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Annual Report



İş Leasing accompanies investors down the road to successful project completion.

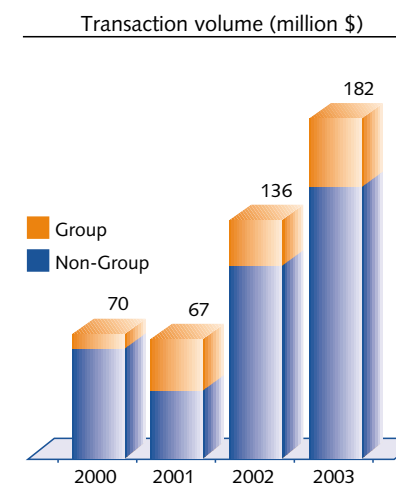
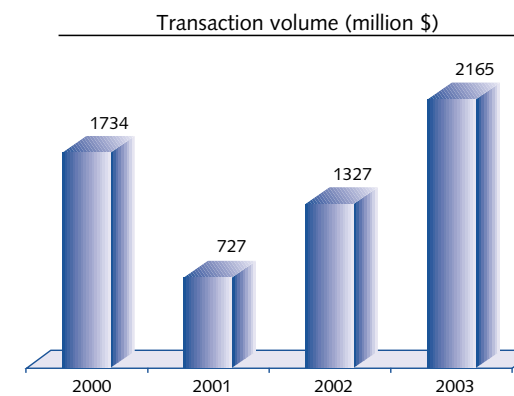


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İş Leasing strengthens its position as a leading provider of customer oriented leasing solutions.

(TL billions)	2003*	2002*
TOTAL ASSETS	419.783	423.601
LEASING PORTFOLIO, NET	296.928	271.179
SHAREHOLDERS' EQUITY	58.442	34.883
PROFIT AFTER TAX	23.640	7.010
(US\$ thousands)	2003	2002
TOTAL ASSETS	300.740	303.475
LEASING PORTFOLIO, NET	212.724	194.277
SHAREHOLDERS' EQUITY	41.855	24.991
PROFIT AFTER TAX	16.936	5.022
Exchange rate (TL/US\$)	1.395.835	1.395.835

*Currency-Billions of Turkish Lira in equivalent purchasing power at December 31, 2003.



In 2002, the leasing sector grew in line with the overall economy, reaching a transaction volume of 1.3 billion dollars. In 2003, the sector attained its highest transaction volume climbing to 2.1 billion dollars.

2003 was a profitable and successful year, with İş Leasing achieving its highest volume of business. The year's financial results demonstrate this success and İş Leasing's well-established presence in the Turkish leasing sector, which experienced much more stable growth in 2003 compared to prior years. İş Leasing's success relies on target-driven strategy, customer service-oriented philosophy and good managerial and operational activities that keep pace with changing conditions and market opportunities.

Chairman's Statement

İş Leasing had an important share in the sector's growing transaction volume.



2003 was a very profitable and successful year for İş Leasing, reflecting a parallel upswing of our country and our sector. Our company accounted for a significant share of the sector's growing transaction volume, exceeding its transaction targets for 2003.

We believe that developments in the economy will lead to further investment growth and that the coming years will be even more promising for the leasing sector.

İş Leasing delivers to its customers accurate marketing policies, the close support and cooperation of Türkiye İşbank's branches, and applies a homogenous risk policy. Last year İş Leasing successfully implemented the quality customer portfolio approach, which it identified as the guiding principle in the credit-granting process. Anticipating developments in the Turkish economy, İş Leasing drew upon its ability to create suitable funding sources, financing projects in the most effective manner to strengthen its leading position in the leasing sector.

From the day it was established, İş Leasing has placed its signature under many firsts and large-scale projects, and it will continue to assume its place as a trustworthy business partner. İş Leasing's professional staff, sector experience, joint problem solving approach and customized services allow all investors to realize investment projects in a fast, accurate, and profitable manner.

For evaluation of the activities that led İş Leasing to such a successful year, we present our 2003 Annual Report and financials which has been prepared in compliance with the provisions of Capital Market Law No. 2499.

In the name of the Executive Board and me personally, we offer our respects and thanks to all our partners in attendance at our annual general meeting for the support they have given us since our founding.

Ali Cüneyt Demiren
Chairman of the Board

Message from the General Manager

İş Leasing achieved significant growth in year 2003 and reached the highest transaction volume since its establishment.



In 2003, the leasing sector reached its highest transaction volume, with 2.1 billion dollars in total transactions. İş Leasing, for its part, exceeded its goals, improved upon its position as the sector's leading company, and registered a growth in its financial performance.

The achievement of economic balance and stability in the market and the continuation of the stability program have led to an investment increase that promises to continue spurring rapid development in the leasing sector. İş Leasing, having overcome the effects of the last financial crisis hand-in-hand with its customers, and having maintained support to investors, will continue to carve out a significant share of the sector's growing transaction volume.

Among other markers of İş Leasing's success in 2003 are its place in the ISE's top 100 companies and its acceptance of the "Fasih Inal Most Successful Entrepreneur" award, in recognition of its contribution to SME (small and medium size enterprises) investments. İş Leasing's important initiatives this year included the establishment of the infrastructure for a regional office in Ankara, which is a first step in an expansion plan that will continue with other regional offices. In 2003, İş Leasing also continued investments in technology, further strengthening its infrastructure and offering Internet services to customers who wish to track their accounts online

In 2004, we will continue our high quality portfolio creation policy, our approach of tailor-made solution packages geared towards customers' needs and expectations, project financing support, and the goal of expanding our considerable share in the sector's increasing transaction volume.

I would like to offer my thanks and respects to all the partners who contributed to İş Leasing's success: its managers, its personnel, and the local and international business partners that support İş Leasing.



Ibrahim Halil Ciftci
General Manager

İş Leasing has a publicly owned, strong, dynamic, and continuously developing structure.

İş Leasing was established in 1988 as a partnership between the International Finance Corporation (IFC), Soci t  Generale, and İşbank. This partnership lasted until 1995, when the IFC and Soci t  Generale transferred their shares to İşbank, thus making the İşbank Group the sole owner of İş Leasing's capital. The latest milestone in İş Leasing's partnership structure was the offering of its shares to the public in March 2000.

İş Leasing continues displaying its dynamism and development through its strong, publicly owned structure.

