

Property/Real Estate  
Turkey  
Credit Analysis

# Is Real Estate Investment Company (IS REIC)

## Ratings

Security Class	Current Ratings
National	AA+

## Outlook

National Long-Term	Stable
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## Financial Data

Issuer	31 12 06	31 12 05
Revenue (TRYm)	59	39.5
Operating EBITDAR (TRYm)	39.6	32.7
Free Cash Flow (TRYm)	-37.2	1.4
Total Debt (TRYm)	0	0
Net Debt (TRYm)	-23.7	38.5
Net Debt / EBITDA (x)	-0.6	-1.2

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## Rating Rationale

- The ratings are supported by IS REIC's debt-free capital structure and stable rental revenue from prime office stock and shopping centres, which have been enhanced by new additions in 2006 and 2007. After the completion of a hyper-market project in 2007, Fitch Ratings expects that the lease portfolio's currency segmentation will be more balanced, at 46% US dollars, 15% euros and 39% new Turkish lira, versus 63% in US dollars at financial year-end 2005 (FYE05). Fitch understands that the company is taking further steps to reduce the likelihood of a currency mismatch between asset values and rental income.
- Fitch continues to forecast stable rental income from the total portfolio, due to the completion of the Kanyon project and the long-term structure of the new contracts (5- to 15-years). Land under development increased to 5% of the total portfolio at end-Q307, but development risk will increase due to new mixed-use projects in Altunizade and İzmir (the third-largest city in Turkey). Most Turkish real estate investment trust (REIT) companies, including IS REIC, have no debt on their balance sheets. Projects are financed from upfront payments or via pre-sales during the project development phase. IS REIC's financial profile is supported by its underlying investment property portfolio, and is consistent with the ratings assigned. The company's ratings, under Isbank's ('AA' National Rating) control of the company, remain driven by the entity's standalone creditworthiness, but reflect Fitch's view that there is a strong linkage between the parent company and IS REIC. Reinforcing the relationship, approximately 40% of IS REIC's rental income comes from IS Group companies, including the Sisecam Group. The agency also takes comfort from the Turkish Capital Market Board (CMB) regulations governing REICs.
- Between FY03 and FY06, IS REIC's post-finance cash flow to net rental income exceeded 100%, but retreated to around 90% of total revenue at FYE06 due to revenue related to residential unit sales at Kanyon. This reflected healthy and stable rental revenue that was supported by a strong tenant base and a lack of external funding, interest costs, tax liabilities and reasonable dividend payments. Following the CMB's ruling update in 2007, ISE-quoted companies have been obliged to pay out 20% of their distributable income either in the form of cash dividends or bonus dividends. (30% for IS REIC according to company dividend-payout policy) Accordingly, the company paid a USD12m dividend for 2006 in H107. The current business plan incorporates the funding of dividend payments from internally-generated cash flow, together with development costs for projects in the pipeline.

## Key Rating Drivers

- Any upgrade/downgrade of Isbank's rating should be reflected in IS REIC's rating due to the strong linkage between the two companies
- Any reduction in Isbank's or IS Group's stake in IS REIC should be closely monitored

## Recent Events

In 128,000 square metres (sq m) of construction area on land of 18,392sq m of land owned by the parent company, IS REIC is initiating a mixed-use project that will entail home and home office of 35,000-40,000 sq m and a shopping centre of 27,000 sq m, for a total development value of USD110.4m.

IS REIC's sale of its 50% stake in Kanyon's office blocks for USD67.5m (excluding VAT) to Eczacibasi İlac was completed in Q207.

IS REIC, Turkey's largest quoted property company, had at end-Q307 a USD913m investment portfolio and a total property value of USD815m. Offices accounted for 45% of the portfolio by value, followed by shopping centres with 34% and hotels with 5%, respectively. Offices still dominate the portfolio even after the sale of the Kanyon office building to Eczacibasi İlac in Q207, and IS REIC has attempted to diversify further into the shopping centre and tourism segments in recent years to maximise its income and investment returns. The main goal was to increase the yield of the Tatilya lands with the two shopping centre projects detailed below. Management is also seeking to diversify into the mid- to upper-end of the residential sector, with two mixed-use projects – the Üsküdar project land and in Izmir. IS REIC's entire property portfolio is Turkey-based and selected according to whether it fulfils management's criteria of being prime quality, having longer-term development potential, or stable rental revenue.

