

**İŞ FİNANSAL KİRALAMA A.Ş.
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2006

(Translated into English from
the Original Turkish Report)

CONTENTS

PAGE NUMBER

Consolidated Balance Sheets.....	1	-	2
Consolidated Statements of Income.....			3
Consolidated Shareholder's Equity Movement.....			4
Notes to the Financial Statements.....	5	-	35
Note 1 Organization and Operations of the Group.....			5
Note 2 Basis of the Financial Statements.....	5	-	8
Note 3 Summary of Significant Accounting Policies.....	8	-	15
Note 4 Cash and Cash Equivalents.....			16
Note 5 Marketable Securities (Net).....			16
Note 6 Borrowings.....	17	-	18
Note 7 Trade Receivables and Payables (Net).....			18
Note 8 Finance Lease Receivables and Payables.....	18	-	20
Note 9 Due from/to Related Parties (Net).....	20	-	21
Note 10 Other Receivables and Payables.....			22
Note 11 Biological Assets.....			22
Note 12 Inventories.....			22
Note 13 Receivables from Ongoing Construction Contracts.....			22
Note 14 Deferred Tax Asset and Liabilities.....			22
Note 15 Other Current/Non-current Assets and Other Current/Non-current Liabilities.....			23
Note 16 Financial Assets.....			23
Note 17 Positive/Negative Goodwill.....			24
Note 18 Investment Properties.....			24
Note 19 Property Plant and Equipment (Net).....			24
Note 20 Intangible Assets (Net).....			25
Note 21 Advances Received.....			25
Note 22 Retirement Plans.....			25
Note 23 Provisions.....			26
Note 24 Minority Interest.....			26
Note 25 Capital/Treasury Stock.....			26
Note 26 Capital Reserves.....			26
Note 27 Profit Reserves.....			27
Note 28 Retained Earnings.....			27
Note 29 Foreign Currency Position.....	27	-	28
Note 30 Government Grants and Incentives.....			28
Note 31 Commitments and Contingencies.....			28
Note 32 Mergers and Acquisitions.....			28
Note 33 Segmental Information.....			29
Note 34 Subsequent Events.....			29
Note 35 Discontinued Operations.....			29
Note 36 Operating Income.....			29
Note 37 Operating Expenses.....			30
Note 38 Other Operating Income/Expense and Profit/Loss.....			30
Note 39 Finance Income (Net).....			30
Note 40 Net Monetary Gain / (Loss).....			31
Note 41 Taxation.....	31	-	33
Note 42 Earnings per Share.....			33
Note 43 Statement of Cash Flow.....			34
Note 44 Other Issues.....			35

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

FOR THE PERIODS ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

ASSETS	Note	31 March 2005 <u>Unaudited</u>	31 December 2005 <u>Audited</u>
Current Assets		481.151	413.882
Liquid assets	4	105.858	71.329
Marketable securities (net)	5	53	13
Trade receivables (net)		-	-
Finance lease receivables	8	308.240	295.675
Due from related parties (net) (*)	9	-	-
Other receivables (net)	10	12.350	16.098
Biological assets		-	-
Inventories (net)		-	-
Receivables from ongoing construction contracts		-	-
Deferred tax assets		-	-
Other current assets	15	54.650	30.767
Long-term Assets		324.148	319.508
Trade receivables (net)		-	-
Finance lease receivables	8	315.791	311.140
Due from related parties (net)		-	-
Other receivables (net)	10	-	-
Financial assets (net)	16	7.238	7.068
Positive / (negative) goodwill (net)	17	166	166
Investment properties		-	-
Tangible assets (net)	19	787	898
Intangible assets (net)	20	140	213
Deferred tax assets	14	26	23
Other long-term assets (net)		-	-
TOTAL ASSETS		805.299	733.390

(*) Receivables due from related parties in Note 9 are included in finance lease receivables.