İş Leasing is the leading institution in its sector with a prestigious name, strong customer portfolio and the new service philosophy it brought to Turkey's business sector.

İş Leasing's existing shareholder structure is as follows:

Shareholders	Share (%)
T�rkiye İş Bankası (İşbank)	35.3
T�rkiye Sınai Kalkınma Bankası	30
Camiş Sigorta	2.65
Nemtaş Nemrut Liman İşletmeleri	2.65
Public-owned	29.4

**İş Leasing's
shareholders are
leading institutions
of their sector.**

T rkiye İş Bankası

Since 1924 İşbank has carried out its historic commitment and mission to develop the Turkish banking system and provide financial sources for industry. Once İşbank was founded by Mustafa Kemal Atat rk, it began to play an important role both as a creditor and a direct equity investor for Turkey's economy. Paralleling its stable growth in assets and profitability, İşbank became a technological leader in financial services, not only in Turkey but also abroad. İşbank relocated its headquarters from Ankara to İstanbul in order to strengthen its position in the financial and business world. The new head office complex, İş Towers, made it possible to assemble all of the bank's departments and many subsidiary companies in one place and also launch an ambitious arts and culture program in the Towers' concert hall and art gallery.



T rkiye Sınai Kalkınma Bankası

In 1950, to determine the structural needs of Turkish industry, TSKB – T rkiye Sınai Kalkınma Bankası (Industrial Development Bank of Turkey) was founded. Today, the Bank is one of the few banks in the Turkish financial system, which can borrow long-term at the international financial markets without the Turkish Treasury's guarantee. During its 50 years history, the Bank has encouraged the financing of new technology, acted as an intermediary for new financial instruments, offered equity shares either directly or via associated institutions to foreign investors, assisted the realization of the privatisation program including advisory services to potential foreign investors regarding the program and has always acted as a bridge between Turkey and the global financial markets.



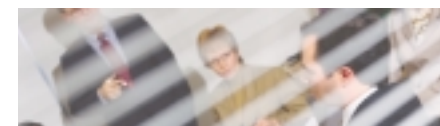
Camiş Sigorta Hizmetleri

Camiş Sigorta is an İşbank Group company founded in 1990. As an agent for Anadolu Sigorta, another İşbank Group company, it deals with all types of insurance underwriting activities.



Nemtaş Nemrut Liman İşletmeleri

Nemtaş is a port management and transportation company, based in Aliğa, İzmir. Sea and land transportation, warehouse operations, related brokerage services, shipping line operations and customs clearance services are the main areas of the company's business.



Shares Open to Public

The latest change in the shareholding structure of İş Leasing was the offering of 29.4% its shares to the public in March 2000. İş Leasing strengthened its structure through its share offering on the İstanbul Stock Exchange and it continues to be the leader in the Turkish financial services sector as a transparent institution open to the public.

Board of Directors

Strategic decisions and professional management
lead the way to success.



Standing from left to right;

T. Yavuz İşbakan (Member), Özgün Çınar (Member),

Hamdi Selçuk Tuğrul (Member), Rabia İmer (Auditor),

G. Yusuf Başlamışlı (Member), Selen Hepdoğan (Auditor),

Sitting from left to right;

Kayhan Söyler (Member), İbrahim Halil Çiftçi (General Manager),

Ali Cüneyt Demren (Chairman of the Board),

Kemal Ağanoglu (Vice Chairman).

İş Leasing in the Sector

İş Leasing has contributed to the Turkish economy and investors through its customer-oriented services.

In 2003, İş Leasing's transaction volume exceeded its targets for the year, reflecting the general upswing in the leasing sector. İş Leasing overcame the effects of the last financial crisis hand-in-hand with its customers, continued to support its investors, and increased its transaction volume to its highest level.

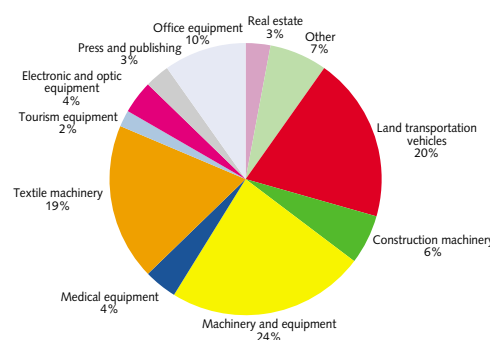
İş Leasing delivers to its customers accurate marketing policies, the close support and cooperation of Türkiye İşbank's branches, and applies a homogenous risk policy. Last year İş Leasing successfully implemented the quality customer portfolio approach, the guiding principle in the credit-granting process. Anticipating developments in the Turkish economy, İş Leasing drew upon its ability to create suitable funding sources, financing projects in the most effective manner to sustain its leading position in the leasing sector.

Sectoral growth and potential

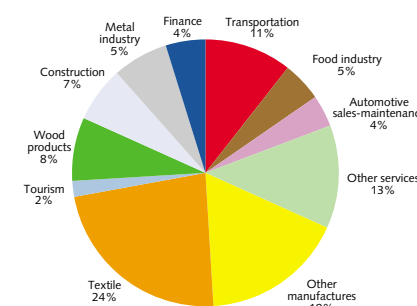
By changes to Tax Laws passed in July 2003 Turkish leasing sector adapted International accounting standards. Despite reduced tax advantages brought by the new tax law investment demand increased sharply. The transaction volume achieved in 2003 is an extremely encouraging indicator for the leasing sector. The achievement of economic balance and stability in the market and the continuation of the stability program have led to an investment increase that promises to continue spurring rapid development in the leasing sector.

It is important to note, however, that the share of private sector investment through leasing in international markets is 20-30%, whereas in Turkey this percentage is only 6-7% and closely linked to our country's economic stability. Clearly, financial leasing possesses very high development potential.

Equipment distribution 2003



2003 transactions by sector



Alternative financing for SMEs: İş Leasing

In Turkey, the legal framework for leasing activities began with the "Leasing Law", which was enacted in 1985, and subsequently leasing oversight was carried out through published regulations. Initially, only large companies used leasing as an alternative financing method; today, the approach is used by medium and even small-sized companies.

İş Leasing is the leader in leasing services for small and medium-sized companies, and the company enjoyed significant success in this area in 2003. İş Leasing provides financial and investment support to an important section of the national economy, and it is fully supported by Türkiye İşbank, İş Leasing's founder, principal partner and the country's largest private bank. İş Leasing's cooperation and support of SMEs in 2002 was awarded with the "Fasih Inal Most Successful Entrepreneur" award in 2003.