Having acquired a 50,000 sq m plot bordering the Tatilya Park for USD11.8m, IS REIC developed 16,500 sq m of the land as a shopping centre, in conjunction with Real of the Metro Group (METRO AG, 'BBB'/Stable). The cost of development including land (USD3.9m) was completed at USD24.9m by end-Q307. According to the terms of the 20-year lease contract with Real, the annual rental income will be either USD2.5m or 3.5% of the shopping centre revenue, split between the leaseholders. Accordingly, the expected minimum yield for the project is about 10%. The remaining vacant land of 15,000 sq m, the land belonging to the Tatilya theme park, and an additional plot of 11,000 sq m that was purchased in 2006, will be used for a shopping centre project to be completed by 2010 by CURA/GGP, with no extra cost to IS REIC.

In 128,000 sq m of construction area on land of 18,392 sq m land owned by the parent company, IS REIC is initiating a mixed-use project that will entail home and home office development of 35,000-40,000 sq m and a shopping centre of 27,000 sq m, for a total development value of USD110.4m. Fitch understands that the internal rate of return (IRR) for the project is expected to be exceptionally high, at 18%.

IS REIC, listed on the Istanbul Stock Exchange (ISE), is the largest REIC in Turkey with a net asset value (NAV) of USD905m at end-Q307 (second-ranked Sinpas REIC is USD714m). This corresponds to 31% of total Turkish REIC NAV. The group's current market capitalisation of USD691m is equivalent to 25% of the total Turkish REIC market cap. The free float portion of IS REIC shares is 42%. At end-H106, Isbank became a minority shareholder with a 42% stake, but Fitch notes that there is still a naturally strong linkage between the two companies. IS REIC takes advantage of the real estate portfolio of Isbank for development projects, as shown by the new multi-use Izmir development for which IS Bank provides mortgages at competitive rates for pre-sales of residential units at various projects. The IS Group retains a majority interest of about 58% overall.

Approximately 40% of IS REIC's rental income comes from IS Group companies, including the Sisecam Group. The reliability of rental income and the credibility of the IS Group companies are therefore inter-related. IS REIC's discount to the NAV was 24% at end-Q307 due to IS REIC's size and greater share liquidity.

Management is continuing to diversify earnings by currency. After the completion of a hypermarket project with Real in 2007, Fitch expects that the lease portfolio's currency segmentation will be more balanced, at 46% US dollars, 15% euros and 39% new Turkish lira. Fitch understands that the company is likely to take further steps to reduce the likelihood of a currency mismatch between asset values and rental income.

Most Turkish REIT companies, including IS REIC, have no debt on their balance sheets. Projects are financed with downpayments or via pre-sales made in the project development phase in big cities such as Istanbul. The company may begin other developments, most likely residential, in the medium-term. In this event, IS REIC may opt to take up some debt if this route is financially sound and interest rates are at more reasonable levels, but it is unlikely to deviate from its current, generally conservative, funding policy. Accordingly, Fitch notes that larger-scale commercial real estate projects may prompt REICs to tap the debt markets in the next five years.

### Breakdown of IS REIC Property Portfolio (Q307 Figures)

(USDm)	Q307 assets	Q307 debt	Ownership structure
<b>Portfolios</b>			
Investment property	770	No debt	Wholly owned
Property development (land)	45		Wholly owned
Marketable securities + cash	98		Wholly owned

Source: IS REIC

The table *Breakdown of IS REIC Property Portfolio (Q307 Figures)* provides an overview of the group's current activities. Offices accounted for the majority of operating profits (78% of EBIT) in 2004-2005. However, over the longer term, the management is seeking more diversification and expects this proportion to fall to 60%, and the remainder to be split between developments and cash & marketable securities.

### Shareholders and Corporate Governance

Isbank is the main shareholder of IS REIC, and has been in compliance with local banking regulations governing participations. Consequently, non-core investments have been divested as market conditions have allowed. IS REIC is fully consolidated within Isbank's financial assets portfolio, despite its current minority holding in IS REIC. These assets are deemed core and are therefore not potential disposal targets. IS REIC's ratings are not reliant on Isbank's support, as it is analysed as an independent entity.

IS REIC's corporate governance policies are in line with the CMB's REIC sector rulings. These require that at least one-third of the board comprises non-executive directors. One-third must also be independent from the strategic investor and the other stakeholders, consultant companies and operating companies of the REIT. IS REIC is currently in compliance, with two such board members.

### Investment Portfolio

#### General

Of the investment portfolio, offices accounted for 45% by value at end-Q307, followed by shopping centres and hotels & entertainment (34% and 5%, respectively). Offices accounted for the majority of total rental revenue with a 51% share, while retail and hotel business represented 40% and 9% shares, respectively. Rental income is generated by 94% of IS REIC's assets, forming a natural hedge against a property slump.