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

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

FOR THE PERIODS ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

LIABILITIES	Note	31 March 2006 <u>Unaudited</u>	31 December 2005 <u>Audited</u>
Short-term Liabilities		417.927	325.233
Short-term borrowings (net)	6	308.767	229.486
Short-term portions of long-term borrowings (net)	6	84.027	70.163
Finance lease payables (net)	8	29	39
Other financial liabilities (net)		-	-
Trade payables (net)	7	8.756	13.426
Due to related parties (net) (*)	9	-	-
Advances received	21	14.835	11.488
Ongoing construction progress payments (net)		-	-
Provisions		96	161
Deferred tax liabilities		-	-
Other short-term liabilities (net)	15	1.417	470
Long-term Liabilities		242.675	273.652
Long-term borrowings (net)	6	242.273	273.273
Finance lease payables (net)		-	-
Other financial liabilities (net)		-	-
Trade payables (net)		-	-
Due to related parties (net)		-	-
Advances received		-	-
Provisions	23	402	379
Deferred tax liabilities	14	-	-
Other long-term liabilities (net)		-	-
Minority share	24	4.773	4.726
Shareholders' Equity		139.924	129.779
Capital / Treasury stock	26	50.000	50.000
Capital reserves	26	31.495	31.365
- Premium in excess of par		-	-
- Gain on cancellation of equity shares		-	-
- Revaluation fund		-	-
- Valuation fund on financial assets		129	(1)
- Shareholders' equity inflation restatement differences		31.366	31.366
Profit reserves	27	8.507	7.722
- Legal reserves		3.166	2.381
- Statutory reserves		-	-
- Extraordinary reserves		5.434	5.434
- Special reserves		-	-
- Currency translation reserve		(93)	(93)
Net profit for the period		10.015	40.022
Retained earnings	28	39.907	670
TOTAL LIABILITIES and SHAREHOLDER' S EQUITY		805.299	733.390

(*) Payables due to related parties in Note 9 are included in trade payables and advances received.

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

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 31 MARCH 2006 AND 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

INCOME STATEMENT	Note	1 January 2006 - 31 March 2006 <u>Unaudited</u>	1 January 2005 - 31 March 2005 <u>Unaudited</u>
OPERATING INCOME			
Sales revenue (net)	36	25.775	11.767
Cost of sales (-)		-	-
Income from services (net)		-	-
Other operating income (net)		-	-
		<hr/>	<hr/>
GROSS PROFIT / (LOSS)		25.775	11.767
Operating expenses (-)	37	(2.795)	(2.388)
		<hr/>	<hr/>
NET OPERATING PROFIT / LOSS		22.980	9.379
Other income and profit	38	2.318	2.294
Other expenses and losses (-)	38	(1.635)	(395)
Finance income and expenses (net)	39	(13.507)	(2.077)
		<hr/>	<hr/>
OPERATING PROFIT / LOSS		10.156	9.201
Net monetary gain / (loss)			
Minority interest	24	(48)	(45)
		<hr/>	<hr/>
PROFIT BEFORE TAXATION		10.108	9.155
Taxation		(93)	-
		<hr/>	<hr/>
NET PROFIT FOR THE PERIOD	42	10.015	9.155
EARNINGS PER SHARE (NTL)	42	200,30	183,10

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

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED 31 MARCH 2006 AND 2005

(Amounts are expressed in thousand of New Turkish Lira ("NTL") unless otherwise indicated.)

	<u>Capital</u>	<u>Decrease in fair value of available for sale</u>	<u>Legal reserves</u>	<u>Extraordinary reserves</u>	<u>Translation reserves</u>	<u>Shareholders equity inflation restatement differences</u>	<u>Accumulated profit/loss</u>	<u>Total</u>
As of 1 January 2005	25.000	-	840	5.434	(93)	52.335	6.242	89.758
Reserves	-	-	1.541	-	-	-	(1.541)	-
Translation reserves	-	-	-	-	15	-	-	15
Net profit for the period	-	-	-	-	-	-	9.155	9.155
As of 31 March 2005	25.000	-	2.381	5.434	(78)	52.335	13.856	98.928
Capital increase (*)	25.000	-	-	-	-	(20.969)	(4.031)	-
Translation reserves	-	-	-	-	(15)	-	-	(15)
Decrease in fair value of available for sale	-	(1)	-	-	-	-	-	(1)
Net profit for the period	-	-	-	-	-	-	30.867	30.867
As of 31 December 2005	50.000	(1)	2.381	5.434	(93)	31.366	40.692	129.779
Reserves	-	-	785	-	-	-	(785)	-
Decrease in fair value of available for sale	-	130	-	-	-	-	-	130
Net profit for the period	-	-	-	-	-	-	10.015	10.015
As of 31 December 2005	50.000	129	3.166	5.434	(93)	31.366	49.922	139.924