2004 and goals

In prioritizing the opening of a regional office in Ankara in 2004, İş Leasing aims to provide more effective services to companies in this region, and it plans further expansion of services to other regions within the year. İş Leasing also anticipates acquiring significant market share in project finance and transaction volume in 2004 through the implementation of its high quality portfolio creation policy and its approach of tailor-made solution packages geared towards customers' needs and expectations.

Review of Operations

İş Leasing is continuing its strategy of providing the highest quality customized services through a well-organized and fine-tuned operation.



A new channel for service: e-İş Leasing

Thanks to investments in technology, İş Leasing's customers increasingly benefit from its online leasing services. İş Leasing's web site offers interactive leasing services that were updated in 2003 and allow customers to track their accounts online. Customers can access their password protected accounts to determine current debt balances and send instructions for payment from any bank they choose. In addition, customers may file online requests for proposals and follow those proposals' progress status. Regarding signed contracts, one can find all the information relating to a particular contract (history, amount, sales date, name of seller, transaction period, etc.), even the time schedule related to the leasing transaction.

Successful marketing resulted in broadened customer base

İş Leasing in recent years has expanded its leasing activities to all regions of the country and broadened its customer base through the implementation of successful marketing strategies.

The core of İş Leasing's marketing strategy centers on providing long-term financing for investment projects that expand, modernize, or enhance manufacturing plants supported by modern technology and that increase product diversification and quality. Strong and stable companies that feature prominently in İşbank's extensive database constitute the main components of the company's operating strategy. Decisions to provide such financing are based on evaluation of the information taken from the database and a series of managerial meetings.

An important factor that has allowed İş Leasing to stay ahead of its competitors is its readiness to keep and honor, at all times, commitments made at the beginning of a relationship. It is a well-known fact that regardless of how the economy fluctuates, İş Leasing never allows a customer to run up against unpleasant surprises during the term of a lease agreement.

İş Leasing also distinguishes itself through expanded use of the Internet as a marketing tool. Branch offices have a presence on the Internet, quotations are given through the Internet, and the web site enables İşbank branches to act as on-line marketing outlets for the company and offer information about activities and transactions.

Review of Operations

Granting **credits** is always a fast and safe procedure

İş Leasing supports and finances those industries identified as strong and stable by a credit information database compiled over many years through the extensive branch network of İşbank. Decision-making on granting credit is always a fast and safe procedure at İş Leasing.

İş Leasing initiates a study of the companies applying for credit, and branches of İşbank supply an online information flow from across the country. The results of this procedure, which was developed as a component of the high quality customer and service approach, form the basis for the subsequent evaluation. The results of such evaluations are examined by İş Leasing's expert staff and sent to top management for approval.

Operations revised according to customer request

Through new investments in technological infrastructure, İş Leasing has ensured that operational activities such as purchasing, incentives, and customs are performed more quickly and easily. In addition to its infrastructure, the performance of İş Leasing's experienced and professional staff in maintaining a continuous and high quality service approach significantly boost operational quality. Requests from İş Leasing's customers are carried out in the fastest possible way, and leasing operations are completed after prompt completion of procedural steps. In order to improve quality of service and customer satisfaction, operational procedures are being further refined as a result of customer requests.

Leasing portfolio consisting of customers from various sectors

Customers of İş Leasing hail from a wide sectoral base, the majority of which are İşbank customers or customers referred to İş Leasing, ensuring a diverse portfolio structure. İş Leasing works in coordination with İşbank in order to maintain a problem-free customer portfolio. Upon the request of İş Leasing, İşbank evaluates the financial position and potential of a leasing transaction, and the branch gathers information on the feasibility of a project and the potential customers. Thus İş Leasing receives and maintains a relatively problem-free customer portfolio, which it can serve at costs that are kept to a bare minimum. The deep communication network between İş Leasing, İşbank, the branches, and head office allows clientele to benefit from tailor-made products and services.

The use of information from İşbank provides a cost and timing advantage; however, credit decisions are made independently by İş Leasing.

İş Leasing's difference is its creativity in using the newest technologies and methods as marketing instruments.

Sound **fund management** and good reputation

İş Leasing has earned a reputation in international and domestic financial circles for honoring all of its commitments on time and in an orderly manner. İş Leasing's good reputation has put the company in a strong position in the business environment. Thus the company is able to fund its operations not just through its parent bank and domestic banks but also through a large number of international banks. Despite the negative effects of the Turkish economy's instability, the company has never wavered where funding is concerned.

İş Leasing is always able to sustain favorably priced long-term funding in both Turkish lira and foreign currency in order to complete long-term leasing transactions with terms and conditions advantageous to its customers.

Human resources under professional management

Strategic Human Resources Management has played an important role in the company's unprecedented growth and high levels of success.

Strategic Human Resources Management, based on the development of human resource policies, has been a dynamic subject at İş Leasing. HR implementations such as recruitment and selection processes, organization of employee relations, performance management and appraisal systems and career planning for employees are held by professionals in the HR department. The qualified workforce and well-developed infrastructure have contributed to the success of the company.

Training for development and progress

Training is an inevitable activity in today's business world and both in-house and external training remains an important activity for İş Leasing management. The company believes that a progressive and proactive organization depends on skilled and trained members and utilizes ever-developing information and communications technologies. To take advantage of new technology and new ways of doing business, İş Leasing employees are encouraged to attend local and/or international training courses.



Executive Management



Standing from left to right;

Dilek Sezer (Marketing Group Manager), Mehmet Sevinç (Marketing Manager),

Murat Ruben (Legal Counselor), Tanya Karakaşlı (Operations Manager),

Onan Keleş (Finance Manager), Neslihan Oruç (Accounting Manager),

Sitting from left to right;

Nida Çetin (Assistant General Manager),

İbrahim Halil Çiftçi (General Manager),

Orhan Erdoğan (Assistant General Manager).

İş Finansal Kiralama Anonim Şirketi



Consolidated Financial
Statements as of
December 31, 2002
and 2003

Together with
Auditor's Report

İŞ FİNANSAL KİRALAMA A.Ş.

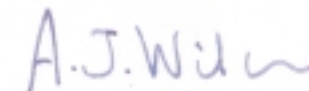
INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
İş Finansal Kiralama A.Ş.