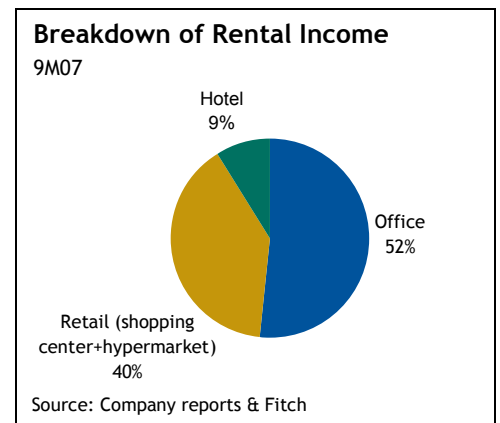
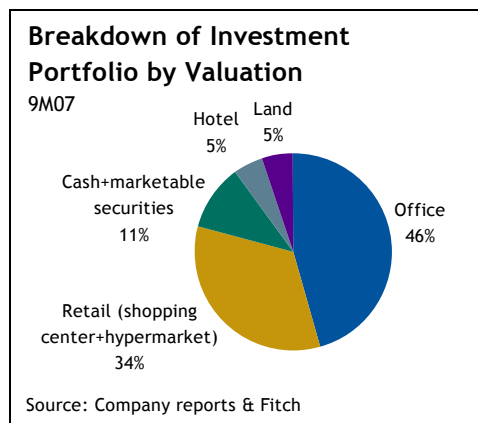
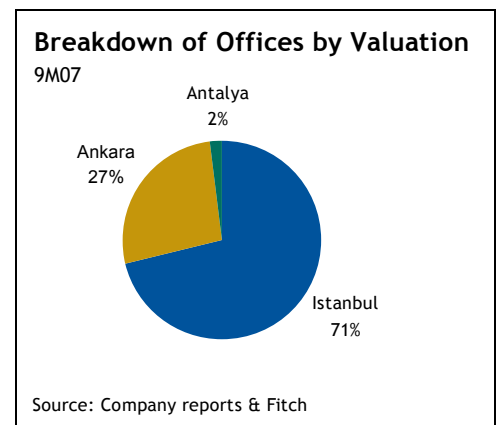
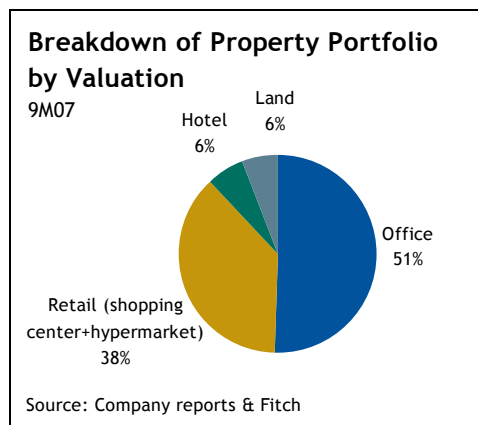
Under IS REIC's long-term strategy, the office portfolio and shopping centres will continue to dominate operating profits, each accounting for 40% of the total, even when a residential portfolio has been acquired. The company's target IRR for new investments is 10%. Additionally, it applies the payback method for new projects, with a benchmark set at a net income multiple of 6.5x-7.0x. As of September 2007, IS REIC's portfolio included 11% in marketable securities and cash, up from 2% in 2006.

The value of IS REIC's portfolio is generally based on its book of prime office buildings, which it leases to multinationals and large local corporates. According to IS REIC management, prime offices in Istanbul are expected to realise a maximum yield of 5.5%-6.5% in the future, depending on prevailing market conditions. The majority (currently 71%) of IS REIC's office portfolio is Istanbul-based.

The following series of charts illustrate the breakdown of the portfolio, including some current developments.

**Lease Maturities/Reversionary Potential**

At FYE06, the average unexpired lease term across IS REIC's total portfolio was unchanged at five years, comparable with its peer group in continental Europe and longer than the Turkish peer average of around three years. Reflecting the portfolio breakdown, office tenants generate the majority of rent and therefore have the greatest impact on rental income.



**Key Properties in Portfolio, Rental Income at YE07**

Property (USDm)	Total (%)	Annual rent without VAT
Is towers II & III	31.0%	14.5
Ankara is tower	8.4%	3.9
Seven Seas hotel	9.0%	4.2
Kule Carsi	5.4%	2.5
Isbank historical head office	3.4%	1.6
Maslak building	4.3%	2.0
Antalya office building	1.3%	0.6
Ankara office building	3.0%	1.4
Mallmarine shopping centre	0.7%	0.35
Real Hypermarket	5.4%	2.5
Kanyon shopping centre	28.9%	13.5
<b>Total</b>	<b>100.0</b>	<b>46.7</b>

Source: IS REIC

The vacancy rate across the office portfolio was around 0% at YE07 indicating good asset management. Fitch notes that the company may be forced to be flexible with tenant contracts to ensure a rollover at lease expiry, as it was after the 2001 crisis.