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

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

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 in 1988. The head office of İş Leasing is located at İş Kuleler Kule: 2 Flat: 10 34330 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 Company has purchased nominal shares of İş Faktoring Finansman Hizmetleri A.Ş. amounting to NTL 12.517 thousand with a price of US \$ 10.952.375 as of 11 August 2004. The shareholding rate on this subsidiary is 78,22%. Positive goodwill has been occurred amounting to NTL 169 thousand on purchased equity of NTL 16.603.154. Net amount of goodwill as at the balance sheet date is NTL 166 thousand.

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

The shares of the Company are listed at the Istanbul Stock Exchange.

As of 31 March 2006, the Company employs 80 persons.

2. BASIS OF THE FINANCIAL STATEMENTS

Accounting Standards Applied

The Capital Markets Board (“CMB”) has published Communiqué No: XI/25 “Communiqué on Capital Markets Accounting Standards” on 15 November 2003. This Communiqué is applicable for the financial statements which will be prepared after 1 January 2005.

The Group maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation.

Communiqué No: XI/25 “Communiqué on Capital Markets Accounting Standards” issued by the CMB, provides a detailed set of accounting principles. The Communiqué declared that as an alternative the compliance with accounting standards issued by International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC) will be counted as in compliance to the CMB Accounting Standards. The accompanying consolidated financial statements were prepared in accordance with the above mentioned alternative application permitted by CMB. The CMB declared that; for the companies operated in Turkey and subject to CMB rules, the inflation accounting has been ceased beginning from 1 January 2005. Therefore, the Company did not apply inflation accounting beginning from 1 January 2005.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

2. BASIS OF THE FINANCIAL STATEMENTS (cont’d)

Inflation Accounting

Financials statements as of 31 December 2004 include restatement adjustments made to compensate the effect of changes in the general purchasing power of the Turkish Lira, 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. The CMB resolved in the meeting numbered 11/367 dated 17 March 2005 that hyperinflationary period is over. In addition, the other criteria regarding the continuity of hyperinflationary period deemed to be no longer valid and therefore, preparation of financial statements according to inflation accounting has been ceased in 2005.

Restatement adjustments as of 31 December 2004 have been made according to the wholesale price index published by the State Institute of Statistics. Such index and the conversion factors used to restate the accompanying financial statements as of 31 December 2004 are given below:

	<u>Index</u>	<u>Conversion Factor</u>
31 December 2001	4.951,7	1,6972
31 December 2002	6.478,8	1,2971
31 December 2003	7.382,1	1,1384
31 December 2004	8.403,8	1,0000

At 31 March 2006 the exchange rate announced by the Turkish Central Bank was NTL 1,3427 = US\$ 1 (31 December 2005: NTL 1,3418 = 1 US\$).

The main guidelines for IAS 29 as of 31 December 2004 are as follows.

- All balance sheet amounts as of 31 December 2004 expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (the WPI).
- As of 31 December 2004, monetary assets and liabilities were 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.
- As of 31 December 2004 non-monetary assets and liabilities were 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 calculated at their restated amounts. The components of shareholders’ equity are restated by applying the applicable general price index from the dates when components were contributed or otherwise arose.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

2. BASIS OF THE FINANCIAL STATEMENTS (cont’d)

Inflation Accounting (cont’d)

- The gain or loss on the net monetary position as of 31 December 2004, was 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 was included in net income.

The New Turkish Lira:

A new law number 5083 on the Monetary Unit of the Republic of Turkey was enacted with effect from 1 January 2005, which deletes six zeroes from the former currency of the Turkish Republic, the Turkish Lira (“TL”), to form a new currency the New Turkish Lira (“NTL”). Thus 1 NTL = 1.000.000 TL. The New Turkish Lira is divided into 100 New Turkish cents (“YKr”). As per the CMB decision MSD-10/832-43399 dated 1 December 2004, the financial statements to be publicly announced in 2005 should be prepared in the NTL monetary unit including comparatives. Accordingly, the accompanying consolidated financial statements are presented in the NTL.

