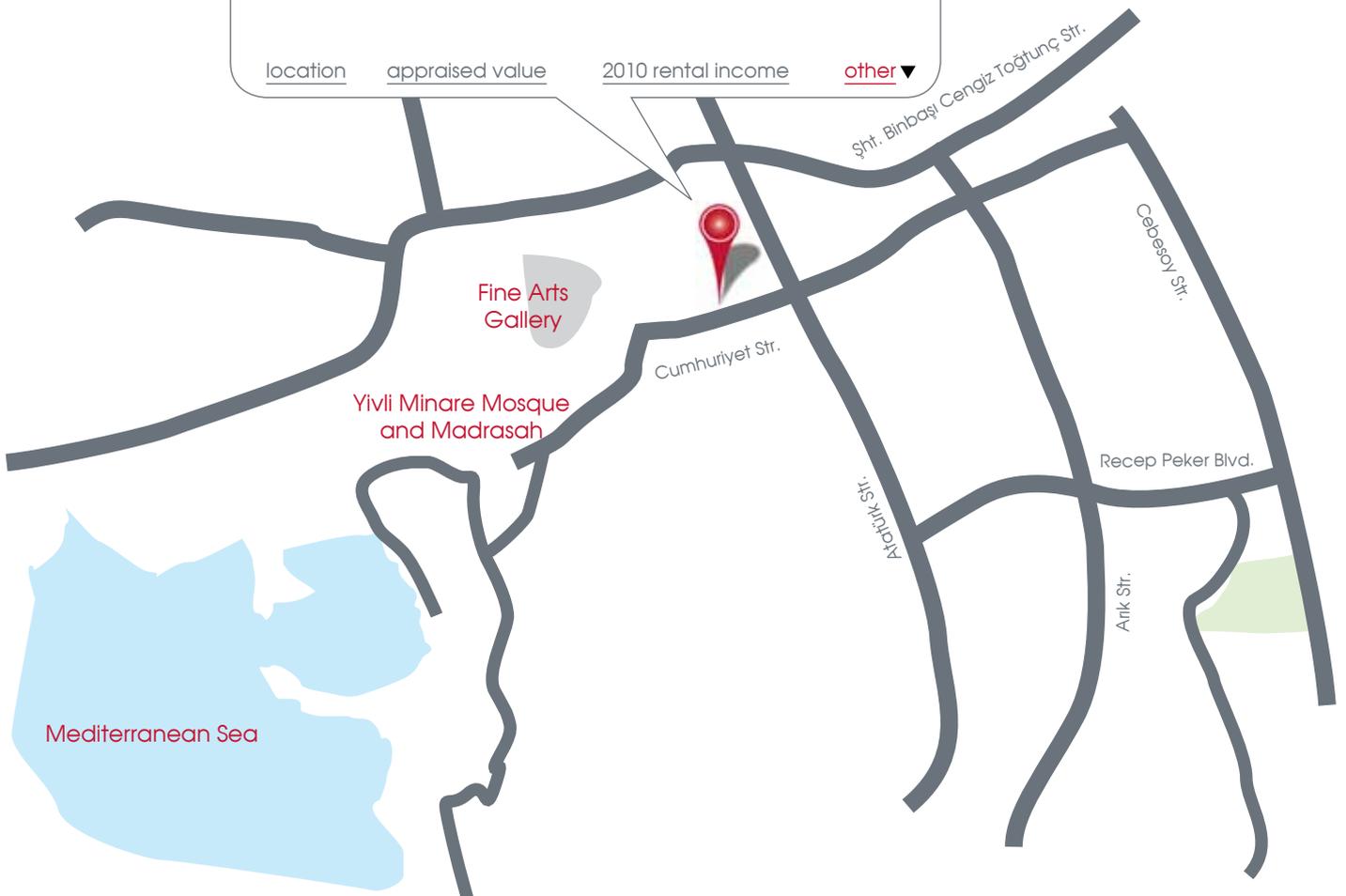


location

appraised value

2010 rental income

other ▼



A modern building with a high commercial value

The office building in Antalya is set in a downtown location with outstanding commercial development prospect and high potential.

Location	Antalya province, Merkez district
Gross Area	3,353 m ²
Acquisition Date	2004
Appraised Value (TL)	13,000,000
2010 Rental Income (TL, excluding VAT)	1,167,375

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

Kızılay Office Building



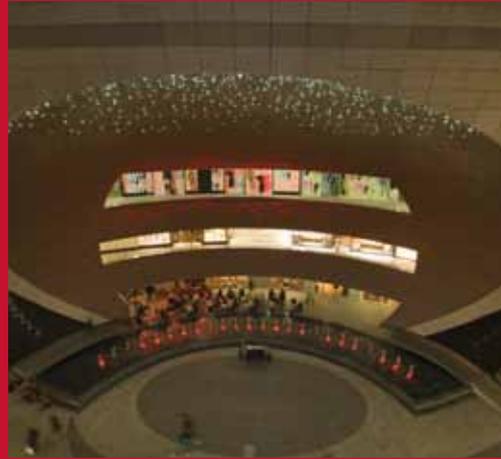
A prestigious property in the heart of the city

The office building in Kızılay, the center of business and trade of Ankara, offers strong commercial potential.

Location	Ankara province, Çankaya district, Kızılay quarter
Gross Area	5,175 m ²
Acquisition Date	2004
Appraised Value (TL)	21,000,000
2010 Rental Income (TL, excluding VAT)	2,333,875

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

Kanyon Shopping Center



The finest brands of Turkey and the world brought together in the new heart of the city

The architectural concept of Kanyon Shopping Center blends water, greenery and natural materials in an artistic perspective.

Location	İstanbul province, Şişli district, Levent quarter
Net Area	38,940 m ² *
Acquisition Date	31 May 2006
Appraised Value (TL)	285,000,000
2010 Rental Income (TL, excluding VAT)	18,558,809

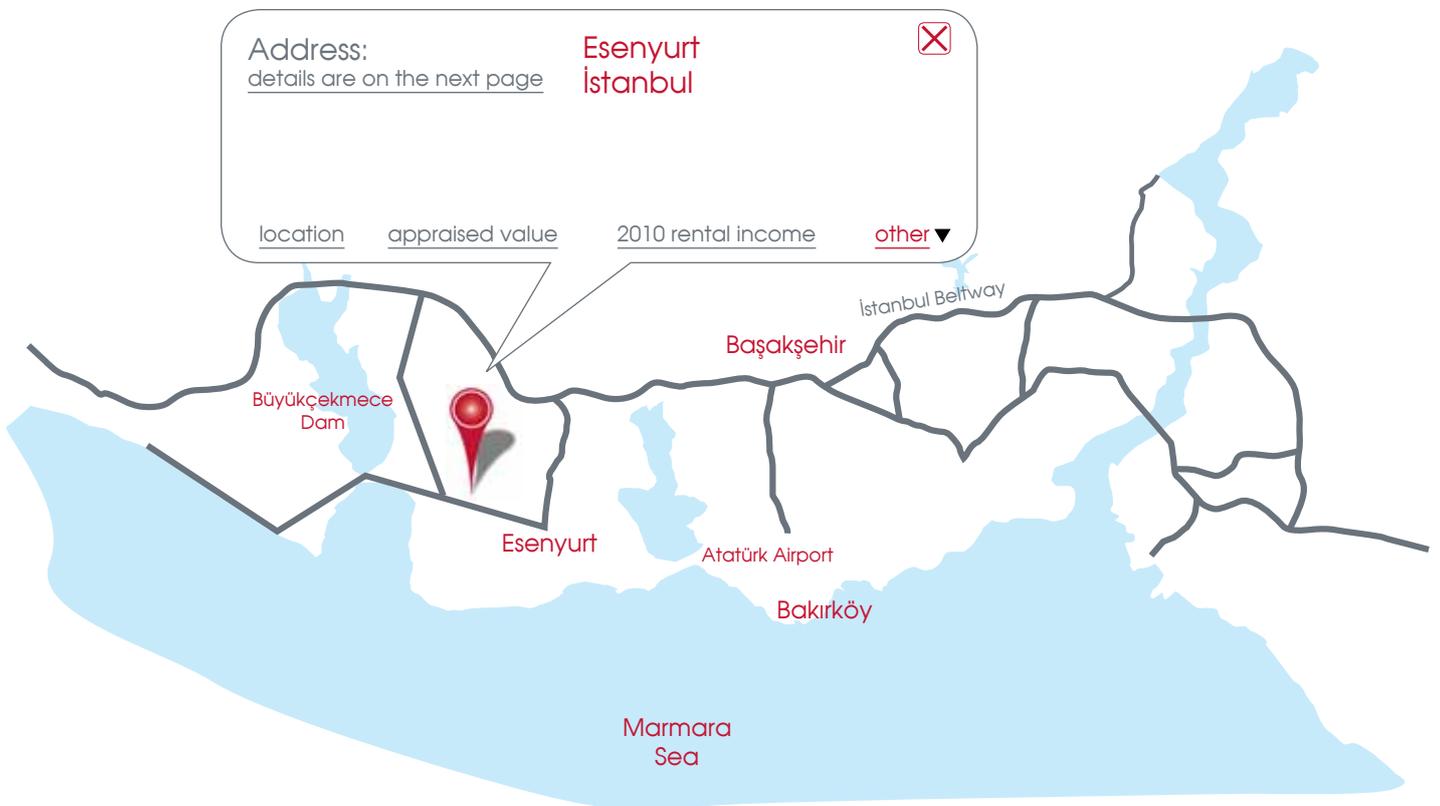
* In the shopping center, İŞ REIT has title to an area of 19,470 m², which serves as the basis for the calculation of appraised value and rental income.

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

Targeting to establish itself as the new heart of the city, Kanyon Shopping Center houses 140 stores, one gourmet supermarket, 9 cinemas, restaurants, cafés, bars, a sports and wellness centre, as well as an indoor and outdoor swimming pool across its four storeys expanding on an area of 38,940 m².

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

Real Hypermarket Building



Comfortable and convenient shopping atmosphere in one of İstanbul's fastest growing centers of trade

Real Hypermarket offers more than 40,000 types of food and non-food products under the same roof.

Location	İstanbul province, Esenyurt district, Yakuplu locality
Project Area	109 parcel
Covered Area	53,479 m ²
Opening Date	15 August 2007
Appraised Value (TL)	67,000,000
2010 Rental Income (TL, excluding VAT)	3,645,314

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

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

Providing more than 40,000 types of food and non-food products under the same roof, the Real Hypermarket offers its customers a comfortable and convenient shopping atmosphere with its 6 meter-wide aisles and 8 meter-high ceilings.

Sirkeci Office Building



Situated in İstanbul's traditional heart of commerce and trade

The 6-storey office building with an area of 4,170 m² stands out with massive commercial potential.

Location	İstanbul province, Fatih district, Sirkeci quarter
Leasable Area	4,170 m ²
Acquisition Date	18 April 2008
Appraised Value (TL)	24,560,000
2010 Rental Income (TL, excluding VAT)	2,126,761

The 6-storey office building, with an area of 4,170 m², is situated in the traditional heart of commerce and trade, in an area with massive commercial potential. Sirkeci Office Building has been rented out to İşbank on a 15-year lease

Güneşli Office Building



Address: **Halkalı İstanbul**

[details are on the next page](#)

[location](#) [appraised value](#) [2010 rental income](#) [other](#) ▼



Located in a logistically valuable region

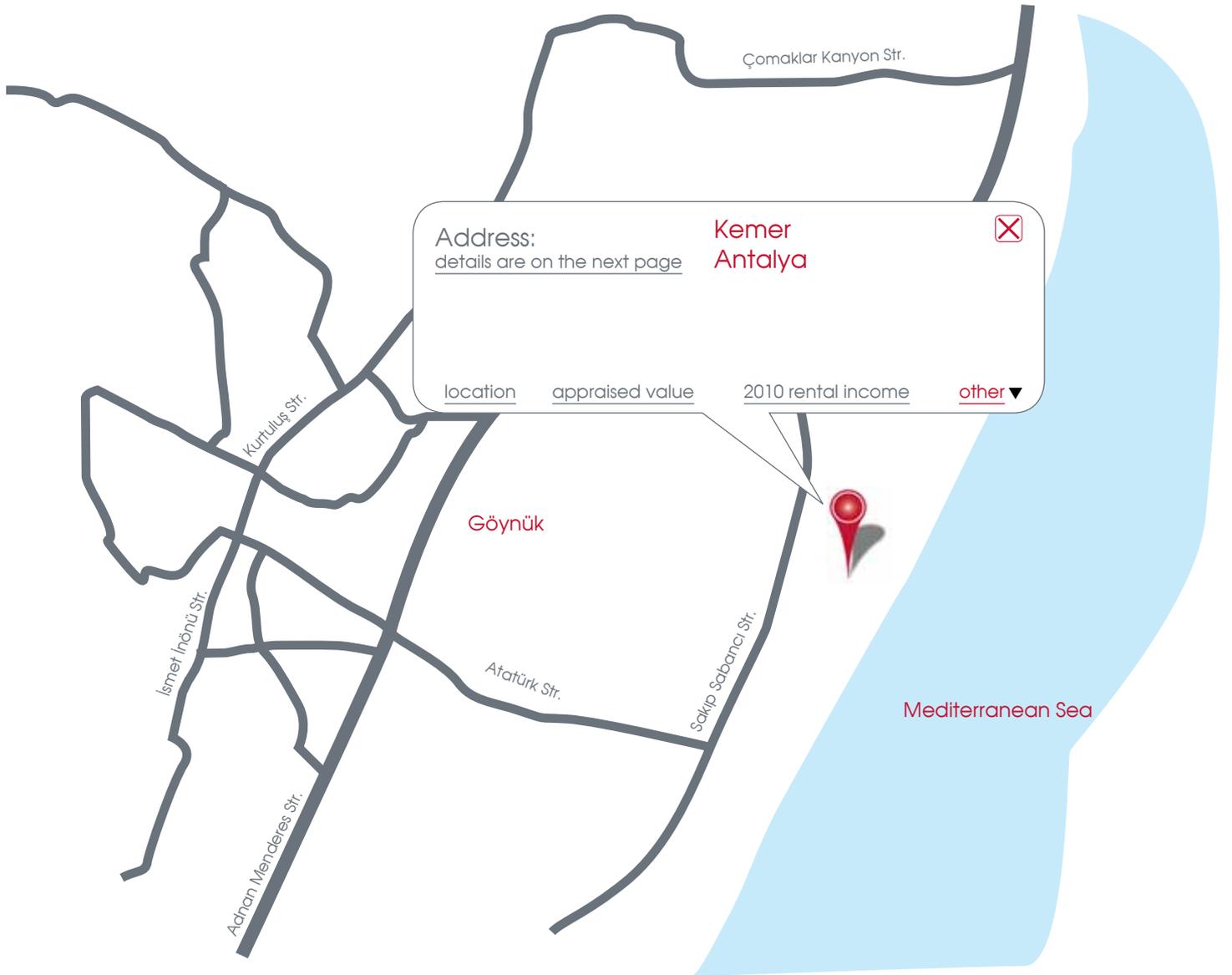
The 5-storey office building is only 6 km from İstanbul Atatürk Airport.