1. We have audited the accompanying balance sheet of İş Finansal Kiralama A.Ş. (the "Company") as of 31 December 2003 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, all expressed in the equivalent purchasing power of the Turkish Lira as of 31 December 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. The financial statements of the Company for the year ended 31 December 2002 were audited by other auditors whose report dated 7 February 2003 expressed an unqualified opinion.
4. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of İş Finansal Kiralama A.Ş. as of 31 December 2003 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.

Member firm of DELOITTE TOUCHE TOHMATSU



Anthony J. Wilson

İstanbul, 26 February 2004

İŞ FİNANSAL KİRALAMA A.Ş.
BALANCE SHEETS - AS OF 31 DECEMBER 2003 AND 2002

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2003 (note 2))

	Note	31 December 2003 TL Billion	As Restated 31 December 2002 TL Billion
CURRENT ASSETS			
Cash and cash equivalents	4	35,127	58,050
Securities held for trading (net)	5	11,722	10,467
Leasing receivables (net)	6	175,096	162,149
Other receivables and current assets (net)	7	50,709	65,326
Total Current Assets		272,654	295,992
LONG TERM ASSETS			
Lease contract receivables (net)	6	121,832	109,030
Available for sale assets (net)	8	6,968	6,740
Equipment to be leased	9	16,637	8,554
Property, plant and equipment (net)	10	919	897
Intangible assets (net)	11	773	1,097
Deferred tax assets	13	-	1,291
Total Long Term Assets		147,129	127,609
TOTAL ASSETS		419,783	423,601

İŞ FİNANSAL KİRALAMA A.Ş.
BALANCE SHEETS - AS OF 31 DECEMBER 2003 AND 2002

(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2003 (note 2))

	Note	31 December 2003 TL Billion	As Restated 31 December 2002 TL Billion
CURRENT LIABILITIES			
Short-term borrowings	12	184,078	146,521
Trade payables (net)		14,173	12,271
Advances received		7,656	6,199
Other payables and current liabilities		1,565	382
Corporate tax payable	13	-	1,105
Total Current Liabilities		207,472	166,478
LONG TERM LIABILITIES			
Long term borrowings	12	153,709	221,928
Retirement pay provision		180	312
Total Long Term Liabilities		153,889	222,240
COMMITMENTS & CONTINGENCIES	14	-	-
SHAREHOLDERS' EQUITY			
Capital	15	63,672	58,603
Foreign currency translation differences		10	111
Retained earnings		(5,260)	(23,831)
Total Shareholders' Equity		58,422	34,883
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		419,783	423,601

İŞ FİNANSAL KİRALAMA A.Ş.
STATEMENTS OF INCOME - FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002
(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2003 (note 2))

	Note	2003 TL Billion	As Restated 2002 TL Billion
Lease income			
-Interest income		39,036	23,409
-Foreign currency gains/(losses)		(11,530)	44,447
		27,506	67,856
Finance income/expenses (net)	17	6,547	(42,469)
General and administrative expenses	18	(5,737)	(6,216)
Other income/(expenses) (net)	19	348	(4,375)
Profit before taxation and monetary loss		28,664	14,796
Taxation	13	(1,291)	(4,173)
Profit after taxation and before monetary loss		27,373	10,623
Monetary loss		(3,733)	(3,613)
Net profit		23,640	7,010
Earnings per share (TL)	3.p	945.60	350.50

İŞ FİNANSAL KİRALAMA A.Ş.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY -
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002
(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2003 (note 2))

	Capital TL Billion	Foreign Currency Translation Differences TL Billion	Retained Earnings TL Billion	Total TL Billion
Balance as of 31 December 2001 - As Restated	54,416	179	(26,654)	27,941
Increase in share capital	4,187	-	(4,187)	-
Foreign currency translation adjustment	-	(68)	-	(68)
Net profit for the year	-	-	7,010	7,010
Balance as of 31 December 2002- As Restated	58,603	111	(23,831)	34,883
Increase in share capital	5,069	-	(5,069)	-
Foreign currency translation adjustment	-	(101)	-	(101)
Net profit for the year	-	-	23,640	23,640
Balance as of 31 December 2003	63,672	10	(5,260)	58,422

İŞ FİNANSAL KİRALAMA A.Ş.
STATEMENTS OF CASH FLOWS - FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002
(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2003 (note 2))

	2003 TL Billion	As Restated 2002 TL Billion
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	23,640	7,010
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation of property plant and equipment	301	323
Amortization of intangible fixed assets	324	309
Allowances for doubtful receivables	2,973	6,587
Change in lease receivables	(28,721)	(76,986)
Change in equipment to be leased	(8,082)	(5,776)
Change in other receivables and current assets (net)	14,615	(49,353)
Change in trade payables and advances received (net)	3,359	3,499
Change in other payables and current liabilities	1,051	(685)
Change in corporate tax payable	(1,105)	1,331
Change in deferred taxes	1,291	3,900
Net cash (used in) / provided by operating activities	9,646	(109,841)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investment securities	(1,256)	384
Change in available for sale assets	(227)	(669)
Change in property, plant and equipment	(322)	(492)
Net cash used in investing activities	(1,805)	(777)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in short-term borrowings	37,556	47,066
Change in long-term borrowings	(68,218)	73,463
Other	(102)	(68)
Net cash (used in) / provided by financing activities	(30,764)	120,461
NET CHANGE IN CASH AND CASH EQUIVALENTS	(22,923)	9,843
Cash and cash equivalents at the beginning of the year	58,050	48,207
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	35,127	58,050

İŞ FİNANSAL KİRALAMA A.Ş.
NOTES TO THE FINANCIAL STATEMENTS -
FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002
(Amounts expressed in billions of Turkish Lira (TL) in terms of the purchasing power of the TL at 31 December 2003 (note 2))

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

İş Finansal Kiralama A.Ş. (İş Leasing) was incorporated on 8 February 1988 to operate in Turkey under the provisions of the Turkish financial leasing law number 3226 and started leasing operations at the end of July 1998. The head office of İş Leasing is located at İş Kuleler Kule: 2 Kat: 10 80620 Levent- İstanbul/ Turkey.

The consolidated subsidiary, Karya Trading Ltd. (Karya) was established on 23 June 1999 and was incorporated in Jersey. The ownership of İş Leasing in Karya is 99%.

The ultimate parent enterprise of the Company is Türkiye İş Bankası A.Ş. (İş Bankası).