Consolidation Principles:

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

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 into the New Turkish Lira.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

2. BASIS OF THE FINANCIAL STATEMENTS (cont’d)

Comparative information and adjustments made in previous periods’ consolidated financial statements:

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Revenue recognition:

Leasing Receivables: The initial value at the beginning of the leasing period of the assets that are subject to leasing under the Leasing Law are represented as leasing receivables in the balance sheet. Financial revenues that are the spread between the total leasing receivables and the real value of the assets subject to leasing are recorded in the related period with the receivables of each accounting period distributed over the related period via the fixed interest rate throughout the duration of the leasing agreement.

b. Inventory:

None.

c. Tangible Assets:

Property, plant and equipment and intangible assets purchased before 1 January 2005 are carried at indexed historical cost and purchases in 2005 are carried at historical cost, less accumulated depreciation and impairment.

Property, plant and equipment are depreciated principally on a straight-line basis considering expected useful lives, acquisition and assembly dates. Expected useful lives which have been used by the Group are summarized below:

Vehicles	5 years
Furniture and fittings	5 years
Computer software	5 years
Leasehold improvements	5 years

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c. Tangible Assets: (cont'd)

Expenses for the repair of property, plant and equipment are normally charged against income.

d. Intangible Assets:

Intangible assets that are acquired before 1 January 2005 are carried with their restated cost as of 31 December 2004; and intangible assets that are acquired after 1 January 2005 are carried with their cost, less accumulated amortization and impairment.

Intangible assets are amortized principally on a straight-line basis considering expected useful lives. Related intangible assets are depreciated when they are ready to use. The useful lives used for intangible assets are 5 years.

e. Impairment of Assets:

At each balance sheet date, assets other than deferred tax and financial assets are investigated whether there is an indication which requires impairment of the asset or not. If there is such an indication, recoverable amount of that asset is estimated. If the carrying amount of an asset exceeds its recoverable amount, allowance for impairment should be provided. Recoverable amount of an asset is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash 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 borrowing costs are recorded in the income statement in the period in which they are incurred.

g. Financial Instruments:

Financial assets are recognized on a trade-date basis and are initially measured at cost.

At subsequent reporting periods, debt securities that the Company has the expressed intention and ability to hold to maturity are measured at amortized cost, less any impairment loss recognized to reflect irrecoverable amounts.

Financial assets other than held-to-maturity debt securities are classified as either held for trading or available-for-sale and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, unrealized gains and losses are included in net profit or loss for the period. For available-for-sale investments, unrealized gains and losses are recognized directly in equity, until the security is decided to be disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. The investments which are not traded in an active market and whose fair value can not be measured via other valuation methodologies are measured at their indexed cost in the accompanying consolidated financial statements.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g. Financial Instruments (cont'd):

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, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented in this report 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 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 the 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.

Cash and bank balances: 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.

Financial Assets: 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 and trade payables along with the related allowances for uncollectibility and carrying values of receivables and payables with certain credit terms are estimated to be their fair values.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

g. Financial Instruments (cont'd):

Finance lease receivables and payables: Book values of the finance lease receivables based on the relevant leasing contracts 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 due to and due from related parties are estimated to be their fair value except the ones having certain credit terms and discounted to their present values.

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. 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.

During its operations, the Group uses financial instruments, such as letter of credits, which have off balance sheet risks. The possible loss from these instruments to the Group is equal to the amount on the instruments contracts.

h. Credit Risk

The Group'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 Group's management based on prior experience and the current economic environment. The credit risk on liquid funds is limited to the extent the funds are invested in time deposits for short term purposes.

i. Market Risk

Market risk is the fluctuations in interest rates, currency exchange rates or the price of marketable securities and other financial agreements that have an adverse financial impact on the Group. Main risks within the Group's activities are interest rate and exchange rate risks. Turkish interest rates can be volatile, and a substantial part of the Group's balance sheet is denominated in currencies other than the Turkish Lira (principally the US dollar and Euro).

j. Liquidity Risk

The Group is generally raising funds by liquidating its short term financial instruments such as collecting its receivables and turning into cash its bank balances. The Group's proceedings from these instruments are carried at their fair values in the books.