Location	İstanbul province, Küçükçekmece district, Halkalı quarter
Leasable Area	20,805 m ²
Acquisition Date	28 April 2008
Appraised Value (TL)	35,000,000
2010 Rental Income (TL, excluding VAT)	3,650,252

The 5-storey office building with an area of 20,805 m² just 6 km from İstanbul Atatürk Airport has been rented out to İşbank on a 15-year lease. The building is currently used by İşbank as the Operation Service Building.

Club Magic Life Kemer Imperial Hotel

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A favorite hotel for Turkish and foreign guests set in an exceptionally beautiful location

Situated between an expansive beach and pine forests, Club Magic Life Kemer Imperial Hotel offers unmatched accommodation service.

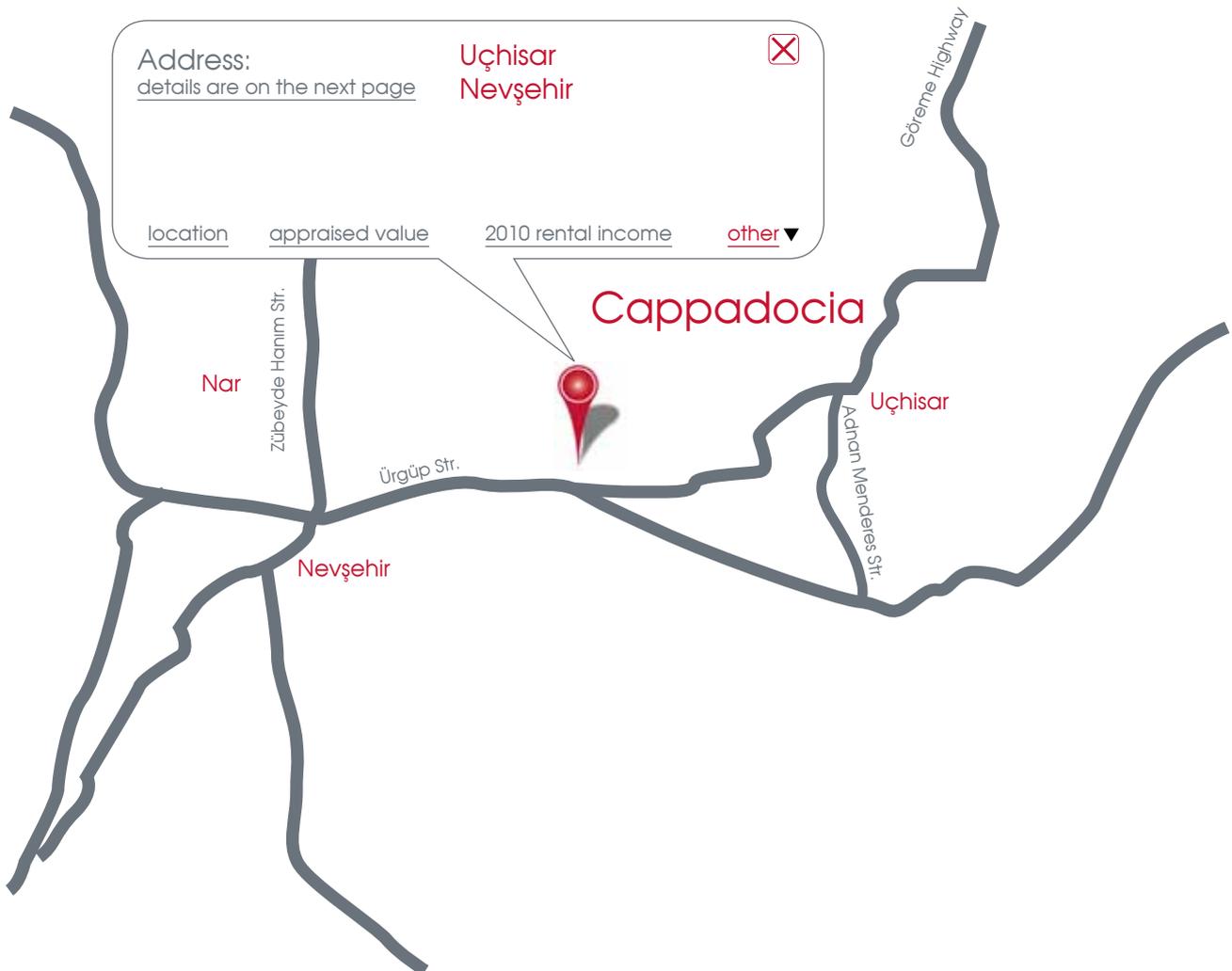
Location	Kemer, Antalya
Gross Area	17,822 m ²
Acquisition Date:	2010
Appraised Value (TL)	38,656,236
2010 Rental Income (TL, excluding VAT)	There is no rental income accrual as it was acquired in December 2010.

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

Positioned between a wide stretch of beach and pine forests, the Hotel commands a spectacular view, and provides its guests with peerless accommodation service. Fulfilling any expectation of sea and watersport aficionados, the resort is highly popular among Turkish and foreign visitors with its comfortable rooms, rich selection of bars and restaurants, and wide span of activities on offer.

Composed of 168 rooms, 40 suites, 6 apart villas, and 24 bungalows on an area of 35,250 m², Club Magic Life Kemer Imperial Hotel offers service with a total capacity of 576 beds. The Hotel has been rented out to Magic Life Der Club International Turizm Hizmetleri A.Ş., a company under TUI, on a ten-year lease. The starting lease will be EUR 1.75 million excluding VAT for the first year.

Lykia Lodge Kapadokya Hotel



A hotel in Cappadocia distinguished for its architecture that reflects the region's geographical structure

Integrating the region's unique, spellbinding atmosphere with comfort, Lykia Lodge Kapadokya Hotel is a 4-star tourist facility with 146 rooms and 291 beds.

Location	Uçhisar, Nevşehir
Area	28,827 m ²
Acquisition Date:	2010
Appraised Value (TL)	14,000,000
2010 Rental Income (TL, excluding VAT)	253,416

Located in Kapadokya, an unmatched center of attraction in international tourism, Lykia Lodge Kapadokya Hotel is distinguished for its architecture that reflects the region's geographical structure and integrates the area's unique, spellbinding atmosphere with comfort. Lykia Lodge is a 4-star tourist facility with 146 rooms and 291 beds.

Offering the local delicacies of Cappadocia in one outdoor and one indoor restaurant, Lykia Lodge services its guests with a wide variety of options to choose from to enjoy their time with activities specific to the region, as well as sports activities including basketball, volleyball, tennis on quartz sand court, mini football, billiards and table tennis, in addition to swimming pools and orchards.

Lykia Lodge Conference Center responds to meeting and accommodation requirements with a modern and innovative approach. Equipped with perfect infrastructure and technology, the Conference Center offers the ideal conditions with a meeting room that can be divided into two sections, a small meeting room, and two other meeting rooms each seating 40 people that provide commodious working space, as well as a gala and meeting hall.

Lykia Lodge has been rented out to its existing operator, Silkar Turizm, on a 12-year lease, for EUR 550,000 for the first year.

Parcel no 110 in Esenyurt (Marmara Park Shopping Center)



The superficies right in the real property registered in parcel no 110 has been transferred to ECE Türkiye, which will develop a “regional shopping center” on the land. Within the scope of the agreement concerning the transfer of the superficies right, approximately USD 4.6 million per year is generated in “rental income on the superficies right”.

Marmara Park Shopping Center that will be built on the plot will be one of the largest in Europe and will cover nearly 100,000 m² gross leasable area and a parking lot for 4,000 cars in average. Poised to be İstanbul’s first shopping center themed around galaxies, Marmara Park will be home to more than 250 stores, a giant hypermarket, a large electronics store, cinema, amusement park and ready-to-wear shops.

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

Location	Esenyurt
Gross Area	62,343.69 m ²
Appraised Value (TL)	72,000,000
2010 Rental Income (TL, excluding VAT)	7,036,552



Planned Projects

Istanbul, Taksim Building

An office project is planned to be developed upon demolition of the centrally located property, which is in Beyoğlu district in İstanbul and has a plot of land with an area of 578.72 m². The total development cost of the investment including the land is USD 12.9 million. The project is expected to produce a total leasable area of 3,144 m² and to generate an annual rental income of USD 1.13 million.

Appraised Value (TL): 21,000,000

Istanbul, Tuzla Land (Parcels no I and II)

On 26 November 2010, İş REIT purchased two plots of land for a price of TL 53.6 million to develop a project thereupon. Located in the Merkez quarter, Tuzla district of İstanbul, plot (I) has an area of 42,114.39 m² and plot (II) has an area of 20,375.87 m². The project planned to be developed on plot no (I) is a "Technology and Operations Center", within the scope of the list of requirements of İşbank, which will have a leadtime of 30 months. A 25-year lease has been signed with İşbank for the center.

The internal rate of return of the Technology and Operations Center is 8.09%, while the rental yield on investment to be calculated based on the total development cost is projected to be in the region of 10.5%. It is planned to realize a complementary mixed-use project on plot no (II), which will incorporate various commercial units.

Appraised Value (TL): 53,641,606

Istanbul, Tuzla Land (Parcel no 1329)

A housing project is intended to be developed on the plot of land with an area of 53,200 m² in Tuzla district in İstanbul, which will create synergy with the employees who will work at the Technology and Operations Center.

Appraised Value (TL): 25,270,000

İzmir, Bayraklı Land

The mixed-use project, which will be developed in Bayraklı, an emerging region in İzmir, will be positioned on a plot with an area of 18,392 m². The project will consist of a semi-indoor shopping center with a leasable area of approximately 30,000 m² and housing blocks with an approximate sellable area of 28,000 m². With its architectural concept designed by Emre Arolat, the development will offer an original living space to the people of İzmir.

Appraised Value (TL): 29,000,000

The Dividend Policy of İŞ REIT is presented below:

İŞ REIT's Articles of Association sets out the principle of distributing first dividend out of the distributable profit, at the percentage and amount determined by the Capital Markets Board of Turkey (CMB).

The Board of Directors adopts the following principles with respect to dividend distribution proposals to be laid down before the General Assembly for approval:

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

İş Real Estate Investment Trust Co. Profit Distribution Table for the Year 2010

The Company's net profit for the period as of December 31, 2010 is TL 60,918,265 in the financial statements prepared in accordance with the "Capital Market Board Communiqué on Capital Market Accounting Standards" and is TL 47,916,336.99 in the legal records maintained in accordance with Tax Procedures Law.

According to the Capital Market Board regulations and Article 30 concerning "The Distribution of Profits and Reserve Funds" of the Company's Articles of Association, it has been decided to present the distribution of net profit of TL 22,500,000.00 in cash, as above stated, to the approval of the General Meeting of the shareholders.

İş Real Estate Investment Trust Co. 2010 Profit Distribution Table (TL)			
1. Paid-in/Issued Capital		450.000.000	
2. Total Legal Reserves (based on legal records)		16.004.204,22	
If there are privileges for distribution of profits according to the Articles of Association, information on such privileges:		There are not any privileges for distribution of profits.	
		Based on CMB	Based on Legal Records
3.	Period Profit	61,013,489	47,916,336.99
4.	Taxes Payable (-)	95,224	0.00
5.	Net Period Profit (=)	60,918,265	47,916,336.99
6.	Prior Period Losses (-)	0.00	0.00
7.	First Legal Reserve (-)	2,395,816.85	2,395,816.85
8/(a)	Net Distributable Period Profit including Unrealized Capital Gains (=)	58,522,448.15	45,520,520.14
8/(b)	Unrealized Capital Increases (-)	17,246,219.99	
8/(c)	Unrealized Capital Decreases (+)	3,430,286.00	
8/(d)	Net Distributable Period Profit excluding Unrealized Capital Gains (=)	44,706,514.16	
9.	Donations Made during the Year (+)	30,000.00	
10.	Net Distributable Period Profit including Donations from which First Dividend will be Calculated	44,736,514.16	
11.	First Dividend to Shareholders	22,500,000.00	
	- Cash	22,500,000.00	
	- Bonus	0.00	
	- Total	22,500,000.00	
12.	Dividends for Preferred Shares	0.00	
13.	Dividends for Board Members, Employees, etc	0.00	
14.	Dividends for Redeemed Shares	0.00	
15.	Second Dividend for Shareholders	0.00	
16.	Second Legal Reserves	0.00	
17.	Statutory Reserves	0.00	
18.	Special Reserves	0.00	
19.	EXTRAORDINARY RESERVES	36,022,448.15	23,020,520.14
20.	Other Sources for Distribution	0.00	0.00
	- Prior Period Profit		
	- Extraordinary Reserves		
	- Other Reserves Distributable in Accordance with Law and the Articles of Association		

INFORMATION ON DIVIDEND RATIO				
INFORMATION ON EARNINGS PER SHARE	GROUP	TOTAL DIVIDENDS (TL)	DIVIDENDS PER SHARES WITH A NOMINAL VALUE OF TL 1 EACH	
			AMOUNT (TL)	RATIO (%)
GROSS	A	32,142.86	0.05000	5.00
	B	22,467,857.14	0.05000	5.00
	TOTAL	22,500,000.00		
NET (7)	A	32,142.86	0.05000	5.00
	B	22,467,857.14	0.05000	5.00
	TOTAL	22,500,000.00		
RATIO OF DIVIDENDS DISTRIBUTED TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS				
DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TL)	RATIO OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS (%)			
22,500,000	50.29			

İş Real Estate Investment Trust Co.
Statutory Auditors' Report

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

Trade name	İş Real Estate Investment Trust Co
Headquarters	İş Kuleleri Kule 2 Kat 9 Levent İstanbul
Registered capital	TL 2,000,000,000
Issued capital	TL 450,000,000
Principal business activity	The Company was established to invest in real properties, in capital market instruments backed by real estate properties and in real estate projects.