As of 31 December 2003 the Company employs 49 persons.

2. BASIS OF THE FINANCIAL STATEMENTS

The Company maintains its records in Turkish lira and prepares its statutory financial statements in accordance with accounting standards of the Turkish Commercial Code and tax legislation. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The accompanying financial statements (the "IFRS Financial Statements") are based on the statutory records, with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira, for the purpose of fair presentation in accordance with Statements of International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

Inflation Accounting

In the accompanying financial statements, restatement adjustments have been made to compensate for the effect of changes in the general purchasing power of the Turkish Lira, as of the balance sheet date, in accordance with International Accounting Standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100 %. The cumulative rate in Turkey exceeded 181 % for the three years ended 31 December 2003 based upon the wholesale price index announced by the Turkish State Institute of Statistics.

The authorities in Turkey, The Turkish Capital Market Board ("CMB") and Banking Regulation and Supervision Agency ("BRSA"), have announced the inflation indices to be used for the restatement calculations. These new indices differ from the ones used by all Turkish entities, including the Company, in past years. To achieve consistency in the financial statements, the Company has adopted the new CMB indices in the accompanying IFRS financial statements and has restated the comparative figures for 2002 accordingly.

The restatement was calculated by means of conversion factors derived from the Turkish countrywide wholesale price index published by the State Institute of Statistics (with the index beginning in 1994 at 100). Such index and the conversion factors used to restate the accompanying financial statements as of the end of each period to 31 December 2003 are given below:

	Index	Conversion Factor
31 December 2001	4,951.7	1.4908
31 December 2002	6,478.8	1.1394
31 December 2003	7,382.1	1.0000

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

Year:	2003	2002	2001	2000	1999	1998
Currency Deflation US \$	(14.6%)	13.5%	114.3%	24.4%	72.7%	52.7%
WPI Inflation	13.9%	30.8%	88.6%	32.7%	62.9%	54.3%

At 31 December 2003 the exchange rate announced by the Turkish Central Bank was TL 1,395,835 = US\$ 1 (31 December 2002: TL 1,634,501 = 1 US\$).

The main guidelines for the IAS 29 restatement are as follows:

- All balance sheet amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (the WPI). Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the measuring unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
- Non-monetary assets and liabilities are restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets are restated from the date of their purchase, not to exceed their market value. Depreciation is similarly restated. The components of shareholders' equity are restated by applying the applicable general price index from the dates the components were contributed or otherwise arose.
- All items in the statement of income are restated by applying the relevant conversion factors from the dates when the income and expense items were initially recorded in the financial statements.
- The gain or loss on the net monetary position is the result of the effect of general inflation and is the difference resulting from the restatement of non-monetary assets, shareholders' equity and income statement items. The gain or loss on the net monetary position is included in net income.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary drawn up to the balance sheet date.

The principles of consolidation followed in the preparation of the accompanying consolidated financial statements are as follows:

- The balance sheet and statement of income of the consolidated subsidiary are consolidated on a line-by-line basis, and the carrying value of investment held by İş Leasing is eliminated against the related shareholders' equity accounts,
- All significant intercompany transactions and balances between consolidated companies have been eliminated,
- For the purpose of consolidation, the US\$ financial statements of Karya have been translated to Turkish lira.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the accompanying consolidated financial statements are as follows:

a. Related parties

For the purpose of the accompanying financial statements, shareholders of the Company and related companies, consolidated and non-consolidated group companies, their directors and key management personnel and any groups to which they are known to be related, are considered and referred to as related companies.

b. Investment securities

Investment securities portfolio primarily represents Government bonds and Treasury bills which are accounted for at the fair value of the consideration given (at cost) at initial recognition determined by reference to the transaction price or market prices. The cost of foreign currency denominated securities is translated at year-end exchange rates.

Securities are impaired if their carrying amounts are greater than their estimated recoverable amounts. The Company assesses at each balance sheet date whether there is any objective evidence that they may be impaired. If any such evidence exists, the Company estimates the recoverable amount of that asset or group of assets and recognises impairment losses in net profit or loss for the period.

Interest earned on holding securities is included in interest income. All gains or losses on sale of trading securities, and on investment securities if such transactions occur, are accounted for in the statement of income for the period.

The Company designates its securities portfolio in accordance with IAS 39 as follows:

Securities held for trading:

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

Securities held to maturity:

Held-to-maturity investments are securities with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity. Held to maturity securities having a fixed maturity are measured at amortised cost using the effective interest rate method.

Securities available for sale:

Available-for-sale securities are those that are not (a) held-to-maturity investments, or (b) securities held for trading. Subsequent to acquisition, available for sale securities are valued at their fair value if reliably measurable. Otherwise, they are accounted for at amortised cost. Gains or losses on available for sale securities are included in net profit or loss for the period in which they arise. Investments in equity instruments that do not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable, are accounted for at cost. Securities that do not have a fixed maturity are measured at cost.

c. Finance lease & provision for possible lease receivable losses

Leasing receivables are presented at net realizable values. Provisions are allocated according to collateral, management's experience and economic conditions. Uncollectible receivables are provisioned in the related year.

d. Property, plant and equipment

Property, plant and equipment are carried at indexed historical cost. Property, plant and equipment, except land that is deemed to have indefinite life, are depreciated principally on a straight-line basis using the following rates, which amortize the assets over their expected useful lives:

Vehicles	20%
Furniture and fittings	20%
Computer software	20%
Leasehold improvements	20%

Gains or losses on disposal of property, plant and equipment with respect to their restated amounts are included in the related income and expense accounts, as appropriate. Expenses for the repair of property, plant and equipment are normally charged against income.

e. Impairment of assets

Long term assets other than deferred tax assets and financial assets are tested for impairment according to the provisions of IAS 36 ("Impairment of Assets"). IAS 36 requires an impairment loss to be recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount of an asset is the higher of an asset net selling price and its value in use. Value in use is the present value of estimated future cash flow expected to arise from the continuing use of an asset and from its disposal at the end of its life.

f. Borrowing costs

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

g. Taxation

Taxes on income for the period comprise of current tax and the change in deferred taxes. The Company accounts for current and deferred taxation on the results for the period, in accordance with IAS 12 (Revised).

Provision is made in the financial statements for the Company's estimated liability to Turkish corporation tax on its results for the period. The charge for current tax is based on the results for the period as adjusted for items which are non-assessable or disallowed.