The Group obtains funds from its bankers if short of liquidity.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

k. Mergers and Acquisitions:

Within the framework of IFRS 3 “Mergers and Acquisitions”, goodwill arising from the acquisitions after March 31, 2004 is not amortized and for the carrying value of the goodwill amount, an impairment analysis is performed at each balance sheet period. Yet, if the Group’s share in the fair value the assets and liabilities that can be identified out of the acquisitions after March 31, 2004 are exceeding the acquisition value, this amount is recorded as revenue in the period it occurred. Within the framework of IFRS 3, starting with the beginning of the first annual accounting period ending after March 31,2004 (that is January 1, 2005), the Group ceased to amortize goodwill out of transactions before March 31, 2004, and the effect of any impairment regarding this goodwill amount is reflected on the period end (closing) figures.

l. Foreign Currency Transactions:

The transactions in foreign currencies are translated into the New 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 financial statements.

m. Earnings per Share:

In accordance with the part 16 of Capital Market Board Communiqué No: XI/25, “Earnings per share” issued by CMB, it is required that the companies publicly traded or in the process of public offer should disclose the earnings per share which is determined by excluding the items which might cause distortion in the net profit of the companies. The Earning per share figure disclosed in the accompanying consolidated financial statements is calculated by dividing the net profit into the total number of common shares which represent the Group’s share capital.

n. Subsequent Events:

Subsequent events cover any events which arise between the reporting date and the balance sheet date, even occurred after any declaration of the net profit for the period or specific financial information publicly disclosed.

The Group adjusts its consolidated financial statements if such subsequent events arise which require to adjust financial statements.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

o. Provisions, Contingent Liabilities and Contingent Assets:

In case of an existent liability that stems from a past event, that the redeeming of which would by any chance require outflow of resources bearing economic use from the enterprise, and that the amount of which is reliably estimated, provision is made for the subject liability in the financial statements. Contingent liabilities are regularly evaluated in order to see whether there is a probability of outflow of resources bearing economic use. Provision is booked in the financial statements for the items treated as contingent liabilities when the outflow of resources bearing economic use turns to be likely, except the cases when a reliable estimation is unavailable.

In such cases when the outflow of resources bearing economic use becomes likely but a reliable estimation is unavailable, the Group mentions the related liability in the notes to the financial statements.

The Group does not include the contingent assets in its financial statements.

p. Change in Accounting Policies, Accounting Estimates and Errors:

Changes in accounting policies or fundamental accounting errors are applied retrospectively and the consolidated financial statements for the prior periods are restated. If changes in accounting estimates relate only for one period, changes are applied in the current period but if changes in estimates relate more than one period, changes are applied both in the current and following periods prospectively.

q. Finance Lease:

- the Group as Lessee

Assets held under finance leases are recognized as assets of the Group 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.

- the Group as Lessor

Within the framework of the Turkish financial leasing law, the receivable of the lessor is included in the balance sheet same as initial value of the asset held under finance lease in the beginning of the leasing transaction. Finance lease income, which represents the difference between the total leasing receivables and the fair value of the assets leased, are recorded to the income statement over the term of the relevant lease so as to produce a constant periodic rate of income on the remaining balance of the receivables for each accounting period.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

r. Related Parties:

In the accompanying financial statements, shareholders of the Group, related 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.

s. Segmental Information:

Segmental information is prepared in business segment basis and the Group is in both leasing and factoring businesses.

t. Construction Agreements:

None.

u. Discontinued Operations:

None.

v. Government Grant and Incentives:

None.

y. Investment Properties:

None.

z. Taxation and Deferred Tax:

Taxes on income for the period comprise of the current tax and the change in deferred taxes. The Group calculates the taxes on income and deferred taxes on the basis of the period results, in conformity with the part 28 of the Communiqué No: XI/25 “Communiqué on Capital Market Accounting Standards” issued by the CMB.