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

Burak Sezercan
Erdal İnceler
Murat Doğan

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

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

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

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

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

Cash counts were performed at the Company's cashier office twice in 2010 in accordance with the requirements of law. All cash balances conformed to the books of account.

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

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

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

During our term of office as statutory auditors for İş Real Estate Investment Trust Co., no charges or complaints of improprieties

We have examined the accounts and transactions of the firm of İş Real Estate Investment Trust Co., for the period 1 January 2010 to 31 December 2010 for compliance with the requirements of the Turkish Commercial Code, the Company's Articles of Association, relevant laws and regulations and generally accepted accounting principles and standards.

In our opinion: the enclosed balance sheet for the period issued on 31 December 2010, the contents of which we certify, accurately reflects the true financial standing of the Company on this date; the income statement for the period 1 January 2010 to 31 December 2010 accurately and truly reflects the results of business activities during the same period; the proposed distribution of profits is in compliance with the requirements of law and with the Company's Articles of Association.

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

STATUTORY AUDITORS



Burak Sezercan



Erdal İnceler



Murat Doğan

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

1. Statement of Compliance with Corporate Governance Principles

Utmost attention was paid to achieve compliance with Corporate Governance Principles under the main headings of "Shareholders," "Public Disclosure and Transparency," "Stakeholders" and "Board of Directors" at our Company in 2010. Efforts to develop and further improve the application of the foregoing principles in the Company were continued during the reporting period.

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

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

PART I-SHAREHOLDERS

2. Shareholder Relations Unit

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

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

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

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

In 2010, the interest of national and foreign investors towards İş REIT continued to increase. Throughout the year, one-on-one meetings were held with approximately 100 domestic and international investment companies, investment funds and intermediary institutions at the Company headquarters. The Unit also made use of conferences held in and out of Turkey to get together with investors. All in all, a total of 130 people were contacted. Nearly 75% of the investors contacted during the course of the year consisted of companies operating abroad.

3. Shareholders' Exercise of Their Right to Obtain Information

During 2010, shareholders, for the most part, sought information after the public disclosure of the general meeting, portfolio tables, financial reports, and after material event disclosures. Besides these periods, queries received at other times have also been responded, which concerned the course of the Company's activities, and projects planned to be developed, in particular. Necessary records on information requests received in writing and orally and the responses provided thereto are kept by the Shareholder Relations Unit.

During the year, approximately 160 information requests forwarded to the Department mostly by emails have been fulfilled and almost 255 questions have been replied in this frame. Comprehensive information requests on the Company received from numerous domestic, foreign, individual and corporate investors have been handled in a multi-faceted and detailed manner, observing the applicable legislation and the Company's Disclosure Policy, in particular, as well as all other considerations relating to public disclosure.

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

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

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

The Company website is actively used to facilitate public disclosure and exercise of shareholder rights. Quarterly investor presentations in Turkish and English, and the balance sheet and income statement drawn up within the scope of financial statements, as well as material event disclosures made via the Public Disclosure Platform (KAP) are prepared in Turkish and English, and are posted on the corporate website the same day. Further, the Company website is updated as soon as possible in line with the major changes in the portfolio or the sector. In this way, accurate and up-to-date data are made available to investors and analysts, in particular, as well as different individuals or institutions that require information about the Company and its activities.

Material event disclosures concerning facts about the Company that need to be shared with the public within the frame of CMB and Stock Exchange legislation have been sent firstly to the Public Disclosure Platform (in Turkish: KAP) attaching electronic signature.

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

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

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

During the period, our Company received no requests for the appointment of a special auditor.

4. Information About General Meetings

The Annual General Meeting of Shareholders for 2009 convened on 26 March 2010. An invitation for the General Meeting of Shareholders, the meeting's agenda and a specimen of a proxy statement were published in two nationally circulating newspapers; information concerning the meeting was made available on the corporate website; an additional letter concerning the meeting was also sent to corporate shareholders whose names appeared in the list of attendees of the latest General Meeting of Shareholders. The annual report was prepared twenty-one days prior to the meeting date, it was sent to the addresses of the shareholders upon request, and placed on the internet site and was also made available for the inspection and assessment of shareholders visiting the Company's headquarters and of shareholders attending the General Meeting of Shareholders.

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In order to ensure that both Turkish and foreign investors are informed of the topics to be addressed in the general meeting in advance, the "General Meeting Disclosure Document" has been prepared in Turkish and English, and posted on the Company website along with the proxy form specimen, agenda, and invitation to the meeting.

While complying with the provisions of the Ministry of Industry and Trade Communiqué concerning the period of time in which entries must be made in the shareholders register, shareholders who applied to obtain their meeting passes after the one-week period stipulated in the Communiqué, were given them as well, so as to achieve maximum participation at the meeting. The General Meeting of Shareholders for 2009 was held with 56.11% attendance of the Company's shareholders all of which were represented in person. Pursuant to Corporate Governance Principles, shareholders have been informed on the number of total votes that may be cast at the general meeting, the privileges they incorporate, voting procedure, and the Company's Dividend Policy.

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

Furthermore, all oral and written queries of the shareholders about the Company during the reporting period were answered before and after the General Meeting of Shareholders apart from Company-related trade secrets and confidential information that are not publicly disclosed.

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

5. Voting Rights and Minority Rights

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

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

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

6. Dividend Policy and Timing

The Dividend Policy of İş REIT is presented below:

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

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

The dividend distribution proposal of the Board of Directors is discussed at the General Meeting of Shareholders and issues such as, distribution method, distribution date and if there will be a distribution, are decided. There are

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

7. Transfer of Shares

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

PART II-PUBLIC DISCLOSURE AND TRANSPARENCY

8. Company Disclosure Policy

The aim of the Company Disclosure Policy is to achieve compliance with the Corporate Governance Principles published by the CMB, Capital Market legislation and other applicable regulations at a minimum, thus ensuring timely, complete, accurate and efficient information provision to the public.

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

During 2010, the principles set out in the Company's Disclosure Policy have been complied with both in the fulfillment of information requests received and in all activities within the scope of public disclosure.

9. Disclosure of Material Events

Pursuant to CMB regulations, our Company made twenty-three (23) material event disclosures in 2010.

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

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

10. The Internet Site and its Content

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

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

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

There are no non-corporate ultimate shareholders with a controlling interest in the Company. Information about shareholders who controlled at least a 10% interest in the Company as of 31 December 2010 is presented below:

31.12.2010	Share (TL)	Share Ratio (%)
T. İş Bankası	190,057,270	42.23
Others	259,942,730	57.77
Total	450,000,000	100.00

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

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

Board Members

Adnan Bali, Chairman
Ali Cüneyt Demren, Vice Chairman (independent)
Mehmet Sırrı Erkan, Board Member
Kemal Şahin, Board Member
Hulusi Cemal Karaoğlu, Independent Board Member

Members of the Board of Auditor

Burak Sezercan, Statutory Auditor
Erdal İnceler, Statutory Auditor
Murat Doğan, Statutory Auditor

Senior Management

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

PART III-STAKEHOLDERS

13. Keeping Stakeholders Informed

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

14. Stakeholder Participation in Management

In the participation of stakeholders in the Company's management, it is a fundamental principle that all channels of communication to be kept open and that any barriers to communication be eliminated. In line with this and as spelled out in the Company's Code of Ethics, the workplace policy is developed and updated through ongoing communication with employees and in light of their wishes as well. Coordination meetings are held which are presided by the General Manager and attended by Company employees. These meetings play an important role in senior management's decision-making process.

No model has been developed concerning the participation of other stakeholders in the Company's management directly. However, the expectations and the demands of the individuals who are connected to the Company and who have interests are resolved through mutual communications and within Code of Ethics. Contractual or other demands, requests and problems of real and legal persons that the Company is in a relationship on the basis of rental agreements are forwarded to the Company's related committees via the Corporate Communication and Marketing Department; solution-oriented suggestions are discussed and decided by the committee.

Iş Real Estate Investment Trust Co.

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15. Human Resources Policy

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

Our Company practices an "Open Door Policy" and uses all necessary platforms in order to create efficient communication forums.

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

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

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

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

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

16. Relations With Customers and Suppliers

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

17. Social Responsibility

Social Responsibility

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

In 2010, the Company sponsored the "MIMED 2010 Students' Prizes" organized by the Association of Architectural Education (MIMED), with the aim of providing guidance and support to the future architects with a professional perspective.

The Company was also an official sponsor of the "Week of Architecture in Izmir" organized by the Izmir Branch of the Chamber of Architects of Turkey on 4-10 October 2010. The World Day of Architecture is celebrated on the first Monday of October every year, and the event's theme for 2010 was determined as "Better City, Better Life: Sustainable by Design" by the International Union of Architects (UIA). Various activities were organized throughout the week in an effort to bring the society in closer interaction with architecture. Also in the years ahead, we will keep closely monitoring activities geared towards enhancing awareness of the sector and the society within the frame of this event, which we support as an official sponsor.

Iş REIT contributed to the realization of the "Listening to İstanbul" album project by pianist Seda Röder, who has won international acclaim at a young age. Performing many concerts in Europe and the USA, the musician introduces Turkey's involvement in contemporary music. Known for her successful musical career, Röder also currently works as an associate at the Music Department at Harvard University. Within the frame of her project

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aiming to promote Turkey's face that is turned towards contemporary music, Seda Röder continues to get together with music lovers in numerous cities in Europe and USA, as well as in İstanbul. Sponsored by İş REIT, the album was received with great interest and admiration by music lovers.

In the third quarter of 2010, İş REIT donated TL 30,000 to Pakistan that was devastated by flood. In addition, the Company opens the doors of the shopping centers in its portfolio to associations and foundations working for the benefit of 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.

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

PART IV-THE BOARD OF DIRECTORS

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

Board Members

Adnan Bali, Chairman, Non-Executive
Ali Cüneyt Demren, Vice Chairman, Non-Executive, Independent
Mehmet Sırrı Erkan, Board Member, Non-Executive
Kemal Şahin, Board Member, Non-Executive
Hulusi Cemal Karaoğlu, Board Member, Non-Executive, Independent

Senior Management

Turgay Tanes, General Manager

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

During the current year, no situations occurred that would impair their independence. Our Company's Articles of Association lay down explicit rules governing the ability of the Board members to undertake other duties and responsibilities outside the Company. According to Article 18 of the Articles of Association, "Board members shall not be involved in any negotiations on issues that are concerned with their own personal interests or with the interests of any persons with whom they or their spouse have any kinship or affinity, whether by blood or marriage, unto the third degree. Board members shall not engage, personally or indirectly, in any business transaction that falls within the Company's object and scope, either on their own behalf or on the behalf of others, even if they have obtained permission to do so from the General Meeting of Shareholders; neither shall they join another company engaged in the same kind of business as a partner with unlimited liability." All of our Company's Board Members adhere strictly to these rules.

19. Qualifications of Board Members

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

20. Vision, Mission and Strategic Goals of the Company

The Board of Directors has defined and disclosed to the public the Company's corporate mission. Our mission is to create desirable spaces for contemporary people and contemporary cities, and to maximize the collective value of our portfolio for our shareholders through sustainable growth and high profitability by utilizing our investments and resources effectively. Our vision is to set a global corporate example in our sector not only by the projects it

İş Real Estate Investment Trust Co.

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undertakes, but also with the way it conducts business, by its corporate structure and values, and management approach; and to achieve a stable portfolio growth over the years and to maintain sustainable growth.

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

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

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

21. Risk Management and Internal Control Mechanisms

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

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

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

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

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

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

22. Authorities and Responsibilities of Board Members and Executives

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

İş Real Estate Investment Trust Co.

Corporate Governance Principles Compliance Report

23. Operating Principles of the Board of Directors

Board Meeting agendas are determined on the basis of recommendations made by General Manager and with the knowledge of Chairman of the Board. The Chairman or Vice Chairman calls upon the other members to convene. According to Company's Articles of Association Article 13, all members have the right to call the Board for a meeting. Audit Board members are also invited to Board meetings and receive the same meeting reports as the Board members. General Manager's Assistant is assigned to inform and maintain communication with Board members and auditors. During the year under review, the Board of Directors held twenty-one (21) meetings and took thirty-six (36) decisions.

The Board of Directors' decisions that are related to the issues mentioned in the Article 21 of the CMB Communiqué on Principles Regarding REITs, must, as a rule, be unanimous. In situations where unanimity cannot be achieved, a material event disclosure must be sent to the KAP, as to make a public disclosure. To date there has never been a situation where such a public disclosure was necessary. The Company is in full compliance with all the matters in Article 2.17.4 of section IV of CMB's Corporate Governance Principles. Board members do not have preferential voting rights or the right to veto board decisions.

24. Prohibition on Doing Business or Competing with the Company

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

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

25. Code of Ethics

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

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

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

In accordance with Corporate Governance Principles, with the aim to manage risks that our Company's face systematically, "Risk Committee" was established as the highest administrative organ in risk management and to represent the Risk Management System to the Board of Directors.

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

27. Financial Rights Provided to the Board of Directors

The General Meeting of Shareholders determines the salaries of the Board members. At the General Meeting of Shareholders held on 26 March 2010, the decision was taken to pay the Board members a monthly salary of TL 2,250 (net) and statutory auditors a monthly salary of TL 1,350 (net).

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and Its Jointly Controlled Entity
Consolidated Financial Statements As at and the For the Year Ended 31 December 2010

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity
Convenience Translation of the Independent Auditors' Report

Originally Prepared and Issued in Turkish

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

We have audited the accompanying consolidated financial statements of İş Gayrimenkul Yatırım Ortaklığı A.Ş. ("the Company") and its jointly controlled entity (together "the Group") which comprise the consolidated balance sheet as of 31 December 2010, and the consolidated comprehensive income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Management Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards promulgated by Capital Market Board (CMB). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of İş Gayrimenkul Yatırım Ortaklığı A.Ş. as of 31 December 2010, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards promulgated by Capital Markets Board (see Note 2).

Other matter

The consolidated financial statements of the Group as of and for the year ended 31 December 2009 were audited by other auditors who expressed an unqualified opinion for the consolidated financial statements as of and for the year ended 31 December 2009 in their report dated 12 February 2010.

Istanbul, 11 February 2011

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.