## Investment Property Portfolio by Sector

### Offices

#### (45% of Portfolio by Value; 51% of Rental Income)

Over 71% of the office portfolio by value is located in Istanbul, of which the majority is situated in the Levent-Etiler axis, the hub of Istanbul's central business district.

The prime office space market in Istanbul is spread across nine business districts on the Asian side and six on the European side (eastern/western districts). Rents, stock and vacancy rates vary significantly. In 2006, 70% of speculatively-developed prime office buildings in Istanbul were situated on the European side. Consequently, demand for prime office properties appears high, but supply is limited, so rents and occupancy rates within this niche are increasing.

#### Retail (34% of Portfolio by Value, 40% of Rental Income)

Kanyon shopping centre and Kule Carsi Shopping Centre (in IS Towers) incorporate a gross leasable area (GLA) of 20,000 sq m and 6,675 sq m, respectively, designed to house a variety of retailers. Many local retailers are headquartered in the building, and various international companies have opened shops on the premises, ensuring a steady demand for units.

AT FYE04, around 6% of IS REIC's portfolio by value comprised shopping centres, corresponding to 3% of the net leasable area (or 6,736 sq m); the addition of Kanyon as well as the Real Hypermarket project increased this currently to 34% of the overall portfolio's value. The value of the retail portfolio more than doubled in 2004, and increased slightly in 2005-2006 on a US dollar basis as consumer confidence improved. Rents continued to increase slowly but steadily in 2006 and 2007. Fitch expects the relative share of retail and shopping centres to rise gradually in the mid-term with the completion of new projects.

The annual rental income of the Real Hypermarket Project will be either USD2.5m or 3.5% of the shopping centre revenue, split between the leaseholders. The company also expects USD3m in rental income from the Cura-GGP shopping center by 2010.

Shopping centre and land in the Levent-Etiler area, valuations have risen dramatically in 2006-2007 as consumer spending has picked up, supported by lower interest rates and foreign direct investment inflows. Rents have persisted at a high level even in the more competitive retail environment.

## Financial Analysis

### Accounting Issues and IFRS Impact

Fitch has used inflation-adjusted, new Turkish lira-based accounts in its analysis, which were audited by Deloitte Touche. IS REIC adopted IFRS in FY03, so FY05 and FY06 provide fully comparable figures.

### Revenue and Profitability

(TRY 000)	FY06	FY05
Gross income	59,058	39,535
Other revenue	-34.4	-41.7
Exceptionals	44,677	21,756
Profit before interest and taxes	50,580	35,360
NIC	48,750	34,095
YE property assets	853,705	770,988

Source: Fitch and company reports

The profitability measures indicate that:

- The bulk of revenue comes from rental income, specifically from offices; the largest contributors are still the IS Towers and Kanyon Shopping Center in Istanbul. Rental income in US dollars declined on a yoy basis as 46% of long-term leases were US dollar-denominated at FYE07 versus 68% at FYE04. Management has pursued a strategy of diversifying earnings by currency in the last two years due to the real appreciation of the new Turkish lira.
- H107 revenue reached USD128m versus USD15m in H106, due to some special circumstances. IS REIC's sale of its 50% stake in Kanyon's office blocks for USD67.5m (excluding VAT) to Eczacibasi İlaç is included in the top line.
- Fitch continues to forecast stable rental income from the total portfolio, due to the completion of the Kanyon project and the 5- to 15-year terms of the new contracts. The average unexpired lease term across IS REIC's total portfolio was around five years at FYE06. After the sale of the Kanyon office building to Eczacibasi İlaç, the Kanyon Shopping Center will contribute USD13.5m in annual rent to the overall rental income portfolio in 2007, and thereafter.
- Residential sales from the Kanyon project contributed USD34m at H1E07. IS REIC uses the completed contract method, so does not record any revenue, costs or profits on long-term projects until they are finished. All costs incurred while a project is in progress are capitalised, as inventory and all cash advances received from house buyers are recorded as deferred income liabilities (advances) on the balance sheet. The return period of the Kanyon investment was expected to be five years, but with the sale of the office block in Q207, IS REIC's return period was reduced to two years.
- Land under development is at 5% of the total portfolio in Q307, indicating lower risks, but will go up in the next few years at a total development cost of USD110.4m for the pipeline project of Izmir.
- Income from marketable securities is not expected to increase to more than 10% of total income generated over the near- to medium-term, as the company uses the cash for development purposes in the next three years.
- REITs are exempt from corporate taxes and income taxes in Turkey.