Deferred tax assets and liabilities are recognized using the liability method in respect of material temporary differences arising from different treatment of items for accounting and taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are only provided to the extent if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the statement of income.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred income tax assets and liabilities are also offset.

h. Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. The total provision represents the vested benefit obligation as at the balance sheet date.

i. Foreign currency transactions

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

j. Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits and time deposits with banks.

k. Finance Leases - the Company as Lessee

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

l. Financial instruments

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

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein may not necessarily be indicative of the amounts the Company could realize in a current market exchange.

Balances with banks, receivables, contingent liabilities like letters of guarantee, letters of credit and other derivative instruments such as forward transactions, are important financial instruments which would have negative effects on the financial structure of the Company if the other party failed to comply with the terms and conditions of the agreement.

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

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

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

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

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

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

Borrowings: Borrowings have interest rates that are fixed on an entry value basis but may be subject to fluctuation in accordance with prevailing interest rates in the market. Interest-bearing bank loans and overdrafts are recorded at the proceeds received. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

The Company deals with financial instruments with off-balance sheet risk in the normal course of business such as letters of credit, etc. The Company's exposure to losses arising from these instruments is represented by the contractual amount of those instruments.

Credit Risk

The Company's credit risk is primarily attributable to its lease contract receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment. The credit risk on liquid funds is limited because the funds are invested in time deposits for short term purposes.

Market Risk

Market risk is the risk that changes in the level of interest rates, currency exchange rates or the price of securities and other financial contracts will have an adverse financial impact. The main risks within the Company's activities are interest rate and exchange rate risk. Turkish interest rates can be volatile, and a substantial part of the Company's balance sheet is denominated in currencies other than the Turkish Lira (principally the US dollar and Euro).

Liquidity Risk

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

The Company obtains funds from its bankers and its major shareholder if short of liquidity.

m. Offsetting

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

n. Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

o. Dividends

Dividends receivable are recognised as income in the period when they are declared and dividends payable are recognised as an appropriation of profit in the period in which they are declared.

p. Earnings per Share

The weighted average number of shares outstanding during 2003 and 2002 and the basic earnings per share calculation is as follows:

	2003	2002
Weighted average number of shares	25,000	20,000
Net profit (TL Billion)	23,640	7,010
Basic Earnings per share (TL)	945.60	350.50

4. CASH AND CASH EQUIVALENTS

	31 December 2003 TL Billion	31 December 2002 TL Billion
Cash	1	-
Demand deposits	6,981	25,409
Time deposits	28,145	32,641
	<u>35,127</u>	<u>58,050</u>

The details of time deposits as of 31 December 2003 are as follows:

Time Deposits:			31 December 2003 TL Billion
Currency	Interest rate	Maturity	
TL	26%	02-05.01.2004	11,235
US\$	1.25-4.65%	02-22.01.2004	7,637
EURO	2-4.65	02-22.01.2004	9,273
			<u>28,145</u>

As of 31 December 2003, TL 11,139 Billion (31 December 2002: TL 206 Billion) of total TL deposits and TL 6,659 Billion (31 December 2002: TL 14,407 Billion) of total foreign currency deposits consist of accounts at Türkiye İş Bankası, main shareholder.

5. SECURITIES HELD FOR TRADING (Net)

	31 December 2003 TL Billion	31 December 2002 TL Billion
Equity shares	25	36
Government bonds	11,697	10,431
	<u>11,722</u>	<u>10,467</u>
	Nominal Value TL Billion	31 December 2003 TL Billion
Government bonds	11,500	10,224
Eurobond	1,000,000 US Dollar	1,473
		<u>11,697</u>

The maturities vary between January-September 2004. The maturity of the Eurobond is November 2004.

6. LEASING RECEIVABLES (Net)

31 December 2003	Current TL Billion	Non-Current TL Billion	Total TL Billion
Invoiced leased rental receivables	23,560	-	23,560
Uninvoiced leased rental receivables	191,908	154,379	346,287
Less: Unearned interest income	(28,292)	(19,617)	(47,909)
Less: Allowance for possible losses	(12,080)	(12,930)	(25,010)
Net Financial Leasing Receivables	<u>175,096</u>	<u>121,832</u>	<u>296,928</u>

Allowance for possible losses includes general provision amounting to TL 3,002 Billion.

31 December 2002	Current TL Billion	Non-Current TL Billion	Total TL Billion
Invoiced leased rental receivables	35,544	-	35,544
Uninvoiced leased rental receivables	171,250	143,017	314,267
Less: Unearned interest income	(24,376)	(20,358)	(44,734)
Less: Allowance for possible losses	(20,269)	(13,629)	(33,898)
Net Financial Leasing Receivables	<u>162,149</u>	<u>109,030</u>	<u>271,179</u>

The distribution of uninvoiced rental receivables as of 31 December 2003 is as follows:

TL Billion	2004	2005	2006	2007	2008	2009	Total
Leasing receivables							
Principal	163,616	86,153	33,793	13,893	720	203	298,378
Unearned interest	28,292	13,193	5,384	901	129	10	47,909
Total	<u>191,908</u>	<u>99,346</u>	<u>39,177</u>	<u>14,794</u>	<u>849</u>	<u>213</u>	<u>346,287</u>

As of 31 December 2003, the distribution of uninvoiced rental receivables according to foreign currency types is as follows:

Foreign Currency	Principle Foreign Currency	Principle TL Billion	Unearned Interest Foreign Currency	Unearned Interest TL Billion
US Dollar	81,869	114,276	10,723	14,968
Euro	97,356	169,893	16,485	28,767
TL	-	14,209	-	4,174
Total		<u>298,378</u>		<u>47,909</u>

As of December 31, 2003 the average interest rates of lease receivables denominated all in foreign currency are 12.26% for US\$ and 12.19% for EUR (2002 - 13.28% for US\$ and 13.09% for EUR), respectively.

7. OTHER RECEIVABLES AND CURRENT ASSETS (NET)

	31 December 2003 TL Billion	31 December 2002 TL Billion
Loan receivable from a related party (*)	42,466	57,352
Advances given to suppliers	3,832	5,022
Deductible and other VAT	3,420	1,418
Assets held for resale	494	696
Other	497	838
	<u>50,709</u>	<u>65,326</u>

(*) This receivable represents a loan amounting to U.S. Dollars 30,000,000 provided by Karya to a related party (Cam-İş Yatırım Holding A.Ş.). As of 31 December 2003 an income accrual amounting to TL 591 Billion (31 December 2002: TL 1,480 Billion) is also included in the loan amount. The loan bears an interest rate of 4.75% and the maturity of the loan is 2005.