Orhan Akova

Partner

Additional paragraph for convenience translation to English:

As explained in Note 2.1, the accompanying consolidated financial statements are not intended to present the 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 and its Jointly Controlled Entity**Consolidated Balance Sheet as of 31 December 2010**

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

	Notes	<i>Audited</i> 31 December 2010	<i>Audited</i> 31 December 2009
ASSETS			
Current assets		90.237.745	145.295.381
Cash and cash equivalents	5	73.198.883	116.183.344
Financial assets	6	12.822.707	15.446.462
Trade receivables	8	1.796.405	10.888.196
<i>Trade receivables from related parties</i>	25	-	9.241.153
<i>Other trade receivables</i>	8	1.796.405	1.647.043
Other receivables	9	352.577	4.077
Other current assets	15	2.067.173	2.773.302
Non-current assets		1.006.003.951	866.382.680
Investment properties	10	1.004.459.189	864.748.860
Tangible assets	11	882.621	761.889
Intangible assets	12	652.187	871.931
Other non-current assets	15	5.361	-
Deferred tax assets	23	4.593	-
TOTAL ASSETS		1.096.241.696	1.011.678.061

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Consolidated Balance Sheet as of 31 December 2010**

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

	Notes	<i>Audited</i> 31 December 2010	<i>Audited</i> 31 December 2009
LIABILITIES			
Short term liabilities		21.585.635	14.792.229
Loans and borrowings	7	5.020.781	-
Trade payables	8	2.486.449	1.115.927
Other payables	9	2.327.939	131.030
Corporate tax liability	23	21.362	18.855
Provisions	13	44.016	83.796
Provision for employee benefits	14	86.333	87.245
Other short term liabilities	15	11.598.755	13.355.376
Long term liabilities		84.635.088	45.283.124
Loans and borrowings	7	44.721.608	-
Other payables	9	36.148.687	36.143.198
Provision for employee benefits	14	412.646	281.487
Deferred tax liabilities	23	-	420
Other long term liabilities	15	3.352.147	8.858.019
EQUITY		990.020.973	951.602.708
Share capital	16	450.000.000	450.000.000
Shareholders' equity inflation restatement differences		240.146.090	240.146.090
Share premium		423.981	423.981
Restricted reserves	16	11.015.848	8.579.211
Retained earnings	16	227.516.789	192.154.224
Net profit for the period		60.918.265	60.299.202
TOTAL EQUITY AND LIABILITY		1.096.241.696	1.011.678.061

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Consolidated Income Statement for the year ended 31 December 2010**

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

	Notes	<i>Audited</i> 1 January – 31 December 2010	<i>Audited</i> 1 January – 31 December 2009
Operating Activities			
Sales revenue (net)	17	95.536.298	88.913.883
Cost of sales (-)	17	(31.520.689)	(33.058.525)
Gross Profit		64.015.609	55.855.358
General administrative expense (-)	18	(7.097.285)	(5.664.501)
Other operating income	20	1.229.711	228.016
Other operating expense (-)	20	(54.254)	(105.605)
Operating Profit		58.093.781	50.313.268
Financial income	21	16.688.116	20.487.213
Financial expense (-)	22	(13.768.408)	(10.412.045)
Operating Profit before Tax		61.013.489	60.388.436
Tax expense	23	(95.224)	(89.234)
- Corporate tax charge		(100.236)	(99.619)
- Deferred tax benefit/charge		5.012	10.385
Net Operating Profit for the period		60.918.265	60.299.202
Discontinued Operations		-	-
Loss after tax for discontinued operations		-	-
Net Profit for the Period		60.918.265	60.299.202
Net profit for the period attributable to:			
Non-controlling interests		-	-
Equity holders of the parent		60.918.265	60.299.202
Earnings per share	24	0,1354	0,1340

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Consolidated Statement of Comprehensive Income for the year ended 31 December 2010**

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

	Notes	<i>Audited</i> 1 January – 31 December 2010	<i>Audited</i> 1 January – 31 December 2009
Net profit for the period		60.918.265	60.299.202
Other comprehensive income		-	-
Total comprehensive income	-	60.918.265	60.299.202

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Consolidated Statement of Changes in Equity for the year ended 31 December 2010**

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

	Notes	Share capital	Shareholders' equity inflation restatement differences	Share premium	Restricted reserves	Net profit for the period	Retained earnings	Total
Balances at 1 January 2009		450.000.000	240.146.090	423.981	5.831.268	53.095.234	164.306.933	913.803.506
Total comprehensive income								
Net profit for the period		-	-	-	-	60.299.202	-	60.299.202
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	60.299.202	-	60.299.202
Transfer to retained earnings		-	-	-	-	(53.095.234)	53.095.234	-
Transfer to reserves	16	-	-	-	2.747.943	-	(2.747.943)	-
Dividends paid	16	-	-	-	-	-	(22.500.000)	(22.500.000)
Balances at 31 December 2009		450.000.000	240.146.090	423.981	8.579.211	60.299.202	192.154.224	951.602.708
Balances at 1 January 2010		450.000.000	240.146.090	423.981	8.579.211	60.299.202	192.154.224	951.602.708
Total comprehensive income								
Net profit for the period		-	-	-	-	60.918.265	-	60.918.265
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	-	60.918.265	-	60.918.265
Transfer to retained earnings	16	-	-	-	-	(60.299.202)	60.299.202	-
Transfer to reserves	16	-	-	-	2.436.637	-	(2.436.637)	-
Dividends paid	16	-	-	-	-	-	(22.500.000)	(22.500.000)
Balances at 31 December 2010		450.000.000	240.146.090	423.981	11.015.848	60.918.265	227.516.789	990.020.973

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity
Consolidated Statement of Cash Flows for the year ended 31 December 2010
(Amounts are expressed in Turkish Lira "TL" unless otherwise indicated)

	Notes	<i>Audited</i> 1 January – 31 December 2010	<i>Audited</i> 1 January – 31 December 2009
A. Net cash provided by operating activities			
Net profit for the period		60.918.265	60.299.202
Depreciation and amortization	10,11,12	23.574.629	23.371.589
Retirement pay provision	14	155.638	98.049
Vacation pay provision	14	(912)	14.731
Provisions released in relation to investment properties and other tangible assets	10	(16.715.786)	(12.306.047)
Gain on sale of fixed assets		-	(141.787)
Impairment provision on investment properties and other tangible assets	10	3.430.286	1.650.448
Provision for doubtful receivables (net)	8	126.196	(6.653)
Current period income tax expense	23	100.236	99.619
Deferred tax benefit	23	(5.012)	(10.385)
Interest income		(5.314.813)	(7.800.218)
Interest expense		459.113	-
Cash provided by operating activities before changes in working capital		66.727.840	65.268.548
Decrease in trade receivables		8.965.595	3.028.866
(Increase)/decrease in other receivables		(348.500)	87.855
(Increase)/decrease in other current assets		706.129	261.826
(Increase)/decrease in other non-current assets		(5.362)	2.876
Increase/(decrease) in trade and other payables		3.572.920	376.678
Decrease in other short term liabilities		(7.302.273)	(14.262.781)
Retirement provision paid during the period	14	(24.479)	(10.203)
Taxes paid	23	(97.729)	(102.956)
Interest received		6.165.944	6.483.715
Net cash provided by operating activities		78.360.085	61.134.424
Investing activities			
Proceeds from financial assets		2.493.792	1.277.101
Proceeds from the sale of right of use		-	20.092.150
Purchases of investment property, tangible assets and intangible assets	10,11,12	(149.900.446)	(30.938.957)
Proceeds from the sale of tangible assets		-	141.787
Net cash (used in)/provided by investing activities		(147.406.654)	(9.427.919)
Financing activities			
Dividends paid	16	(22.500.000)	(22.500.000)
Increase in financial liabilities		49.283.276	-
Net cash (used in)/provided by financing activities		26.783.276	(22.500.000)
Effect of changes in foreign currency rates over cash and cash equivalents		-	-
Net decrease/(increase) in cash and cash equivalents		(42.263.293)	29.206.505
Cash and cash equivalents at the beginning of the year		115.410.463	86.203.958
Cash and cash equivalents at the end of the year	5	73.147.170	115.410.463

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity

Notes to the Consolidated Financial Statements for the year ended 31 December 2010

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

1. Organization and operations of the group

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

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

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

The Company has 36 employees as of 31 December 2010 (36 employees as of 31 December 2009).

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

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

Approval of financial statements:

Financial statements have been approved for issue by the Board of Directors on 11 February 2011. The General Assembly and the legal authorities have the authority to amend the statutory financial statements and these financial statements.

2. Basis of presentation of financial statements

2.1 Basis of presentation

Statement of compliance

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

The accompanying financial statements are prepared in accordance with the accounting and reporting standards promulgated by CMB. The Company prepared its financial statements in accordance with the communiqué Serial: XI, No:29 "Communiqué on Financial Reporting Standards in Capital Markets" ("Communiqué XI-29") promulgated by CMB, which is published at 9 April 2008 in the Official Gazette numbered 26842, and became effective from 1 January 2008. The companies, which report in accordance with financial reporting standards of CMB, are required to prepare their financial statements in accordance with Communiqué XI-29 which refers to International Accounting Standards ("IAS")/International Financial Reporting Standards ("IFRS"), which were endorsed, by European Union. However, until the issuance of differences by Turkish Accounting Standards Board ("TASB"), within the IAS/IFRS endorsed by European Union and IAS/IFRS issued by International Accounting Standards Board ("IASB"), the accompanying financial statements are prepared in accordance with the Turkish Accounting Standards ("TAS")/ Turkish Financial Reporting Standards ("TFRS"), issued by TASB and which are the same as IAS/IFRS.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

The accompanying consolidated financial statements have been prepared in accordance with IASB's IAS/IFRS and comply with the CMB's Communiqué regarding the format of the financial statements and footnotes since at the date of the issuance of these financial statements the differences of IAS/IFRS endorsed by the European Union have not been declared by the TASB.

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

Functional and presentation currency

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

Basis of measurement

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

The methods used in fair value measurement are mentioned in note 27.

Preparation of financial statements in Hyperinflationary Periods

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

Comparative Information and Restatement of Prior Period Financial Statements

The consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial statements are 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.

As of 31 December 2009, trade payables of the Group amounting to TL 1.221.866 have been reclassified as other current liabilities.

Basis of consolidation***Jointly controlled entities***

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

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

Foreign currency transactions

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

2.2 Changes in accounting policies

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

2.3 Changes in accounting estimates and errors

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about assumptions and estimation are included in the following notes:

Note 8 – Trade receivables

Note 10 – Useful lives of investment properties

Note 11 – Useful lives of tangible assets

Note 12 – Useful lives of intangible assets

Note 13 – Provisions, contingent assets, contingent liabilities

Note 14 – Employee benefits

2.4 Standards and interpretations that are not yet effective as at 31 December 2010**2.4.1 Standards and interpretations that are effective in 2010**

The Group applied all of the relevant and required standards promulgated by the IASB and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") as of 31 December 2010.

2.4.2 Standards and interpretations that are not yet effective as at 31 December 2010

A number of new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 December 2010. These new standards, amendments to standards and interpretations have not been applied in preparing these consolidated financial statements, except TFRS 9 – Financial Instruments issued at 27 April 2010 in the Official Gazette numbered 27564 by TASB, are not expected to have an impact on the consolidated financial statements.

2.5 Summary of significant accounting policies

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

2.5.1 Accounting of income and expenseSales revenue

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

Rent income from investment properties under operation leases

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

Revenue from sale of investment property

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

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

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

Other income and expense

Other income and expenses are recognized on accrual basis.

Interest income and expense

Interest income is recognized through profit or loss on accrual basis by using the effective interest rate method. Borrowing costs attributable to an investment property under construction are included in the cost of this investment property. Other borrowing costs are recognized through profit or loss by using the effective interest rate.

2.5.2 Investment property

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

The Company's properties, Ankara İş Kule Building, İstanbul İş Kuleleri Complex, Seven Seas Hotel, Maslak Petrol Ofisi Building, Kanyon Shopping Mall, Real Hipermarket Building, Mallmarine Shopping Mall, Lykia Lodge Kapadokya Hotel, Antalya Kemer Imperial Hotel, İş Bankası Ankara Merkez, Ankara Kızılay, Antalya Merkez, Güneşli and Sirkeci branch buildings are classified as investment properties as at the balance sheet date since they are held either for rental income or for capital appreciation, or for both.

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

2.5.3 Tangible assets:

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

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

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

Iş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

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

Depreciation

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

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

Subsequent costs

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, is recognized 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 amortization and impairment.

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

2.5.5 Impairment of non-financial assets:

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

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

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

2.5.6 Financial InstrumentsFinancial assets

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

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

Effective interest method

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

Financial assets at FVTPL

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

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

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

Reverse repurchase agreements

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

Loans and receivables

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

Cash and cash equivalents

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

Iş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

Impairment of financial assets

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

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

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

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

Financial liabilities

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

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

Financial liabilities at FVTPL

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

Other financial liabilities

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

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

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

2.5.7 Offsetting

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

2.5.8 Borrowing costs

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

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

2.5.9 Earnings per share

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

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.

2.5.10 Subsequent events

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

- to have new evidences of subsequent events as of reporting date (adjustments made after reporting date); and
- to have evidences of showing related subsequent events occurred after balance sheet date (adjustments not made after balance sheet date).

The Group adjusts its financial statements if adjusting subsequent events arise subsequent to the balance sheet date. If it's not necessary to adjust the financial statements according to subsequent events, these subsequent events must be disclosed in the notes to the financial statements.

2.5.11 Provisions, contingent liabilities, contingent assets

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

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

2.5.12. Government incentives

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

2.5.13 Taxation**The Company**

The income earned from real estate investment trust activities of the Company, having acquired the status of the real estate investment trust, is exempt from Corporate Tax according to Article 5/(1) 4-d of the Corporate Tax Law No: 5520 ("CTL"). Based on Article 15 (3) of the CTL, 15% withholding tax is deducted against the portfolio management income, which is exempt from tax, whether it is distributed or not. The Council of Ministers is authorized to reduce the deduction rates referred to in the Article 15 of the CTL to nil or to increase it up to the

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corporate tax rate and differentiate the related deduction according to fund and entity types or the nature and distribution of the assets of the portfolio of such funds and entities within the related limits. Accordingly, the effective tax rate for real estate investment trusts is 0% on portfolio management income based on the Council of Ministers decision No: 2009/14594. Based on Article 15 (2) of the CTL, the dividend withholding tax is not applied on such taxed income.