### Capital Structure

IS REIC currently holds no debt. It is possible for the company to fund future investments with a reasonable debt to equity ratio if interest rates drop to more reasonable levels, but it is unlikely to abandon its conservative financial policy.

### Cash Flow

Between FY03 and FY05, IS REIC's post-finance cash flow to net rental income exceeded 100%, but retreated to around 90% at FYE06. This still reflects healthy, stable rental revenue due to a strong tenant base, a lack of external funding and interest costs, tax liabilities, and reasonable dividend payments. FCF turned negative at FYE06 due to higher capex of TRY76.6m versus TRY42m at FYE05, but capex declined to more reasonable levels of TRY22m at end-H107. The company will generate strong FCF in 2007 based on 9M07 financials.

The business is more exposed to tenant downturns due to the shorter lease term structure of the Turkish property market, which runs to five years instead of the UK's seven to eight years, and the periodically reduced cash flow. However, Fitch takes comfort from the prime quality of the company's office stock, which is in locations that have proved resilient to recent financial crises, providing a hedge against future downturns. Longer-term leases have been signed on new developments such as Kanyon, which has extended the weighted lease maturity.

**Summary P&L**

(TRY 000)	FY06	FY05
Net rental income	59,058	39,535
EBIT before JV income	50,580	35,360
Dividend receipts (JVs)	0	0
Fitch net interest cover	Nil	Nil
<b>Summary B/S</b>		
YE net debt	Nil	Nil
Net debt/Total adjusted cap.	0	0
<b>Summary C/F</b>		
Post-internal financing cash flow	55,304	61,014
As % of net rents (two-year average)	112	154

Source: Fitch and Company

Following the CMB's ruling update in 2007, ISE-quoted companies have been obliged to pay out 20% of distributable income either in the form of cash dividends or bonus dividends. IS REIC complied with this ruling in 2005, 2006 and 2007 in line with the company's own dividend policy of a 30% pay-out. In line with expectations, the company paid a TRY16bn/USD12m dividend for 2006 in H107. Fitch reiterates that the current business plan incorporates the funding of dividend payments from internally-generated cash flow, together with development costs for new projects in the pipeline as IS REIC does not plan to carry any debt on its balance sheet.