8. AVAILABLE FOR SALE ASSETS (Net)

Name of the Company	31 December 2003		31 December 2002	
	TL Billion	Share (%)	TL Billion	Share (%)
İş Yatırım Menkul Değerler A.Ş. - (İş Yatırım)	2,536	3.0	2,326	3.0
İş Risk Sermayesi Yatırım Ortaklığı A.Ş.- (İş Risk)	4,400	7.5	4,400	7.5
Sinai Yatırım Bankası Yatırım Ortaklığı A.Ş. (Sinai Yatırım Ortaklığı)	44	2.0	44	2.0
Camiş Menkul Değerler A.Ş.	2	0.5	-	-
	<u>6,982</u>		<u>6,770</u>	
Less: Provision Sinai Yatırım Ortaklığı	(14)		(30)	
TOTAL	<u>6,968</u>		<u>6,740</u>	

As of 31 December 2003 and 31 December 2002, the listed equity investment Sinai Yatırım Ortaklığı is reflected at market value determined using last five day average prices at balance sheet dates.

9. EQUIPMENT TO BE LEASED

The Company purchases machinery and equipment from foreign and domestic vendors in relation to financial lease agreements signed in the current year for projects in progress at its customers, which will be completed in the subsequent year. As of 31 December 2003 and 31 December 2002, the equipment to be leased balance includes the cost of equipment to be leased as described above together with related expenses.

10. PROPERTY, PLANT AND EQUIPMENT (NET)

Acquisition cost	Vehicles TL Billion	Furniture and Fixtures TL Billion	Other Fixed Assets TL Billion	Total TL Billion
Opening balance 1 January 2003	400	1,612	1,306	3,318
Additions	135	128	65	328
Disposals	(43)	-	-	(43)
Closing balance 31 December 2003	<u>492</u>	<u>1,740</u>	<u>1,371</u>	<u>3,603</u>
Accumulated depreciation				
Opening balance 1 January 2003	(218)	(1,091)	(1,112)	(2,421)
Charge for the year	(66)	(168)	(67)	(301)
Disposals	38	-	-	38
Closing balance 31 December 2003	<u>(246)</u>	<u>(1,259)</u>	<u>(1,179)</u>	<u>(2,684)</u>
Net book value at 31 December 2003	246	481	192	919
Net book value at 31 December 2002	182	521	194	897

11. INTANGIBLE ASSETS (NET)

	31 December 2003
	Leasehold Improvements TL Billion
Acquisition cost	
Opening balance 1 January 2003	1,628
Additions	-
Disposals	-
Closing balance 31 December 2003	<u>1,628</u>
Accumulated depreciation	
Opening balance 1 January 2003	(531)
Charge for the year	(324)
Disposals	-
Closing balance 31 December 2003	<u>(855)</u>
Net book value at 31 December 2003	773
Net book value at 31 December 2002	1,097

12. BORROWINGS

	31 December 2003 TL Billion	31 December 2002 TL Billion
Short term bank loans	176,245	68,489
Current portion of long term loans	7,833	78,032
Total short term borrowings	<u>184,078</u>	<u>146,521</u>
Long term portion of long term loans	153,709	221,928
Total Borrowings	<u>337,787</u>	<u>368,449</u>

Analysis of loan repayments is as follows:

	31 December 2003	31 December 2002
Within one year	184,078	146,521
Between one to two years	141,738	149,910
Between two to three years	6,814	64,329
Between three to four years	2,024	4,697
After four years	3,133	2,992
	<u>337,787</u>	<u>368,449</u>

Short-Term bank loans consist of the following:

Currency Type	Interest Rate %	Currency Amount	31 December 2003 TL Billion
US\$	4.2-7.5	48,895,398	68,250
EURO	4.6-7.2	59,548,696	103,917
TL			28
Interest accrual on loans			<u>4,050</u>
			<u>176,245</u>

Current portion of long term bank loans consist of the following:

Currency Type	Interest Rate %	Currency Amount	31 December 2003 TL Billion
US\$	2.0-3.9	1,514,167	2,113
EURO	2.5-8.9	3,277,777	<u>5,720</u>
			<u>7,833</u>

Long-term bank loans consist of the following:

Currency Type	Interest Rate %	Currency Amount	31 December 2003 TL Billion
US\$	2.0-5.4	67,655,466	94,436
EURO	2.5-8.9	33,965,922	<u>59,273</u>
			<u>153,709</u>

13. TAXATION ON INCOME

	31 December 2003 TL Billion	31 December 2002 TL Billion
Balance Sheet: Current Tax Payable		
Current corporate and income tax	-	1,153
Less: Prepaid taxes and funds	-	(48)
	<u>-</u>	<u>1,105</u>
Income Statement: Taxation		
Current income tax	-	(1,153)
Deferred tax charge (benefit)	<u>(1,291)</u>	<u>(3,020)</u>
	<u>(1,291)</u>	<u>(4,173)</u>

The Company is subject to corporation and income withholding taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the period.

Corporation tax is applied at the rate of 30% on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received, other exempt income and investment incentives utilized. In 2002 and prior years, a 10% surcharge of funds contribution on corporate tax was calculated, raising the effective tax rate to 33%. However, there will be no funds surcharge on corporate and income taxes declared subsequent to 1 January 2004 for the 2003 taxation period.

In addition to corporate taxes, companies should also calculate income withholding taxes and funds on any dividends distributed, except for companies which include dividends received in their corporate income taxes declared. The rate of withholding income tax was announced as 10% starting from 24 April 2003. Starting from 1 January 2004, there will be no funds surcharge on dividends distributed. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Income withholding tax was also calculated in 2002 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not. Such withholding tax has been removed in general. However, 19.8% withholding tax is still applied to investment incentive deductions relating to investment incentive certificates obtained prior to 24 April 2003.

Moreover, according to the Law No. 5024 published on 30 December 2003, it is stated that taxable profit will be calculated on inflation adjusted financial statements after 1 January 2004. The difference between the adjusted asset total and the total of adjusted capital, adjusted premium in excess of par and liabilities will be recorded to prior year profit and losses account. The prior year profit and losses account will not be subject to taxation and prior year losses will not be accepted as a tax-deductible loss. However, unused prior year losses in tax declarations belonging to the year 2003 and previous years, will be taken into consideration at their recorded amounts.