Provision is made in the accompanying consolidated financial statements for the estimated corporate and income tax and other liabilities based on the Group’s results for the period. Current taxation is calculated from the statutory accounting profit by adding back non-deductible expenses and taking into consideration of the other income exemptions.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

z. Taxation and Deferred Tax (cont'd):

Deferred tax assets and liabilities are recognized in respect of material temporary timing 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. A provision is provided if it is not probable that future taxable profit will be available against which the deductible temporary difference 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.

aa. Employee Benefits / Retirement Pay Provision:

Under the Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. The total provision represents the vested benefit obligation as at the balance sheet date. Future retirement payments are discounted to their present value at the balance sheet date in accordance with the part 29 of the Communiqué No: XI/25 “Employee benefits” issued by the CMB and reflected to the accompanying consolidated financial statements.

ab. Retirement Plans:

None.

ac. Agricultural Operations:

None.

ad. Statement of Cash Flows:

The Group prepares its statement of cash flow as an integral part of the financial statements in order to inform financial statement users about the change in the assets, financial structure and the ability to direct cash flow amounts and timing according to the economic situation.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

4. LIQUID ASSETS

	<u>31 March 2006</u>	<u>31 December 2005</u>
Demand deposits	1.878	2.861
Time deposits	<u>103.980</u>	<u>68.468</u>
	<u>105.858</u>	<u>71.329</u>

The details of time deposits as of 31 March 2006 are as follows:

Time Deposits:

<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>31 March 2006</u>
NTL	14% - 16,90%	03.04 – 01.05.2005	78.338
US\$	4,5% - 5,25%	03.04 – 21.04.2005	13.590
EURO	2,25% - 3,5%	03.04 – 21.04.2005	12.052
			<u>103.980</u>

As of 31 March 2006, NTL 21.235 thousand of total foreign currency deposits (31 December 2005: NTL 65.480 thousand) and NTL 33.895 thousand (31 December 2005: NTL 4.188 thousand) of total NTL deposits consist of accounts at its main shareholder, Türkiye İş Bankası.

5. MARKETABLE SECURITIES (NET)

	<u>31 March 2006</u>	<u>31 December 2005</u>
Mutual funds	<u>53</u>	<u>13</u>
	<u>53</u>	<u>13</u>

The Group has T. İş Bankası A.Ş.’s mutual funds amounting to NTL 53 thousand.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

6. BORROWINGS

	<u>31 March 2006</u>	<u>31 December 2005</u>
<u>Short-term borrowings</u>		
Short-term borrowings	308.767	229.486
Short-term portions of long-term borrowings	84.027	70.163
Total short-term borrowings	<u>392.794</u>	<u>299.649</u>
<u>Long-term borrowings</u>		
Long-term portions of long-term borrowings	242.273	273.273
Total long-term borrowings	<u>242.273</u>	<u>273.273</u>
Total borrowings	<u>635.067</u>	<u>572.922</u>
	<u>31 March 2006</u>	<u>31 December 2005</u>
<u>Maturity analysis of borrowings</u>		
Within 1 year	392.794	299.649
Within 1-2 years	196.951	223.008
Within 2-3 years	42.659	47.576
Within 3-4 years	2.050	1.969
Over 4 years	613	720
TOTAL	<u>635.067</u>	<u>572.922</u>

The details of short-term borrowings are as follows:

<u>Currency Type</u>	<u>Interest Rate %</u>	<u>Currency Amount</u>	<u>31 March 2006</u>
YTL	13,90% - 14,15%		68.559
US\$	4,62% - 7,68	114.332.102	153.514
EURO	2,70% - 9,25%	48.121.353	78.010
Accruals			8.684
Total			<u>308.767</u>

The details of short- term portions of long-term borrowings are as follows:

<u>Currency Type</u>	<u>Interest Rate %</u>	<u>Currency Amount</u>	<u>31 March 2006</u>
US\$	3,98% - 7,56%	22.255.512	29.882
EURO	4,58% - 5,13	33.400.000	54.145
Total			<u>84.027</u>

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

6. BORROWINGS (cont’d)

The details of long-term borrowings are as follows:

<u>Currency Type</u>	<u>Interest Rate %</u>	<u>Currency Amount</u>	<u>31 March 2006</u>
US\$	3,98% - 7,56%	61.963.401	83.198
EURO	3,76% - 5,13%	98.127.778	159.075
Total			<u>242.273</u>

7. TRADE RECEIVABLES AND PAYABLES

<u>Trade payables</u>	<u>31 March 2006</u>	<u>31 December 2005</u>
Finance lease payables	5.499	9.153
Other trade payables (*)	3.257	4.273
	<u>8.756</u>	<u>13.426</u>

(*) The Group insures the equipments that are subject to the leasing transactions and pays for the relevant costs in installments. Other trade payables consist of the Group’s insurance premium payable and payable to suppliers resulting from daily operations of the Group.