**IS REAL ESTATE INVESTMENT COMPANY (IS REIC)**

	31 Dec 2006 TRZth Original	31 Dec 2005 TRZth Original	31 Dec 2004 TRZth Original	31 Dec 2003 TRZth Original
<b>Summary Balance Sheet</b>				
<b>ASSETS</b>				
Cash and Marketable Securities	23,679.0	38,503.0	37,020.0	15,585.0
Accounts Receivable/Trade Debtors	4,088.4	189.3	727.0	683.8
Inventory	0.0	0.0	n.a.	n.a.
Other Current Assets	4,977.6	31,958.8	29,711.3	30,547.2
Property, Plant & Equipment	853,704.6	770,988.4	593,280.0	488,056.0
Intangible Assets	71.0	71.8	24,261.0	25,085.0
Other Non-current Assets	0.0	0.0	n.a.	n.a.
<b>TOTAL ASSETS</b>	<b>886,520.6</b>	<b>841,711.3</b>	<b>801,046.0</b>	<b>645,138.0</b>
<b>LIABILITIES</b>				
Short-term Debt (inc. CPLTD)	0.0	0.0	0.0	15,637.0
Accounts Payable/Trade Creditors	4,532.9	36.9	n.a.	n.a.
Provisions	142.0	111.1	148.9	128.5
Other Short-term Liabilities	53,579.7	46,046.5	2,164.0	1,020.7
Other Long-term Liabilities	0.0	0.0	19,893.6	0.0
Long-term Secured Debt	n.a.	n.a.	n.a.	n.a.
Long-term Unsecured Debt	0.0	0.0	n.a.	n.a.
<b>TOTAL LIABILITIES</b>	<b>58,254.6</b>	<b>46,194.5</b>	<b>22,206.6</b>	<b>16,785.5</b>
<b>EQUITY</b>				
Minority Interest/Minorities	0.0	0.0	n.a.	n.a.
Equity Capital & Reserves	828,266.0	795,516.8	778,839.6	628,352.5
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>886,520.6</b>	<b>841,711.3</b>	<b>801,046.2</b>	<b>645,138.0</b>
<b>Adjusted Gross Debt</b>	<b>0.0</b>	<b>0.0</b>	<b>n.a.</b>	<b>n.a.</b>
<b>Debt Schedule</b>				
<b>DEBT PRIORITY</b>				
Lease Liabilities	n.a.	n.a.	n.a.	n.a.
Secured	n.a.	n.a.	n.a.	n.a.
Unsecured	0.0	0.0	0.0	15,637.0
Convertible	n.a.	n.a.	n.a.	n.a.
Subordinated	n.a.	n.a.	n.a.	n.a.
<b>Total Debt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>15,637.0</b>
Off-Balance Sheet Debt	0.0	0.0	n.a.	n.a.
<b>Total Adjusted Debt</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>15,637.0</b>
Non-recourse + Equity Hybrid Component	n.a.	n.a.	n.a.	n.a.
<b>Total Adjusted Debt with Equity Credit</b>	<b>0.0</b>	<b>0.0</b>	<b>n.a.</b>	<b>15,637.0</b>
<b>Adjusted Liabilities--</b>	<b>0.0</b>	<b>0.0</b>	<b>n.a.</b>	<b>15,637.0</b>
<b>DEBT SOURCE</b>				
Bank	n.a.	n.a.	n.a.	n.a.
Capital Markets	n.a.	n.a.	n.a.	n.a.
Other	0.0	0.0	0.0	15,637.0
<b>TOTAL DEBT</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>15,637.0</b>
<b>DEBT MATURITY</b>				
Less than 1 Year	n.a.	n.a.	n.a.	15,637.0
1 To 2 Years	n.a.	n.a.	n.a.	n.a.
2 To 5 Years	n.a.	n.a.	n.a.	n.a.
More than 5 Years	n.a.	n.a.	n.a.	n.a.
<b>TOTAL DEBT</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>15,637.0</b>
Unrestricted Cash & Deposits	23,679.0	38,503.0	37,020.0	15,585.0
<b>CURRENT DEBT NET OF CASH</b>	<b>-23,679.0</b>	<b>-38,503.0</b>	<b>-37,020.0</b>	<b>52.0</b>
<b>TOTAL DEBT NET OF CASH</b>	<b>-23,679.0</b>	<b>-38,503.0</b>	<b>-37,020.0</b>	<b>52.0</b>
<b>TOTAL ADJUSTED DEBT NET OF CASH</b>	<b>-23,679.0</b>	<b>-38,503.0</b>	<b>-37,020.0</b>	<b>52.0</b>
<b>Adjusted Liabilities Net of Cash</b>	<b>-23,679.0</b>	<b>-38,503.0</b>	<b>-37,020.0</b>	<b>52.0</b>
Restricted Cash & Deposits	n.a.	n.a.	n.a.	n.a.

~ includes Restricted Cash

~~ Total Adjusted Debt with Equity Credit plus Debt-like Pref. Stock

**IS REAL ESTATE INVESTMENT COMPANY (IS REIC)**

**Summary Income Statement**

	31 Dec 2006	31 Dec 2005	31 Dec 2004	31 Dec 2003
	TRZth	TRZth	TRZth	TRZth
	Original	Original	Original	Original
<b>SUMMARY INCOME STATEMENT</b>				
Revenue*	59,058.0	39,535.5	37,647.0	43,719.0
Cost of Goods Sold	16,264.8	2,997.1	2,964.4	3,246.4
<b>GROSS PROFIT</b>	<b>42,793.2</b>	<b>36,538.4</b>	<b>34,682.6</b>	<b>40,472.6</b>
Selling, Distribution & Administrative Expenses	3,238.7	3,912.6	3,093.0	2,903.0
Other Operating Expenditure**	-34.4	-41.7	-3,008.0	-11,431.0
Presentational only: L-T Rentals (incl. in SG&A above)	n.a.	n.a.	n.a.	n.a.
<b>Operating EBITDAR</b>	<b>39,588.9</b>	<b>32,667.5</b>	<b>34,597.6</b>	<b>49,000.6</b>
Depreciation & Amortisation	33,934.5	19,180.5	17,531.6	17,303.6
Non-recurring, non-operational and non-recourse income***	44,677.4	21,756.1	56,913.0	-31,459.0
Associate Income/Loss	n.a.	n.a.	n.a.	n.a.
Other Income/Expense	248.5	117.1	n.a.	n.a.
<b>EBIT</b>	<b>50,580.3</b>	<b>35,360.2</b>	<b>73,979.0</b>	<b>238.0</b>
Interest Income	1,656.0	2,215.1	1,071.0	1,286.0
Interest Expense	n.a.	n.a.	3.0	0.0
Non-interest Financial Income/Charges	-3,404.9	-3,470.3	30,061.0	31,181.0
<b>PBT</b>	<b>48,831.4</b>	<b>34,105.0</b>	<b>105,108.0</b>	<b>32,705.0</b>
Taxation	81.0	10.4	n.a.	n.a.
Minorities	n.a.	n.a.	n.a.	n.a.
<b>NET INCOME</b>	<b>48,750.4</b>	<b>34,094.6</b>	<b>105,108.0</b>	<b>32,705.0</b>
Extraordinary Items/Accounting Changes	n.a.	n.a.	n.a.	n.a.
NET INCOME AFTER EXTRAORDINARY ITEMS (before dividends)	48,750.4	34,094.6	105,108.0	32,705.0