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements.

Temporary differences occur between the years in which certain items of income and expense are recorded for accounting and for tax purposes. There are temporary differences resulting from the leasing adjustment, restatement of property, plant and equipment (except land) and intangible fixed assets, investment incentives benefited, allowances and retirement pay provision.

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are only provided to the extent if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Provision is allocated for the deferred tax assets if the utilization is not probable.

Deferred taxation is calculated at a rate of 19.8% due to the investment incentives (2002: 19.8%).

	31 December 2003 TL Billion	31 December 2002 TL Billion
Components of Deferred Tax (Assets)/Liabilities:		
Restatement of fixed assets	-	183
Retirement pay provision	(36)	(61)
Leasing adjustment	<u>(3,291)</u>	<u>(1,310)</u>
Other	-	(103)
	<u>(3,327)</u>	<u>(1,291)</u>
Valuation allowance for deferred tax assets	<u>3,327</u>	-
	<u>-</u>	<u>(1,291)</u>

14. COMMITMENTS AND CONTINGENCIES

Letters of guarantee given to customs, authorities and banks as of 31 December 2003 amounted to TL 83,092 Billion (31 December 2002: TL 74,425 Billion).

As of 31 December 2003, the Company has given guarantees in the amount of US\$ 17,655,000 and EURO 10,340,400 (31 December 2002: US\$ 66,215,000 and EURO 23,805,800) on behalf of Karya for bank borrowings.

As of 31 December 2003, the total risk of court cases opened and currently pending against the Company amounts to approximately TL 362 Billion (31 December 2002: TL 108 Billion). The Company provided a reserve amounting to TL 29 Billion (31 December 2002: TL 33 Billion).

15. SHAREHOLDERS' EQUITY AND LEGAL RESERVE

As of 31 December 2003 and 2002 the share capital is held as follows:

Shareholders	(%)	31 December 2003 TL Billion	(%)	31 December 2002 TL Billion
Türkiye İş Bankası A.Ş.	35.29	8,823	35.29	7,059
Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB)	30.00	7,500	30.00	6,000
Publicly traded	29.41	7,353	29.41	5,883
Camış Sigorta A.Ş.	2.65	662	2.65	529
Nemtaş Nemrut Liman İşletmeleri A.Ş.	2.65	662	2.65	529
Historical Capital	100.00	25,000	100.00	20,000
Inflation adjustment		38,672		38,603
Restated Capital		63,672		58,603

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

The legal reserves and retained earnings of the Company in its legal books, as of 31 December 2003 and 2002 were as follows:

	31 December 2003 TL Billion	31 December 2002 TL Billion
Legal reserves	840	608
General reserves	5,434	5,628

16. SUBSEQUENT EVENT

The termination indemnity ceiling has increased to TL 1,485,430,000 effective from 1 January 2004.

17. FINANCIAL INCOME/(EXPENSES) (Net)

	31 December 2003 TL Billion	31 December 2002 TL Billion
Foreign exchange gains/(losses) (net)	13,689	(34,804)
Interest income	10,606	10,336
Interest expenses	(18,490)	(19,549)
Commission income (net)	742	1,548
	6,547	(42,469)

18. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2003 TL Billion	31 December 2002 TL Billion
Personnel expenses	2,266	1,920
Depreciation	625	632
Other expenses	2,846	3,664
	5,737	6,216

19. OTHER INCOME /(EXPENSES) (Net)

	31 December 2003 TL Billion	31 December 2002 TL Billion
Provision expenses	(2,973)	(6,587)
Notary expenses	1,670	1,128
Dividend income	258	814
Other	1,393	270
	348	(4,375)

20. RELATED COMPANY BALANCES AND SIGNIFICANT TRANSACTIONS

	31 December 2003 TL Billion	31 December 2002 TL Billion
Banks		
Türkiye İş Bankası A.Ş.	17,798	14,253
	17,798	14,253
Leasing Receivables		
Gemport Gemlik Liman İşletmeleri A.Ş.	9,543	22,403
Türkiye İş Bankası A.Ş.	5,147	5,704
İş-Tim Telekomünikasyon Hizmetleri A.Ş.	4,262	9,519
İş Koray Turizm Ormanlık Madencilik	4,160	5,551
Bayek Tedavi Sağlık Hizmetleri ve İşletmesi A.Ş.	1,503	2,027
Petrol Ofisi A.Ş.	1,502	2,624
Anadolu Anonim Türk Sigorta A.Ş.	772	196
Other	1,037	2,361
	27,926	50,385
Payables to related parties		
Anadolu Anonim Türk Sigorta A.Ş.	2,678	2,326
Türkiye İş Bankası A.Ş.	419	199
Türkiye Sınai Kalkınma Bankası A.Ş.	256	7
İş Koray Turizm Ormanlık Madencilik	58	309
Other	82	104
	3,493	2,945
Loans Given to Related Parties		
Camış Yatırım Holding A.Ş.	42,466	57,352
Loans Borrowed from Related Parties		
Türkiye İş Bankası A.Ş.	130,328	164,396
Türkiye Sınai Kalkınma Bankası A.Ş.	5,815	-
	136,143	164,396
Leasing Income		
Gemport Gemlik Liman İşletmeleri A.Ş.	1,925	983
İş-Tim Telekomünikasyon Hizmetleri A.Ş.	774	1,085
İş Koray Turizm Ormanlık Madencilik	560	287
Petrol Ofisi A.Ş.	483	447
Türkiye İş Bankası A.Ş.	439	623
Bayek Tedavi Sağlık Hizmetleri ve İşletmesi A.Ş.	249	237
Anadolu Anonim Türk Sigorta A.Ş.	36	167
Other	260	651
	4,726	4,480
Interest Income		
Camış Yatırım Holding A.Ş.	3,131	-
İş Yatırım	1,475	2
Türkiye İş Bankası A.Ş.	515	2,010
	5,121	2,012
Interest Expenses		
Türkiye İş Bankası A.Ş.	6,903	11,395
Türkiye Sınai Kalkınma Bankası A.Ş.	242	191
	7,145	11,586
Rent Expense		
İş Gayrimenkul Yatırım Ortaklığı	691	1,003
Commission Income		
Anadolu Anonim Türk Sigorta A.Ş.	769	419