Kanyon

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

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

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

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

2.5.14 Employee benefits/Retirement pay provisions

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

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

2.5.15 Leasing

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

The Company, as lessor in the operational lease transactions

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

The Company, as lessee in the operational lease transactions

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

The Company, as lessee in the financial lease transactions

Tangible assets acquired by financial leasing are recognized both as an asset and liability in the balance sheet 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.

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2.5.16 Statement of cash flows

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

2.5.17 Share capital and dividends

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

2.5.18 Segment reporting

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

2.5.19 Related parties

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

3. Joint ventures

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

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

Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti.	31 December 2010	31 December 2009
Current assets	4.975.052	4.130.598
Non-current assets	1.154.402	955.554
Short-term liabilities	(3.086.002)	(2.258.574)
Long-term liabilities	(451.977)	(361.142)
Net assets	2.591.475	2.466.436
	1 January- 31 December 2010	1 January-31 December 2009
Income for the period	40.984.418	39.642.836
Expense for the period (-)	(40.259.374)	(38.990.336)

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4. Segment reporting

Each segment of the Group is managed by the Company's management on project basis.

Allocation of the resources to the segments is also managed on project basis.

	Ankara İş Kule Building	İstanbul İş Kuleleri Complex	Seven Seas Hotel	Maslak Petrol Ofisi Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building
31 December 2010							
<u>Revenue</u>							
Rent Income	6.656.405	27.377.364	5.984.365	3.120.525	441.780	2.771.422	2.333.875
Income from the right of construction	-	-	-	-	-	-	-
Tenant contribution and service income	-	614.633	-	-	-	-	-
Other Income	-	18.943	-	-	571	-	-
Total Revenue	6.656.405	28.010.940	5.984.365	3.120.525	442.351	2.771.422	2.333.875
Depreciation charges	3.343.811	6.940.036	2.782.843	1.130.739	357.572	380.000	324.800
Insurance expense	35.557	944.412	81.462	58.305	11.685	32.159	10.829
Administrative expense	-	616.302	-	-	455.869	-	-
Tax, duty and other charges	184.963	688.804	653.583	105.293	9.632	16.936	34.230
Impairment on investment properties	-	-	-	-	-	-	-
Reversal of impairment on investment properties	(5.033.318)	-	-	(7.374.539)	(1.847.572)	-	-
Other	-	-	-	-	-	-	-
<u>Cost of Sales</u>	<u>(1.468.987)</u>	<u>9.189.554</u>	<u>3.517.888</u>	<u>(6.080.202)</u>	<u>(1.012.814)</u>	<u>429.095</u>	<u>369.859</u>
Gross profit	8.125.392	18.821.386	2.466.477	9.200.727	1.455.165	2.342.327	1.964.016
Capital investments	170.493	70.564	5.165.833	56.200	40.000	-	-

	Ankara İş Kule Building	İstanbul İş Kuleleri Complex	Seven Seas Hotel	Maslak Petrol Ofisi Building	Mallmarine Shopping Mall	İş Bankası Ankara Merkez Building	İş Bankası Ankara Kızılay Building
31 December 2009							
<u>Revenue</u>							
Rent Income	6.172.246	26.095.498	6.653.697	3.004.397	435.389	2.671.508	2.249.735
Income from the right of construction	-	-	-	-	-	-	-
Tenant contribution and service income	-	163.088	-	-	-	-	-
<u>Other Income</u>	<u>-</u>	<u>27.016</u>	<u>-</u>	<u>-</u>	<u>10.491</u>	<u>-</u>	<u>-</u>
Total Revenue	6.172.246	26.285.602	6.653.697	3.004.397	445.880	2.671.508	2.249.735
Depreciation charges	3.342.924	6.902.043	3.294.619	1.129.754	351.882	380.000	324.800
Insurance expense	36.776	1.021.936	118.655	56.200	13.113	31.852	11.322
Administrative expense	-	713.718	-	-	426.297	-	-
Tax, duty and other charges	155.698	544.453	618.999	57.254	7.602	12.911	28.610
Impairment on investment properties	-	-	-	-	-	-	-
Reversal of impairment on investment properties	(6.613.474)	-	(1.814.033)	(1.129.754)	(349.382)	-	-
Other	-	3.786	-	-	-	3.100	-
<u>Cost Of Sales</u>	<u>(3.078.076)</u>	<u>9.185.936</u>	<u>2.218.240</u>	<u>113.454</u>	<u>449.512</u>	<u>427.863</u>	<u>364.732</u>
Gross profit	9.250.322	17.099.666	4.435.457	2.890.943	(3.632)	2.243.645	1.885.003
Capital investments	49.450	327.347	2.318.859	-	2.500	-	-

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İş Bankası Antalya Merkez Building	Kanyon Shopping Mall	Real Hipermarket İstanbul Esenyurt	İş Bankası Güneşli	İş Bankası Sirkeci	Lykia Lodge Kapadokya Hotel	Antalya Kemer Imperial Hotel	Kanyon Yönetim İşl. Ltd. Şti.	Other real estates	Eliminations	Total
1.167.375	18.558.809	3.645.314	3.650.252	2.098.895	253.416	-	-	-	(3.651.938)	74.407.859
-	-	7.036.552	-	-	-	-	-	-	-	7.036.552
-	194.343	-	-	-	-	-	20.316.534	-	(7.155.651)	13.969.859
-	31.568	-	-	-	-	-	70.946	-	-	122.028
1.167.375	18.784.720	10.681.866	3.650.252	2.098.895	253.416	-	20.387.480	-	(10.807.589)	95.536.298
167.165	2.689.896	3.146.947	824.382	456.748	121.907	234.789	90.036	-	-	22.991.671
9.356	351.374	213.250	75.880	35.434	4.135	5.134	52.726	12.192	-	1.933.890
-	7.235.127	160.495	9.471	-	-	-	18.097.267	-	(10.801.423)	15.773.108
20.468	760.439	681.576	178.260	29.272	-	28	105.267	-	-	3.468.751
-	-	-	1.659.238	-	68.458	-	-	1.702.590	-	3.430.286
-	-	(2.460.357)	-	-	-	-	-	-	-	(16.715.786)
-	-	-	-	-	-	-	109.191	529.578	-	638.769
196.989	11.036.836	1.741.911	2.747.231	521.454	194.500	239.951	18.454.487	2.244.360	(10.801.423)	31.520.689
970.386	7.747.884	8.939.955	903.021	1.577.441	58.916	(239.951)	1.932.993	(2.244.360)	(6.166)	64.015.609
-	508.601	211.477	73.620	-	14.190.365	37.642.229	-	91.197.083	-	149.326.456

İş Bankası Antalya Merkez Building	Kanyon Shopping Mall	Real Hipermarket – İstanbul Esenyurt	İş Bankası Güneşli	İş Bankası Sirkeci	Kanyon Yönetim İşl. Ltd. Şti.	Other real estate	Eliminations	Total
1.157.803	18.206.185	3.926.464	3.722.480	2.140.426	-	-	(3.221.873)	73.213.955
-	-	3.672.928	-	-	-	-	-	3.672.928
-	128.995	-	-	-	18.429.225	-	(6.844.629)	11.876.679
-	59.812	-	-	-	53.002	-	-	150.321
1.157.803	18.394.992	7.599.392	3.722.480	2.140.426	18.482.227	-	(10.066.502)	88.913.883
166.694	2.681.591	3.115.437	767.438	456.751	72.027	-	-	22.985.960
9.131	324.023	193.864	76.132	27.238	16.089	-	-	1.936.331
-	7.695.879	251.189	143.966	-	16.539.771	-	(10.063.330)	15.707.490
16.960	388.127	392.908	91.255	18.230	97.258	-	-	2.430.265
-	-	-	117.352	-	-	1.533.098	-	1.650.450
-	-	(2.366.913)	-	-	-	(32.492)	-	(12.306.048)
-	1.125	-	-	-	164.070	481.996	-	654.077
192.785	11.090.745	1.586.485	1.196.143	502.219	16.889.215	1.982.602	(10.063.330)	33.058.525
965.018	7.304.247	6.012.907	2.526.337	1.638.207	1.593.012	(1.982.602)	(3.172)	55.855.358
56.620	586.543	89.114	884.790			25.514.031		29.829.254

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Reconciliation of income, assets and liabilities

Sales revenue	31 December 2010	31 December 2009
Segment revenue	106.343.887	98.980.385
Other revenue	-	-
Eliminations	(10.807.589)	(10.066.502)
Total revenue	95.536.298	88.913.883
Cost of sales	31 December 2010	31 December 2009
Segment costs	42.322.112	43.121.855
Other costs	-	-
Eliminations	(10.801.423)	(10.063.330)
Total cost of sales	31.520.689	33.058.525
Assets	31 December 2010	31 December 2009
Segment assets	1.004.459.189	864.748.860
Other assets	1.796.405	10.888.196
Non-segment related assets	89.986.102	136.041.005
Total assets	1.096.241.696	1.011.678.061
Liabilities	31 December 2010	31 December 2009
Segment liabilities	105.656.366	59.603.550
Other liabilities	564.357	471.803
Total liabilities	106.220.723	60.075.353

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5. Cash and cash equivalents

	31 December 2010	31 December 2009
Cash	7.949	6.789
Demand deposit	78.635	173.841
Time deposit	71.748.627	114.559.459
Mutual funds	1.303.692	1.442.336
Government bonds with less than 3 months maturity	-	808
Receivables from reverse repo	59.518	111
Other cash equivalents	462	-
Total cash and cash equivalents in the statement of financial position	73.198.883	116.183.344
Interest accrued on cash and cash equivalents	(51.713)	(772.881)
Total cash and cash equivalents in the statement of cash flows	73.147.170	115.410.463
<u>Time deposits:</u>		31 December 2010
<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>
US dollars	3,00%	February 2011
Euro	3,00%	February 2011
TL	8,00% - 8,50%	January-February 2011
		71.748.627
<u>Time deposits:</u>		31 December 2009
<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>
US dollars	2,35% - 3,25%	January-February 2010
Euro	2,40%	January-February 2010
TL	8,75% - 10,26%	January-February 2010
		114.559.459

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	31 December 2010		31 December 2009	
	Cost	Fair value	Cost	Fair value
Mutual funds	1.302.981	1.303.692	1.438.113	1.442.336
	1.302.981	1.303.692	1.438.113	1.442.336

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

<u>Receivables from reverse repo</u>			31 December 2009
<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	
TL	6,58%	January 2010	111
			111

6. Financial assets

	31 December 2010	31 December 2009
Financial assets at fair value through profit or loss	12.822.707	15.446.462
	12.822.707	15.446.462

The financial assets are held for trading and measured at fair value. The fair value is derived using the highest purchase order for the respective financial asset in the Istanbul Stock Exchange as of 31 December 2010.

31 December 2010			
<u>Financial assets at fair value through profit or loss</u>	<u>Cost</u>	<u>Fair value</u>	<u>Carrying value</u>
<u>Financial assets held for trading</u>			
Government bonds	12.292.458	12.822.707	12.822.707
	12.292.458	12.822.707	12.822.707

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	31 December 2009		
	<u>Cost</u>	<u>Fair value</u>	<u>Carrying value</u>
<u>Financial assets at fair value through profit or loss financial assets</u>			
<u>Financial assets held for trading</u>			
Government bonds	14.838.530	15.446.462	15.446.462
	<u>14.838.530</u>	<u>15.446.462</u>	<u>15.446.462</u>

Interest rates of treasury bills and government bonds held-for-trading at 31 December 2010 are in-between 7,00% - 8,00% (2009: between 7,30% - 8,80%).

7. Loans and borrowings

The details of financial borrowings as of 31 December 2010 and 31 December 2009 are as follows:

	31 December 2010	31 December 2009
<u>Short term loans and borrowings:</u>		
Short-term portion of long-term borrowings	5.020.781	-
	<u>5.020.781</u>	<u>-</u>
<u>Long term loans and borrowings:</u>		
Long-term bank borrowings	44.721.608	-
	<u>44.721.608</u>	<u>-</u>
Total loans and borrowings	<u>49.742.389</u>	<u>-</u>

The details of loans and borrowings as of 31 December 2010 and 31 December 2009 is as follows:

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

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

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8. Trade receivables and payables

	31 December 2010	31 December 2009
<u>Trade receivables(*):</u>		
Receivables from customers	1.603.972	1.419.195
Notes receivable	162.500	227.848
Doubtful receivables	334.650	181.107
Provision for doubtful receivables	(307.303)	(181.107)
Other	2.586	-
	1.796.405	1.647.043
<u>Trade payables(*):</u>		
Payables to suppliers	2.475.961	1.115.927
Notes payable	10.488	-
	2.486.449	1.115.927

(*) Trade payables to related parties and trade receivables from related parties are presented in Note 25.

As of 31 December 2010, provision for doubtful trade receivables is 307.303 TL (31 December 2009: 181.107 TL). Provision for doubtful receivables is determined based on the historical collection performance.