8. FINANCE LEASE RECEIVABLES AND PAYABLES

Finance Lease Receivables

<u>31 March 2006</u>	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Invoiced leased rental receivables	21.654	-	21.654
Doubtful leasing receivables	28.541	-	28.541
Uninvoiced leased rental receivables	350.392	367.246	717.638
Less: Unearned interest income	(63.631)	(46.797)	(110.428)
Less: Allowance for possible loses (**)	(28.716)	(4.658)	(33.374)
Net financial leasing receivables	<u>308.240</u>	<u>315.791</u>	<u>624.031</u>

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

8. FINANCE LEASE RECEIVABLES AND PAYABLES (cont'd):

<u>31 December 2005</u>	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Invoiced leased rental receivables	21.558	-	21.558
Doubtful leasing receivables	24.356	-	24.356
Uninvoiced leased rental receivables	339.606	361.757	701.363
Less: Unearned interest income	(61.842)	(46.228)	(108.070)
Less: Allowance for possible loses	(28.003)	(4.389)	(32.392)
Net financial leasing receivables	<u>295.675</u>	<u>311.140</u>	<u>606.815</u>

The distribution of uninvoiced rental receivables according to their maturities as of 31 March 2006 is as follows:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 and after</u>	<u>Total</u>
Financial lease principal	274.977	249.686	131.228	46.260	11.719	3.768	717.638
Unearned interest	(51.519)	(37.461)	(15.316)	(4.899)	(1.036)	(197)	(110.428)
Total	<u>223.458</u>	<u>212.225</u>	<u>115.912</u>	<u>41.361</u>	<u>10.683</u>	<u>3.571</u>	<u>607.210</u>

As of 31 March 2006, the distribution of uninvoiced rental receivables according to foreign currency types is as follows:

<u>Foreign Currency</u>	<u>Principal Foreign Currency</u>	<u>Principal</u>	<u>Unearned Interest Foreign Currency</u>	<u>Unearned Interest</u>
US \$	148.256.240	199.064	19.750.769	26.519
EURO	145.678.529	236.159	21.125.108	34.246
NTL		171.987		49.663
Total		<u>607.210</u>		<u>110.428</u>

As of 31 March 2006, the average interest rates of lease receivables denominated all in foreign currency are 8,99% for US\$, 9,76% for EURO and %22,38 for NTL, respectively.(31 December 2005: 8,98% for US\$ and 10,18% for EURO and %23,31 for NTL).

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

8. FINANCE LEASE RECEIVABLES AND PAYABLES (cont'd):

Financial Lease Payables

	<u>31 March 2006</u>	<u>31 December 2005</u>
Financial lease payables	31	41
Less: Cost of deferred financial lease payable	(2)	(2)
Net Financial lease payable	<u>29</u>	<u>39</u>

9. DUE FROM / TO RELATED PARTIES (NET)

	<u>31 March 2006</u>	<u>31 December 2005</u>
<u>Financial Lease Receivables</u>		
Türkiye İş Bankası A.Ş.	88.029	87.216
Gemport Gemlik Liman İşletmeleri A.Ş.	1.983	2.676
İş Koray Turizm Ormancılık Madencilik	1.454	2.020
Bayek Tedavi Sağlık Hizmetleri ve İşletmesi A.Ş.	1.063	1.188
Anadolu Anonim Türk Sigorta A.Ş.	380	324
Other	2.958	2.075
Total	<u>95.867</u>	<u>95.499</u>

Payables to Related Parties

Anadolu Anonim Türk Sigorta A.Ş.	3.577	4.405
Türkiye İş Bankası A.Ş.	631	555
Türkiye Sınai Kalkınma Bankası A.Ş.	44	44
İş Koray Turizm Ormancılık Madencilik	5	16
Other	210	128
Total	<u>4.467</u>	<u>5.148</u>

Borrowings

Türkiye İş Bankası A.Ş.	228.465	230.461
Türkiye Sınai Kalkınma Bankası A.Ş.	5.183	5.021
Total	<u>233.648</u>	<u>235.482</u>