**Summary Cash Flow**

	31 Dec 2006	31 Dec 2005	31 Dec 2004	31 Dec 2003
	TRZth	TRZth	TRZth	TRZth
	Original	Original	Original	Original
<b>SUMMARY CASH FLOW</b>				
<b>Operating EBITDAR</b>	<b>39,588.9</b>	<b>32,667.5</b>	<b>34,597.6</b>	<b>49,000.6</b>
Cash Interest Paid, Net of Interest Income	n.a.	n.a.	3.0	0.0
Cash Tax Paid	48.2	5.3	344.0	0.0
Associate Dividends	n.a.	n.a.	n.a.	n.a.
Other Changes before Funds From Operations****	3,131.7	5,940.4	2,348.4	20,780.4
<b>FUNDS FROM OPERATIONS</b>	<b>42,672.4</b>	<b>38,602.6</b>	<b>36,599.0</b>	<b>69,781.0</b>
Working Capital	12,631.8	22,411.6	1,752.0	-18,437.0
<b>CASH FLOW FROM OPERATIONS</b>	<b>55,304.2</b>	<b>61,014.2</b>	<b>38,351.0</b>	<b>51,344.0</b>
Non-Operational Cash Flow***	0.0	59.4	n.a.	n.a.
Capital Expenditure	76,531.6	42,032.1	44,594.0	3,424.0
Dividends Paid	16,002.0	17,682.8	n.a.	n.a.
<b>FREE CASH FLOW</b>	<b>-37,229.4</b>	<b>1,358.7</b>	<b>-6,243.0</b>	<b>47,920.0</b>
Receipts from Asset Disposals	0.0	37.5	n.a.	n.a.
Business Acquisitions	n.a.	n.a.	n.a.	n.a.
Business Divestments	n.a.	n.a.	n.a.	n.a.
Exceptional & Other Cash Flow Items	22,407.7	-669.1	2,531.0	1,477.0
<b>NET CASH IN/OUTFLOW</b>	<b>-14,821.7</b>	<b>727.1</b>	<b>-3,712.0</b>	<b>49,397.0</b>
Equity Issuance/(Buyback)	0.0	351.4	46,787.0	0.0
FX movement	n.a.	n.a.	n.a.	n.a.
Other Items Affecting Cash Flow****	-2.3	404.5	-6,003.0	-38,305.0
<b>NET CASH FLOW AVAILABLE FOR FINANCING</b>	<b>-14,824.0</b>	<b>1,483.0</b>	<b>37,072.0</b>	<b>11,092.0</b>
<b>OPENING TOTAL DEBT NET OF CASH</b>	<b>-38,503.0</b>	<b>-37,020.0</b>	<b>52.0</b>	<b>2,954.6</b>
Net Debt Increase/(Decrease)	14,824.0	-1,483.0	-37,072.0	-2,902.6
<b>CLOSING TOTAL DEBT NET OF CASH</b>	<b>-23,679.0</b>	<b>-38,503.0</b>	<b>-37,020.0</b>	<b>52.0</b>