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

	31 December 2010	31 December 2009
Opening balance, 1 January	(181.107)	(231.535)
Charge for the period	(226.574)	(183.256)
Reversals	100.378	189.909
Provisions utilized	-	43.775
Closing balance, 30 December	(307.303)	(181.107)

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

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9. Other receivables and payables

	<u>31 December 2010</u>	<u>31 December 2009</u>
<u>Other receivables:</u>		
Other short term receivables	352.577	4.077
	<u>352.577</u>	<u>4.077</u>
<u>Other payables – short term</u>		
Deposits received	2.260.782	120.810
Other short term payables	67.157	10.220
	<u>2.327.939</u>	<u>131.030</u>
<u>Other payables – long term</u>		
Deposits received	148.687	143.198
Other long term payables (*)	36.000.000	36.000.000
	<u>36.148.687</u>	<u>36.143.198</u>

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

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10. Investment property

	31 December 2010		31 December 2009	
	Net book value	Fair value	Net book value	Fair value
Investment property				
Ankara İş Kule Building	96.000.000	96.000.000	94.140.000	94.140.000
İstanbul İş Kuleleri Complex	270.945.303	410.000.000	277.814.775	373.405.000
Seven Seas Hotel	62.791.274	66.200.000	60.408.284	60.715.000
Maslak Petrol Ofisi Building	45.000.000	45.000.000	38.700.000	38.700.000
Mallmarine Shopping Mall	11.000.000	11.000.000	9.470.000	9.470.000
İş Bankası Ankara Merkez Building	16.688.333	24.000.000	17.068.333	23.535.000
İş Bankası Ankara Kızılay Building	14.264.133	21.000.000	14.588.933	19.925.000
İş Bankası Antalya Merkez Building	7.137.799	13.000.000	7.304.964	12.575.000
Kanyon Shopping Mall	104.610.919	285.000.000	106.792.215	262.850.000
Real Hipermarket Building	45.138.631	69.800.000	45.826.051	63.800.000
İstanbul Esenyurt (Marmara Park)	49.818.346	69.200.000	49.606.039	62.495.000
İş Bankası Güneşli Building	35.000.000	35.000.000	37.410.000	37.410.000
İş Bankası Sirkeci Building	21.851.438	24.560.000	22.308.186	22.935.000
Lykia Lodge Kapadokya Hotel	14.000.000	14.000.000	-	-
Antalya Kemer Imperial Hotel	37.407.440	38.656.000	-	-
Üsküdar Project	20.000.000	20.000.000	20.050.000	20.050.000
İzmir Project	21.749.030	29.000.000	2.308.890	22.070.000
Kartal Project	37.435.549	47.077.580	37.099.731	39.800.000
Tuzla no. 1329 Lot	25.270.000	25.270.000	23.092.459	22.525.000
Tuzla no. 1 and 2 Lots	53.641.606	53.641.606	-	-
Taksim Building	13.757.388	21.000.000	-	-
Levent Land	952.000	952.000	760.000	760.000
Total	1.004.459.189	1.419.357.186	864.748.860	1.187.160.000

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

	Opening balance 1 January 2010	Purchases	Disposals	Impairment/ reversal of impairment	Transfer from other real estate	Closing balance 31 December 2010
Cost						
Ankara İş Kule Building	128.706.288	170.493	-	5.033.318	-	133.910.099
İstanbul İş Kuleleri Complex	340.053.121	70.564	-	-	-	340.123.685
Seven Seas Hotel	98.555.906	5.165.833	-	-	-	103.721.739
Maslak Petrol Ofisi Building	48.454.534	56.200	-	7.374.539	-	55.885.273
Mallmarine Shopping Mall	12.180.051	40.000	-	1.847.572	-	14.067.623
İş Bankası Ankara Merkez Building	19.000.000	-	-	-	-	19.000.000
İş Bankası Ankara Kızılay Building	16.240.000	-	-	-	-	16.240.000
İş Bankası Antalya Merkez Building	8.126.612	-	-	-	-	8.126.612
Kanyon Shopping Mall	115.695.056	508.601	-	-	-	116.203.657
Real Hipermarket Building	47.479.607	-	-	-	-	47.479.607
İstanbul Esenyurt (Marmara Park)	54.422.288	211.477	-	2.460.357	-	57.094.122
İş Bankası Güneşli Building	38.748.375	73.620	-	(1.659.238)	-	37.162.757
İş Bankası Sirkeci Building	23.107.500	-	-	-	-	23.107.500
Lykia Lodge Kapadokya Hotel	-	14.190.365	-	(68.458)	-	14.121.907
Antalya Kemer Imperial Hotel	-	37.642.229	-	-	-	37.642.229
Üsküdar Project	20.050.000	443.465	-	(493.465)	-	20.000.000
İzmir Project	2.308.890	19.440.140	-	-	-	21.749.030
Kartal Project	37.099.731	335.818	-	-	-	37.435.549
Tuzla no. 1329 Lot	23.092.459	2.510.768	-	(333.227)	-	25.270.000
Tuzla no. 1 and 2 Lots	-	54.508.224	-	(866.618)	-	53.641.606
Taksim Building	-	13.757.388	-	-	-	13.757.388
Levent Land	760.000	201.280	-	(9.280)	-	952.000
Total	1.034.080.418	149.326.465	-	13.285.500	-	1.196.692.383

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

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

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

	Opening balance 1 January 2009	Purchases	Disposals	Impairment/ reversal of impairment	Transfer from other real estate	Closing balance 31 December 2009
Cost						
Ankara İş Kule Building	122.043.364	49.450	-	6.613.474	-	128.706.288
İstanbul İş Kuleleri Complex	339.725.774	327.347	-	-	-	340.053.121
Seven Seas Hotel	94.423.014	2.318.859	-	1.814.033	-	98.555.906
Maslak Petrol Ofisi Building	47.324.780		-	1.129.754	-	48.454.534
Tatilya Eğlence Merkezi	15.599.781		(15.599.781)	-	-	-
Mallmarine Shopping Mall	11.828.169	2.500	-	349.382	-	12.180.051
İş Bankası Ankara Merkez Building	19.000.000		-	-	-	19.000.000
İş Bankası Ankara Kızılay Building	16.240.000		-	-	-	16.240.000
İş Bankası Antalya Merkez Building	8.069.992	56.620	-	-	-	8.126.612
Kanyon Shopping Mall	115.108.513	586.543	-	-	-	115.695.056
Real Hipermarket Building	47.479.607		-	-	-	47.479.607
İstanbul Esenyurt (Marmara Park)	49.510.549	89.114	-	2.366.913	2.455.712	54.422.288
İş Bankası Güneşli Building	37.980.937	884.790	-	(117.352)	-	38.748.375
İş Bankası Sirkeci Building	22.837.500		-	-	270.000	23.107.500
Üsküdar Project	-	1.533.096	-	(1.533.096)	20.050.000	20.050.000
İzmir Project	-	871.434	-	-	1.437.456	2.308.890
Kartal Project	-	14.533	-	-	37.085.198	37.099.731
Tuzla no. 1329 Lot	-	23.092.459	-	-	-	23.092.459
Levent Land	-	2.509	-	32.491	725.000	760.000
Total	947.171.980	29.829.254	(15.599.781)	10.655.599	62.023.366	1.034.080.418

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

	Opening balance 1 January 2009	Current year charge	Disposals	Impairment/ reversal of impairment	Transfer from other real estate	Closing balance 31 December 2009
Accumulated Depreciation						
Ankara İş Kule Building	31.223.364	3.342.924	-	-	-	34.566.288
İstanbul İş Kuleleri Complex	55.336.300	6.902.046	-	-	-	62.238.346
Seven Seas Hotel	34.853.014	3.294.608	-	-	-	38.147.622
Maslak Petrol Ofisi Building	8.624.780	1.129.754	-	-	-	9.754.534
Tatilya Eğlence Merkezi	15.599.781	-	(15.599.781)	-	-	-
Mallmarine Shopping Mall	2.358.169	351.882	-	-	-	2.710.051
İş Bankası Ankara Merkez Building	1.551.667	380.000	-	-	-	1.931.667
İş Bankası Ankara Kızılay Building	1.326.267	324.800	-	-	-	1.651.067
İş Bankası Antalya Merkez Building	654.954	166.694	-	-	-	821.648
Kanyon Shopping Mall	6.221.250	2.681.591	-	-	-	8.902.841
Real Hipermarket	966.136	687.420	-	-	-	1.653.556
İstanbul Esenyurt (Marmara Park)	2.388.232	2.428.017	-	-	-	4.816.249
İş Bankası Güneşli Building	570.937	767.438	-	-	-	1.338.375
İş Bankası Sirkeci Building	342.563	456.751	-	-	-	799.314
Total	162.017.414	22.913.925	(15.599.781)	-	-	169.331.558
Net Book Value	785.154.566	-	-	-	-	864.748.860

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

The fair values of the Group's investment properties at 31 December 2010 have been arrived at on the basis of valuations carried out as of December 2010 by independent appraisers. Appraisal firm is one of the accredited independent firms licensed by the Capital Markets Board of Turkey, and has appropriate qualifications and recent experience in appraising properties in the relevant locations. Appraisal studies are in compliance with International Valuation Standards and are arrived at by reference to market evidence of transaction prices for similar properties or reduction of future cash flows.

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

During the period, the property rental income earned by the Group from its investment properties amounted to TL 74.407.859 (31 December 2009: TL 73.213.955). Direct operating expenses arising on the investment properties in the current period amounted to TL 29.513.081 (31 December 2009: TL 26.174.004). There are no pledges or mortgages on the investment properties held as of the balance sheet date.

Investment property purchases

An investment property located in Beyoğlu district, block 408, lot 24, was purchased by the Company at an amount US dollars 8.800.000 on 24 August 2010. Property includes Türkiye İş Bankası Taksim branch on the ground floor and office parts in the up floors. The Company projects to demolish the building and construct a new business center including a bank branch and new office floors.

The Company purchased an investment property with a hotel building on it, located in Nevşehir, Narderesi district, block 122, lots 2 and 3 from Silkar Turizm Yatırım ve İşletmeleri A.Ş. on 7 October 2010. The cost of the property is Euro 7.000.000. The hotel is leased to Silkar Turizm Yatırım ve İşletmeleri A.Ş. which will operate it. The Company expects rented income from the hotel as the district is a well known tourism location.

The Company purchased land and buildings on it from the owners, Türkiye Şişe ve Cam Fabrikaları A.Ş., Paşabahçe Cam Sanayi A.Ş., Trakya Cam Sanayi A.Ş. and Anadolu Cam Sanayi A.Ş., on 26 November 2010 at an amount of TL 53.600.000. The location of the property is in Tuzla district, block 7301, lots 1 and 2. The Company plans to construct operation center on lot 1 and to lease it to Türkiye İş Bankası for 25 years. Project development stage continues for the other lot.

The Company purchased an investment property with a hotel located in Kemer district, block 120, lot 3, at an amount of Euro 18.625.000 on 6 December 2010. The property was previously owned by Turcotel Turizm A.Ş. The Company leased the hotel, named Club Magic Life Kemer Imperial Hotel, to Magic Life Der Club International Turizm Hizmetleri A.Ş. for 10 years. Rental revenue of the hotel is expected to improve the total rent revenues of the Company by 4%.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

11. Tangible assets

	Machinery and equipment	Vehicles	Fixtures	Construction in progress	Other tangible assets	Total
<u>Cost</u>						
1 January 2010 opening balance	400.874	85.637	952.198	17.830	-	1.456.539
Purchases	82.073	76.860	194.303	-	-	353.236
Transfers	-	-	17.830	(17.830)	-	-
31 December 2010 closing balance	482.947	162.497	1.164.331	-	-	1.809.775
<u>Accumulated Depreciation</u>						
1 January 2010 opening balance	138.174	39.692	507.653	9.131	-	694.650
Current year charge	40.881	30.723	160.900	-	-	232.504
Transfers	-	-	9.131	(9.131)	-	-
31 December 2010 closing balance	179.055	70.415	677.684	-	-	927.154
Net book value as of 31 December 2009	262.700	45.945	444.545	8.699	-	761.889
Net book value as of 31 December 2010	303.892	92.082	486.647	-	-	882.621
<u>Cost</u>						
1 January 2009 opening balance	329.358	85.637	833.355	17.830	62.023.366	63.289.546
Purchases	71.516	-	118.843	-	-	190.359
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	(62.023.366)	(62.023.366)
31 December 2009 closing balance	400.874	85.637	952.198	17.830	-	1.456.539
<u>Accumulated Depreciation</u>						
1 January 2009 opening balance	107.404	22.128	387.463	5.566	-	522.561
Current year charge	30.770	17.564	120.190	3.565	-	172.089
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
31 December 2009 closing balance	138.174	39.692	507.653	9.131	-	694.650
Net book value as of 31 December 2008	221.954	63.509	445.892	12.264	62.023.366	62.766.985
Net book value as of 31 December 2009	262.700	45.945	444.545	8.699	-	761.889

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

12. Intangible assets

	Computer programs	Total
<u>Cost</u>		
1 January 2010 opening balance	1.382.422	1.382.422
Purchases	220.745	220.745
31 December 2010 closing balance	1.603.167	1.603.167
<u>Accumulated Depreciation</u>		
1 January 2010 opening balance	510.491	510.491
Current year charge	440.489	440.489
31 December 2010 closing balance	950.980	950.980
Net book value as of 31 December 2009	871.931	871.931
Net book value as of 31 December 2010	652.187	652.187
<u>Cost</u>		
1 January 2009 opening balance	463.078	463.078
Purchases	919.344	919.344
31 December 2009 closing balance	1.382.422	1.382.422
<u>Accumulated Depreciation</u>		
1 January 2009 opening balance	224.916	224.916
Current year charge	285.575	285.575
31 December 2009 closing balance	510.491	510.491
Net book value as of 31 December 2008	238.162	238.162
Net book value as of 31 December 2009	871.931	871.931

The Company has no internally generated intangible asset as of 31 December 2010 and 31 December 2009.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

13. Provisions, contingent assets and liabilities

	<u>31 December 2010</u>	<u>31 December 2009</u>
Provisions	44.016	83.796
	44.016	83.796
	<u>31 December 2010</u>	<u>31 December 2009</u>
Letter of guarantees obtained (*)	7.252.034	4.698.556
	7.252.034	4.698.556

(*) Letter of guarantees consist of the letters obtained from the tenants and suppliers of the Company.

Details of guarantees, pledges and mortgages given by the Company as of 31 December 2010 and 31 December 2009 are as follows:

CPM's given by the Company (Collaterals, Pledges, Mortgages)

	<u>31 December 2010</u>	<u>31 December 2009</u>
A. CPM given for companies own legal personality	225.620	263.153
B. CPM given in behalf of fully consolidated companies	-	-
C. CPM given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM's	-	-
- Total amount of CPM's given on behalf of majority shareholder	-	-
- Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	-	-
- Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
Total	225.620	263.153

Operational leasing

The Group, as the lessor in the operational leasing transactions

The Group signed operational lease agreements as lessor for the investment properties in its portfolio with tenants which are shopping mall tenants, hotel operators and other third parties. The future minimum lease receivables as of 31 December 2010 and 31 December 2009 are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Less than 1 year	80.091.190	79.083.342
Between 1-5 years	179.091.729	220.486.042
More than 5 years	181.059.944	219.756.820
	440.242.863	519.326.204

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

14. Employment benefits

	<u>31 December 2010</u>	<u>31 December 2009</u>
Short term employee benefits		
Unused vacation provisions	86.333	87.245
	86.333	87.245
Long term employee benefits		
Severance pay indemnity	412.646	281.487
	412.646	281.487

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

The amount payable consists of one month's salary limited to a maximum of 2.517,01 TL for each period of service as at 31 December 2010. (2009: 2.365,16 TL)

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2010, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5,1% and a discount rate of 10%, resulting in a real discount rate of approximately 4,66% (31 December 2009: 5,92% real discount rate). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of 2.517,01 TL effective from 31 December 2010 has been taken into consideration in calculation of provision from employment termination benefits.

The Group recognizes the actuarial differences through profit or loss.

	<u>1 January- 31 December 2010</u>	<u>1 January- 31 December 2009</u>
1 January opening balance	281.487	193.641
Service cost	31.628	83.792
Interest cost	44.293	11.825
Payment	(24.479)	(10.203)
Actuarial difference	79.717	2.432
Closing balance at the period end	412.646	281.487

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

15. Other assets and liabilities

<u>Other current assets:</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Prepaid expense	1.426.267	1.477.532
Job advances	263.539	269.404
Prepaid taxes and surcharges	190.038	1.018.110
Income accruals	10.488	8.256
Other	176.841	-
	2.067.173	2.773.302
Other non-current assets	5.361	-
	5.361	-
<u>Other short term liabilities:</u>		
Deferred revenue (*)	9.416.094	11.128.394
Unearned insurance income (Note 25)	1.286.795	1.221.866
Taxes and dues payable	744.386	851.110
Advances received	151.480	153.391
Other	-	615
	11.598.755	13.355.376
<u>Other long term liabilities:</u>		
Deferred revenue (*)	3.352.147	8.858.019
	3.352.147	8.858.019

(*)The procedures in relation to the sale of the right of construction agreement in favor of ECE/GGP Gayrimenkul İnşaat ve Geliştirme A.Ş. over the Company's land located at Yakuplu Mahallesi Plot, F21D24D4B, Block 21, Plot 110 in Esenyurt, İstanbul is completed in June 2009. US Dollars 13 million is recognized under the deferred revenue account. Remaining balance includes the contribution received from Real Hipermarketler Zinciri A.Ş. in relation to the Real Project and other rental payments received for future periods.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

16. Capital and reservesShare capital

The composition of the Company's paid-in share capital as of 31 December 2010 and 31 December 2009 is as follows:

<u>İş Gayrimenkul Yat. Ort. A.Ş.</u>	31 December 2010		31 December 2009	
	(%)		(%)	
Türkiye İş Bankası A.Ş.	42,23	190.057.270	42,23	190.057.270
Anadolu Hayat Emeklilik A.Ş.	7,11	31.987.767	7,11	31.987.767
Anadolu Anonim Türk Sigorta A.Ş.	4,77	21.477.366	4,77	21.477.366
İş Net Elektronik Hizm. A.Ş.	1,33	5.965.424	1,33	5.965.424
Other	2,92	13.118.557	2,60	11.684.844
Publicly traded	41,64	187.393.616	41,96	188.827.329
Historic share capital	100	450.000.000	100	450.000.000
<u>Kanyon Yön. İşl. Paz. Ltd. Şti</u>				
İş Gayrimenkul Yat. Ort. A.Ş.	50	50.000	50	50.000
Eczacıbaşı Holding A.Ş.	50	50.000	50	50.000
Historic share capital	100	100.000	100	100.000

The total number of ordinary shares consists of 450 million shares with a par value of TL 1 per share. All of the shares are issued to name and TL 642.857,14 of the total amount is Group A and TL 449.357.142,86 of the total amount is Group B shares. Group A share holders have the privilege to nominate candidates during the Board of Directors member elections. One member of Board of Directors is selected among the candidates nominated by Group B shareholders while the rest is selected among the candidates nominated by Group A shareholders. There is no other privilege given to the Group A shares.

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

Adjustment to share capital

Revaluation surplus amount is TL 240.146.090 as of 31 December 2010 and 31 December 2009. The revaluation surplus comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognized or impaired.

Share premium

As of 31 December 2010, 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 2009: TL 423.981).

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

Restricted reserves

	<u>31 December 2010</u>	<u>31 December 2009</u>
Legal reserves	11.015.848	8.579.211
	<u>11.015.848</u>	<u>8.579.211</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 profits after deducting the first legal reserve and dividends. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital.

Retained earnings

	<u>31 December 2010</u>	<u>31 December 2009</u>
Previous years' income	227.516.789	192.154.224
	<u>227.516.789</u>	<u>192.154.224</u>

Dividend distribution

In 2010, the remaining part of 2009 net profit amounting TL 22.500.000 after first legal reserve and second legal reserves is distributed as dividend on 29 March 2010.

According to Communiqué Serial: IV, No:27, regarding profit distribution obligation, it has been made possible that shares, issued in cash or through the addition of dividend to the capital upon the decision of the Company's general assembly, can be distributed to the shareholders free of charge or that the distribution can be partly made in cash and partly through the free distribution of shares. It has been further made possible that initial dividend amount be left to the companies without distribution, if such amount is lower than the 5% of the existing paid-up/issued capital amount.

In this content, profit distribution amount calculated with 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.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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In the Ordinary General Shareholders' Meeting held on 26 March 2010, the distribution of 2009 net profit was determined as follows:

	<u>Amount</u>
First legal reserve (TCC 466/1) 5%	2.436.637
Dividend	22.500.000
Second legal reserve (TCC 466/2)	-
Transferred to retained earnings	35.362.565
Total	<u>60.299.202</u>

17. Sales and cost of sales

<u>Revenue</u>	<u>1 January- 31 December 2010</u>	<u>1 January- 31 December 2009</u>
Rent income	74.407.859	73.213.955
Tenant contribution and service income	13.969.859	11.876.679
Income from the right of construction	7.036.552	3.672.928
Other revenue	122.028	150.321
	<u>95.536.298</u>	<u>88.913.883</u>
<u>Cost of sales</u>	<u>1 January- 31 December 2010</u>	<u>1 January- 31 December 2009</u>
Depreciation charges	(22.991.671)	(22.985.960)
Insurance expense	(1.933.890)	(1.936.331)
Administrative expense	(15.773.108)	(15.707.490)
Taxes and dues	(3.468.751)	(2.430.265)
Impairment on investment properties	(3.430.286)	(1.650.450)
Reversal of impairment on investment properties	16.715.786	12.306.048
Other	(638.769)	(654.077)
	<u>(31.520.689)</u>	<u>(33.058.525)</u>

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

18. General administrative expense

	1 January - 31 December 2010	1 January - 31 December 2009
Personnel expenses	(3.824.473)	(3.170.815)
Depreciation and amortization	(582.958)	(385.629)
Outsourced service expenses	(1.808.469)	(1.639.897)
Taxes and dues	(135.498)	(83.031)
Other	(745.887)	(385.129)
	(7.097.285)	(5.664.501)

19. Expenses by nature

	1 January - 31 December 2010	1 January - 31 December 2009
Personnel expenses		
Cost of sales	(276.601)	(311.315)
General administrative expense	(3.824.473)	(3.170.815)
	(4.101.074)	(3.482.130)

Depreciation and amortization

	1 January - 31 December 2010	1 January - 31 December 2009
Cost of sales	(22.991.671)	(22.985.960)
General administrative expense	(582.958)	(385.629)
	(23.574.629)	(23.371.589)

20. Other operating income/expense

Details of other operating income for the years ended 31 December 2010 and 2009 are as follows:

<u>Other operating income</u>	1 January - 31 December 2010	1 January - 31 December 2009
Damage compensation income	954.323	64.462
Gain on sale of fixed assets	212.001	141.787
Other	63.387	21.767
	1.229.711	228.016

For the year ended 31 December 2010 other operating expenses amount to TL 54.254 (31 December 2009: TL 105.605).

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

21. Finance income

<u>Financial income</u>	1 January- 31 December 2010	1 January- 31 December 2009
Foreign exchange gains	9.650.840	10.322.156
Interest income on bank deposits	5.354.322	6.031.977
Sale of marketable securities	871.332	3.681.342
Gain on interest income from government bonds and treasury bills	798.532	439.174
Interest income from reverse repo	13.090	12.564
Other	-	-
	16.688.116	20.487.213

22. Finance expense

<u>Financial expense</u>	1 January- 31 December 2010	1 January- 31 December 2009
Foreign exchange losses	13.261.559	10.395.986
Loss on sale of marketable securities	455.136	-
Interest expense on loans and borrowings	51.713	-
Other	-	16.059
	13.768.408	10.412.045

23. Tax asset and liabilities (including deferred tax)

	31 December 2010	31 December 2009
<u>Tax provision:</u>		
Previous period tax	18.855	22.192
Corporate tax provision	100.236	99.619
Prepaid taxes and surcharges	(97.729)	(102.956)
	21.362	18.855
<u>Tax expense:</u>		
	1 January- 31 December 2010	1 January - 31 December 2009
Corporate tax provision	100.236	99.619
Deferred tax (benefit)/charge	(5.012)	(10.385)
	95.224	(89.234)

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<u>Deferred tax asset/(liabilities):</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Difference between tax base and carrying amount of tangible and intangible assets	(16.742)	(13.207)
Provision for employee termination benefits	15.460	7.390
Unused vacation provision	5.875	5.397
Deferred tax (assets)/liabilities	4.593	(420)

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

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

<u>Tax reconciliation:</u>	<u>1 January – 31 December 2010</u>	<u>January – 31 December 2009</u>
The Company's share on profit before tax of the joint venture	362.522	415.484
Tax at the effective rate 20% (2009: 20%)	72.504	83.097
- Tax effect of non-deductible expenses	22.720	6.137
Tax charge	95.224	89.234

24. Earnings per share

<u>1 January - 31 December 2010</u>	<u>1 January - 31 December 2009</u>
Number of shares in circulation as at 1 January (total)	450.000.000
Bonus shares	-
Number of shares in circulation as at 31 December (total)	450.000.000
Weighted average number of shares in circulation	450.000.000
Net profit attributable to the equity holders of the parent	60.918.265
Earnings per share	0,1354
Diluted earnings per share	0,1340

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25. Related party transactions

Related parties of the Group are direct or indirect subsidiaries of Türkiye İş Bankası and the directors and personnel of the Group.

Receivables from related parties are mainly due to sales transactions and the average payment term is one month. By nature no interest is calculated on these receivables and no guarantees have been received.

Payables due to related parties are mainly due to purchase transactions and the average credit payment term is one month. No interest is calculated on these payables.

Details of related party balances are as follows:

Bank deposits at Türkiye İş Bankası	31 December 2010	31 December 2009
Demand deposits	77.184	172.414
Time deposits	71.748.627	114.559.459
Receivables from reverse repo transactions	59.518	111
B type mutual funds	1.303.692	1.442.336
	73.189.021	116.174.320

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The Group has letters of guarantee amounting TL 225.620 (31 December 2009: TL 263.153) from Türkiye İş Bankası A.Ş.

	31 December 2010	
	Trade receivables	Other liabilities
	Short term	Short term
Balances with related parties		
İş Merkezleri Yönetim ve İşletim A.Ş.	-	57.598
Türkiye Şişe ve Cam Fab. A.Ş.	-	86.036
Anadolu Anonim Türk Sigorta A.Ş.	-	812.608
Anadolu Hayat Emeklilik A.Ş.	-	34.405
İş Portföy Yönetimi A.Ş.	-	7.527
Avea İletişim Hizmetleri A.Ş.	-	27.977
İş Net Elektronik Hizmetler A.Ş.	-	7.500
Paşabahçe Mağazaları	-	2.041
İş Faktoring Finans. Hiz. A.Ş.	-	2.914
İş Finansal Kiralama A.Ş.	-	14.288
İş Girişim Sermayesi Yat. Ort. A.Ş.	-	2.148
İş Yatırım Menkul Değerler A.Ş.	-	27.245
İş Yatırım Ortaklığı A.Ş.	-	1.074
Anadolu Cam Sanayi A.Ş.	-	25.691
Camiş Elektrik Üretim A.Ş.	-	3.475
Camiş Madencilik A.Ş.	-	9.203
Paşabahçe Cam San. Ve Tic. A.Ş.	-	57.781
Soda Sanayi A.Ş.	-	22.216
Trakya Cam Sanayi A.Ş.	-	35.086
Şişecam Sigorta Hizmetleri A.Ş.	-	1.917
Payables to shareholders (dividend)	-	18.719
Other		29.346
	-	1.286.795

	31 December 2010	
	Loans and borrowings	
	Short term	Long term
Balances with related parties		
T. İş Bankası A.Ş.	5.020.781	44.721.607

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

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

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

Transactions with related parties	Purchases(*)	Other income
Türkiye İş Bankası A.Ş.	31.134.186	-
Anadolu Anonim Türk Sigorta A.Ş.	1.597.966	1.018.933
Anadolu Hayat Emeklilik A.Ş.	37.806	46.567
İş Faktoring A.Ş.	-	3.944
İş Finansal Kiralama A.Ş.	-	19.339
İş Merkezleri Yönetim ve İşletim A.Ş.	1.566.959	11.641
İş Yatırım Menkul Değerler A.Ş.	-	37.244
T.Şişe ve Cam Fabrikaları A.Ş.	1.620.782	115.994
İş Yatırım Ortaklığı A.Ş.	-	1.453
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	2.907
İş Net Elektronik Hizmetler A.Ş.	32.605	-
İş Portföy Yönetimi A.Ş.	-	10.188
Camiş Menkul Değerler A.Ş.	-	2.828
Paşabahçe Mağazacılık A.Ş.	1.590	2.761
Avea İletişim Hizmetleri A.Ş.	28.677	-
Paşabahçe Cam San. Ve Tic. A.Ş.	49.007.797	78.307
Trakya Cam Sanayi A.Ş.	810.387	49.070
Soda Sanayi A.Ş.	-	29.651
Anadolu Cam Sanayi A.Ş.	2.161.034	35.083
Camiş Elektrik Üretim A.Ş.	-	5.422
Camiş Madencilik A.Ş.	-	12.573
Şişecam Sigorta Hizmetleri A.Ş.	-	639
Softtech Yazılım Teknolojileri A.Ş.	192.020	-
	<u>88.191.809</u>	<u>1.484.544</u>

(*)Türkiye İş Bankası A.Ş., Türkiye Şişe ve Cam Fabrikaları A.Ş., Paşabahçe Cam Sanayi A.Ş., Trakya Cam Sanayi A.Ş. and Anadolu Cam Sanayi A.Ş. balances are related to purchases of investment properties. Anadolu Anonim Türk Sigorta A.Ş. balance is related to the insurance of investment properties. İş Merkezleri Yönetim ve İşletim A.Ş. balances are related to operational charges of İş Kuleleri and Mallmarine Shopping Mall.