\* Net of Sales, Royalty & Other Operational Taxes

\*\* Excludes Depreciation & Amortisation

\*\*\* Analyst Estimate

\*\*\*\* Balancing Item

**IS REAL ESTATE INVESTMENT COMPANY (IS REIC)**

**Ratio Analysis**

	31 Dec 2006 TRZth Original	31 Dec 2005 TRZth Original	31 Dec 2004 TRZth Original	31 Dec 2003 TRZth Original
<b>EARNINGS/PROFITABILITY</b>				
Revenue Growth (%)	49.4	5.0	-13.9	43.6
Gross Profit/Revenues (%)	72.5	92.4	92.1	92.6
Op. EBITDAR/Revenues (%)	67.0	82.6	91.9	112.1
EBIT/Revenues (%)	85.7	89.4	196.5	0.5
Pre-Tax Profit/Revenues (%)	82.7	86.3	279.2	74.8
Profit after tax/Revenues (%)	82.6	86.2	279.2	74.8
Effective Tax Rate (%)	0.2	0.0	n.a.	n.a.
Profit after tax/Average Equity (%)	6.0	4.3	14.9	5.8
Return on Average Assets (%)	5.6	4.2	14.5	5.6
FFO Return on Adjusted Capital (%)	5.2	4.9	4.7	10.8
Free Cash Flow Margin (%)	-63.0	3.4	-16.6	109.6
<b>COVERAGES</b>				
FFO/Gross Interest Expense and Preferred Dividends (x)	n.a.	n.a.	12,200.7	n.a.
FFO Fixed Charge Cover (x)	n.a.	n.a.	12,200.7	n.a.
(Op. EBITDAR-Capex)/Gross Fixed Charges(x)	n.a.	n.a.	-3,331.1	n.a.
Op. EBITDAR/Net Fixed Charges (x)	-23.9	-14.8	-32.4	-38.1
FFO/Interest Expense Net of Interest Income (x)	-24.8	-16.4	-33.3	-53.3
Free Cash Flow Debt Service Coverage (x)	n.a.	n.a.	-2,080.0	3.1
Net Fixed Charges Cover (x)	-3.4	-6.1	-4.1	-24.7
<b>LEVERAGE</b>				
Total Adjusted Debt/Op. EBITDAR (x)	0.0	0.0	n.a.	0.3
Total Adjusted Debt Net of Cash/Op. EBITDAR(x)	-0.6	-1.2	-1.1	0.0
Adjusted Liabilities Net of Cash/Op. EBITDAR (x)	-0.6	-1.2	-1.1	0.0
Adjusted Net Leverage/FFO (x)	-0.6	-1.1	-1.0	0.0
Adjusted Leverage/FFO (x)	0.0	0.0	n.a.	0.2
Free Cash Flow/ Adjusted Liabilities (%)	n.a.	n.a.	n.a.	306.5
CFO/Total Debt Net of Cash (%)	-233.6	-158.5	-103.6	98,738.5
CFO/Adjusted Liabilities Net of Cash (%)	-233.6	-158.5	-103.6	98,738.5
Total Adjusted Debt/Total Adjusted Capitalisation (%)	0.0	0.0	0.0	2.4
<b>FINANCIAL STRUCTURE</b>				
Secured and Lease Debt/Total Debt (%)	n.a.	n.a.	n.a.	n.a.
Current Debt/Total Debt (%)	n.a.	n.a.	n.a.	100.0
Off-Balance Sheet Debt/Total Adjusted Debt (%)	n.a.	n.a.	n.a.	n.a.
Total Debt Net of Cash/Tangible Equity (%)	-2.9	-4.8	-4.9	0.0
<b>PENSION ADJUSTED RATIOS</b>				
Mixed Scheme Pension Liability	n.a.	n.a.	n.a.	n.a.
Pension Adjusted Net Leverage	-0.6	-1.2	-1.1	0.0
Pension Adjusted Net Coverage	n.a.	n.a.	n.a.	n.a.
Pension Adjusted Net Coverage (Implied)	n.a.	n.a.	n.a.	n.a.
Implied Interest Cost	n.a.	n.a.	n.a.	n.a.
Pension Adjusted Gross Coverage	n.a.	n.a.	n.a.	n.a.
Pension Adjusted Gross Coverage (Implied)	n.a.	n.a.	n.a.	n.a.
<b>WORKING CAPITAL CYCLE</b>				
Average Inventory Processing Period (days)	0.0	0.0	n.a.	n.a.
Average Receivables Collection Period (days)	13.2	4.2	6.8	3.2
Gross Cash Cycle (days)	13.2	4.2	6.8	3.2
Average Payables Payment Period (days)	51.3	4.5	n.a.	n.a.
Cash Conversion Cycle (days)	-38.1	-0.3	6.8	3.2
<b>ADDITIONAL INFORMATION</b>				
Depreciation	33,894.8	19,147.7	16,678.6	16,459.3
Amortisation	39.7	32.8	853.0	844.3
Capital Expenditure/Depreciation (x)	2.3	2.2	2.7	0.2
CFO/Capital Expenditure (x)	0.7	1.5	0.9	15.0
Interest Capitalised	n.a.	n.a.	n.a.	n.a.
Hire/Lease/Rent Costs for Current Assets	n.a.	n.a.	n.a.	n.a.
Hire/Lease/Rent Costs for Long-term Assets	n.a.	n.a.	n.a.	n.a.
Contingent Liabilities	n.a.	n.a.	24,700.0	0.0
Operating Exceptionals in Operating Costs	n.a.	n.a.	n.a.	n.a.
Staff cost/Revenues (%)	n.a.	n.a.	n.a.	n.a.
R&D (net)/Revenues (%)	n.a.	n.a.	n.a.	n.a.

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