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Transactions with related parties	1 January – 31 December 2009			
	Purchases(*)	Rent income	Other income	Other expense
Türkiye İş Bankası A.Ş.	-	12.818.328	2.000	43.971
Anadolu Anonim Türk Sigorta A.Ş.	1.975.584	3.029.486	16.233	-
Anadolu Hayat Emeklilik A.Ş.	-	1.988.526	13.650	-
İş Faktöring A.Ş.	-	169.459	991	-
İş Finansal Kiralama A.Ş.	-	831.179	4.859	-
İş Merkezleri Yönetim ve İşletim A.Ş.	1.225.101	1.201.635	2.925	3.785
İş Yatırım Menkul Değerler A.Ş.	-	1.611.199	9.265	-
T.Şişe ve Cam Fabrikaları A.Ş.	-	5.173.896	82.091	4.807
İş Yatırım Ortaklığı A.Ş.	-	64.332	365	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	-	128.097	731	-
İş Net Elektronik Hizmetler A.Ş.	-	5.585	-	82.953
İş Portföy Yönetimi A.Ş.	-	361.291	2.560	47.954
Camiş Menkul Değerler A.Ş.	-	156.760	943	-
Paşabahçe Mağazacılık A.Ş.	1.412	467.185	694	6.778
Avea İletişim Hizmetleri A.Ş.	25.062	30.776	-	-
Paşabahçe Cam San. Ve Tic. A.Ş.	22.525.000	1.680.022	19.682	-
Trakya Cam Sanayi A.Ş.	-	1.184.782	12.458	-
Soda Sanayi A.Ş.	-	705.196	7.415	-
Anadolu Cam Sanayi A.Ş.	-	840.671	8.840	-
Camiş Elektrik Üretim A.Ş.	-	135.171	1.421	-
Camiş Madencilik A.Ş.	-	301.330	3.169	-
Teknopazar	-	-	-	23.792
	25.751.794	32.884.906	190.292	214.040

(*) Anadolu Anonim Türk Sigorta A.Ş. balance is related to insurance of investment properties. İş Merkezleri Yönetim ve İşletim A.Ş. balances are related to operational charges of İş Kuleleri and Mallmarine Shopping Mall.

Benefits provided to key management personnel:

Benefits provided to board of directors, general manager and assistant general managers are as follows:

	1 January- 31 December 2010	1 January- 31 December 2009
Salaries and other short term benefits	1.555.024	1.441.319
Employee termination benefits	75.990	76.675
	1.631.014	1.517.994

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26. Nature and level of risks from financial instruments**a) Capital risk management**

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

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

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

b) Financial risk factors

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

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

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Credit risk of Financial Instruments

	Receivables					
	Trade Receivables		Other Receivables		Deposit at Banks	Other (***)
	Related Party	Third Party	Related Party	Third Party		
31 December 2010						
Maximum net credit risk as of the balance sheet date (*)	-	1.796.405	-	352.577	71.827.262	1.363.672
- The part of maximum risk under guarantee with collateral etc. (**)	-	615.194	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	-	1.402.458	-	352.577	71.827.262	1.363.672
B. Net book value of financial assets that are renegotiated, otherwise accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	393.947	-	-	-	-
- The part under guarantee with collateral etc	-	226.057	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	334.650	-	-	-	-
- Impairment (-)	-	(307.303)	-	-	-	-
- The part of net value under guarantee with collateral etc	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Off-balance sheet items with credit risk						

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

(**) Collaterals consist of notes, cheques and mortgages.

(***) Mutual cash and cash equivalents, consisting of mutual funds, government bonds, receivables from reverse repo and other liquid assets with less than 3 months maturity, are included.

İş Gayrimenkul Yatırım Ortaklığı Anonim Şirketi and its Jointly Controlled Entity**Notes to the Consolidated Financial Statements for the year ended 31 December 2010**

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

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

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

(**)Collaterals, consist of notes, cheques and mortgages.

(***) Cash and cash equivalents, consisting of mutual funds, government bonds, receivables from reverse repo and other liquid assets with less than 3 months maturity, are included.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure to credit risks is monitored on a consistent basis.

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The aging of the overdue receivables are as follows:

31 December 2010	Receivables		Total
	Trade Receivables	Other Receivables	
Past due 1-30 days	240.428	-	240.428
Past due 1-3 months	124.368	-	124.368
Past due 3-12 months	29.094	-	29.094
Past due 1-5 years	57	-	57
Total overdue receivables	393.947	-	393.947
Total Collateralized portion	226.057	-	226.057

31 December 2009	Receivables		Total
	Trade Receivables	Other Receivable	
Past due 1-30 days	215.761	-	215.761
Past due 1-3 months	443.951	-	443.951
Past due 3-12 months	59.806	-	59.806
Past due 1-5 years	-	-	-
Total overdue receivables	719.518	-	719.518
Total Collateralized portion	470.230	-	470.230

Collaterals held for trade receivables that are past due but not impaired as at the balance sheet date are as follows:

Collaterals that are past due but not impaired

	31 December 2010		31 December 2009	
	Nominal Value	Fair Value	Nominal Value	Fair Value
Letters of guarantee	208.882	208.882	378.150	378.150
Blocked deposits	-	-	7.248	7.248
Cash collaterals	17.175	17.175	84.832	84.832
	226.057	226.057	470.230	470.230

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. On the other hand, derivative financial liabilities are presented based on their gross cash inflows and outflows which have not

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been discounted. Derivative instruments are settled and realized on a net basis based on their respective gross cash inflows and outflows which have not been discounted. When the receivables and payables are not fixed, the amount disclosed is calculated via an interest rate derived from yield curves as of the reporting date. The Group does not have any derivative instruments.

31 December 2010

Contractual maturities	Carrying Value	Total cash outflows according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative Financial liabilities						
Trade payables	2.486.449	2.486.449	2.486.449	-	-	-
Loans and borrowings	49.742.389	62.726.195	-	7.373.716	26.966.103	28.386.376
Other liabilities	36.148.687	36.148.687	-	-	36.148.687	-
Total liabilities	88.377.525	101.361.331	2.486.449	7.373.716	63.114.790	28.386.376

31 December 2009

Contractual maturities	Carrying Value	Total cash outflows according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative Financial liabilities						
Trade payables	1.115.927	1.115.927	1.115.927	-	-	-
Other liabilities	36.143.198	36.143.198	-	-	36.143.198	-
Total liabilities	37.259.125	37.259.125	1.115.927	-	36.143.198	-

The Group makes payments at contractual maturities.

b.3) Market risk management***b.3.1) Foreign currency risk management***

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures of the Group are measured using sensitivity analysis and stress scenarios.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency transactions lead to currency risks.

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The foreign currency denominated monetary and non-monetary assets and liabilities of the Group as at the balance sheet date are as follows:

31 December 2010

	TL Equivalent (Functional currency)	US Dollar	Euro
1. Trade Receivables	-	-	-
2a. Monetary Financial Assets	35.183.281	5.554.254	12.979.554
2b. Non Monetary Financial Assets	-	-	-
3. Other	193.188	124.960	-
4. CURRENT ASSETS	35.376.469	5.679.214	12.979.554
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non Monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	35.376.469	5.679.214	12.979.554
10. Trade Payables	755.123	457.458	23.372
11. Financial Liabilities	5.020.781	-	2.450.237
12a. Other Monetary Liabilities	-	-	-
12b. Other Non Monetary Liabilities	12.817.338	4.761.714	2.662.500
13. CURRENT LIABILITIES	18.593.242	5.219.172	5.136.109
14. Trade Payables	-	-	-
15. Financial Liabilities	44.721.608	-	21.825.000
16a. Other Monetary Liabilities	-	-	-
16b. Other Non Monetary Liabilities	1.858.965	1.202.435	-
17. NON CURRENT LIABILITIES	46.580.573	1.202.435	21.825.000
18. TOTAL LIABILITIES	65.173.815	6.421.607	26.961.109
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	(29.797.345)	(742.393)	(13.981.555)
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(15.314.231)	5.096.796	(11.319.055)
22. Fair Value of foreign currency hedged Financial assets	-	-	-
23. Hedged foreign currency assets	-	-	-
24. Hedged foreign currency liabilities	-	-	-

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31 December 2009

	TL equivalent (Functional currency)	US Dollar	Euro
1. Trade Receivables	-	-	-
2a. Monetary Financial Assets	77.215.274	28.360.671	15.975.842
2b. Non Monetary Financial Assets	-	-	-
3. Other	9.251.713	6.144.460	-
4. CURRENT ASSETS	86.466.987	34.505.131	15.975.842
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non Monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	86.466.987	34.505.131	15.975.842
10. Trade Payables	693.440	460.543	-
11. Financial Liabilities	-	-	-
12a. Other Monetary Liabilities	-	-	-
12b. Other Non Monetary Liabilities	10.933.877	4.732.914	1.762.500
13. CURRENT LIABILITIES	11.627.317	5.193.457	1.762.500
14. Trade Payables	-	-	-
15. Financial Liabilities	-	-	-
16a. Other Monetary Liabilities	-	-	-
16b. Other Non Monetary Liabilities	8.858.020	5.882.991	-
17. NON CURRENT LIABILITIES	8.858.020	5.882.991	-
18. TOTAL LIABILITIES	20.485.337	11.076.448	1.762.500
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	65.981.650	23.428.683	14.213.342
21. Net foreign currency asset/liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	76.521.834	27.900.128	15.975.842
22. Fair Value of foreign currency hedged Financial assets	-	-	-
23. Hedged foreign currency assets	-	-	-
24. Hedged foreign currency liabilities	-	-	-

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Foreign currency sensitivity

The Group is mainly exposed to foreign currency risk on Euro and US Dollars.

The following table details the Group's sensitivity to 10% increase in the currency of Euro and US Dollars. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The positive amount indicates the increase in profit/loss and equity.

	31 December 2010	
	Appreciation of foreign currency	Devaluation of foreign currency
	<u>If US Dollar changes against TL by 10%</u>	
US Dollar net asset/liability	787.964	(787.964)
Portion hedged against US Dollar risk (-)	-	-
US Dollar net effect	787.964	(787.964)
	<u>If Euro changes against TL by 10%</u>	
Euro net asset/liability	(2.319.388)	2.319.388
Portion hedged against Euro risk (-)	-	-
Euro net effect	(2.319.388)	2.319.388
	31 December 2009	
	Appreciation of foreign currency	Devaluation of foreign currency
	<u>If US Dollar changes against TL by 10%</u>	
US Dollar net asset/liability	3.527.657	(3.527.657)
Portion hedged against US Dollar risk (-)	-	-
US Dollar net effect	3.527.657	(3.527.657)
	<u>If Euro changes against TL by 10%</u>	
Euro net asset/liability	3.070.508	(3.070.508)
Portion hedged against Euro risk (-)	-	-
Euro net effect	3.070.508	(3.070.508)

b.3.2) Interest rate risk management

Interest rate risk represents the risk of fair value decrease in the Group's interest rate sensitive assets due to market fluctuations. As at 31 December 2010, the maturity of the Group's assets and liabilities for refinancing is in line with the maturity analysis provided in the liquidity risk management section stated above. Therefore, the notes to the financial statements do not include a separate interest rate risk table.

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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 balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period at 1%. If interest rates increase or decrease by 1% as at 31 December 2010, the net profit will decrease by TL 132.453, increase by TL 129.800, respectively (31 December 2009 TL 117.551 decrease, TL 140.349 increase).

As the 1% increase or decrease in TL interest for floating interest rate financial instruments of the Group affects the profit before tax decreasing 10.768 or increasing 10.818 with the assumption of other variables stay constant according to analyzes of the Company.

Interest rate position table

		31 December 2010	31 December 2009 (*)
Fixed Interest Rate Financial Instruments			
Financial Assets	Financial assets classified at fair value through profit or loss	12.822.707	15.447.270
	Deposits at banks	71.748.627	114.559.459
	Receivables from reverse repo transactions	59.518	111
Financial Liabilities		-	-
Floating Interest Rate Financial Instruments			
Financial Assets		-	-
Financial Liabilities		49.742.389	-

(*) As of 31 December 2009, cash and cash equivalents include marketable securities amounting to TL 808 with less than 3 months maturity.

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27. Financial instruments at fair value

31 December 2010	Financial assets at amortized cost	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at amortized cost	Book value	Note
<u>Financial Assets</u>						
Cash and cash equivalents	71.827.262	1.371.621	-	-	73.198.883	5
Financial investments		12.822.707			12.822.707	6
Trade receivables	-	-	1.796.405	-	1.796.405	8
Due from related parties	-	-	-	-	-	25
Other financial instruments	-	-	352.577	-	352.577	9
<u>Financial Liabilities</u>						
Loans and borrowings	-	-	-	49.742.389	49.742.389	7
Trade payables	-	-	-	2.486.449	2.486.449	8
Other payables	-	-	-	36.148.687	36.148.687	9
<u>31 December 2009</u>						
<u>Financial Assets</u>						
Cash and cash equivalents	114.741.008	1.442.336	-	-	116.183.344	5
Financial investments		15.446.462			15.446.462	6
Trade receivables	-	-	1.647.043	-	1.647.043	8
Due from related parties	-	-	9.241.153	-	9.241.153	25
Other financial instruments	-	-	4.077	-	4.077	9
<u>Financial Liabilities</u>						
Trade payables	-	-	-	1.115.927	1.115.927	8
Other payables	-	-	-	36.143.198	36.143.198	9

The Group management assumes that the book value of financial assets represent their respective fair values.

Fair Value of Financial Instruments

The fair value of financial assets and liabilities are determined as below:

Level I: Financial assets and liabilities are carried at quoted prices in an active market which are used for similar financial assets and liabilities.

Level II: Other than quoted prices specified in Level I, financial assets and liabilities are carried at inputs used to determine direct or indirect observable market prices.

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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 2010	Fair Value Level		
		As of the Reporting Date		
		Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss (*)				
Held for trading	14.126.399	14.126.399	-	-
	<u>14.126.399</u>	<u>14.126.399</u>	<u>-</u>	<u>-</u>
Financial assets	31 December 2009	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss (*)				
Held for trading	16.889.606	16.889.606	-	-
	<u>16.889.606</u>	<u>16.889.606</u>	<u>-</u>	<u>-</u>

(*) The balance consists of government funds under financial instruments and investment funds under cash and cash equivalents.



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