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

9. DUE FROM / TO RELATED PARTIES (NET) (cont'd)

	1 January 2006- 31 March 2006	1 January 2005- 31 March 2005
<u>Lease Interest Income</u>		
Türkiye İş Bankası A.Ş.	1.621	981
Gemport Gemlik Liman. İşl. A.Ş.	62	224
Petrol Ofisi A.Ş. (*)	-	100
İş Koray Turizm Ormancılık Madencilik	59	19
Avea İletişim Hizm. A.Ş. (Former name: İş-Tim)	-	49
Bayek Tedavi Sağlık Hizm. Ve İşl.A.Ş.	44	47
Anadolu Anonim Türk Sigorta A.Ş.	2	4
Other	60	10
Total	<u>1.848</u>	<u>1.434</u>
<u>Factoring Interest Income</u>		
Türkiye İş Bankası A.Ş.	-	1
Cam Pazarlama A.Ş.	-	22
Kültür Yayınları A.Ş.	-	2
Total	<u>-</u>	<u>25</u>
<u>Interest Income</u>		
Türkiye İş Bankası A.Ş.	598	41
İş Yatırım ve Menkul Değerler A.Ş.	-	791
Türkiye Sınai Kalkınma Bankası A.Ş.	33	-
Total	<u>631</u>	<u>832</u>
<u>Interest Expenses</u>		
Türkiye İş Bankası A.Ş.	3.054	3.240
Türkiye Sınai Kalkınma Bankası A.Ş.	78	65
Total	<u>3.132</u>	<u>3.305</u>
<u>Rent Expense</u>		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	201	200
<u>Commission Income</u>		
Anadolu Anonim Türk Sigorta A.Ş.	490	317

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

10. OTHER RECEIVABLES AND PAYABLES (NET)

	<u>31 March 2006</u>	<u>31 December 2005</u>
Factoring receivables (*)		
Short-term	12.350	16.098
Long-term	-	-
Doubtful factoring receivables	1.231	1.257
Doubtful factoring receivables provision	<u>(1.231)</u>	<u>(1.257)</u>
	<u>12.350</u>	<u>16.098</u>

(*) The balance consists of factoring receivables of the subsidiary İş Faktoring Finansman Hizmetleri A.Ş. which is owned by the Group with the ownership percentage of 78,22 %.

11. BIOLOGICAL ASSETS

None.

12. INVENTORIES

None.

13. RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS (NET)

None.

14. DEFERRED TAX ASSETS AND LIABILITIES (NET)

The Group recognizes deferred tax assets and liabilities based upon the temporary differences arising between its financial statements as reported for IFRS purposes and financials prepared according to the Turkish tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with IFRS and tax legislation. Deferred tax assets resulting from deductible temporary differences are not recognized or it is provided provision if it is not probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

	<u>31 March 2006</u>	<u>31 December 2005</u>
Deferred tax (liability) /asset	26	23

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

15. OTHER CURRENT / NON-CURRENT ASSETS AND OTHER CURRENT/ NON-CURRENT LIABILITIES

<u>Other current/ non-current assets</u>	<u>31 March 2006</u>	<u>31 December 2005</u>
Equipment to be leased (*)	16.421	6.941
Advances given	23.740	10.084
VAT deductible and other VAT	5.255	5.386
Assets held for sale	2.917	2.797
Other (**)	6.317	5.559
Total	<u>54.650</u>	<u>30.767</u>

(*) The Company purchases machinery and equipment from domestic and foreign suppliers on behalf of the lessees on the basis of the leasing contract terms. The balance includes the total amount paid for these machinery and equipment but not charged to the lessees yet as of 31 March 2006 and 31 December 2005.

(**) Regarding the disclosure amounting to NTL 4.265 thousand in other is expressed in Note 31.

<u>Other current/ non-current liabilities</u>	<u>31 March 2006</u>	<u>31 December 2005</u>
Social security premiums payable	262	280
Other short-term advances received	1.056	99
Litigation provisions	41	41
Other	58	50
Total	<u>1.417</u>	<u>470</u>

16. FINANCIAL ASSETS (NET)

<u>Name</u>	<u>31 March 2006</u>		<u>31 December 2005</u>	
	<u>000 NTL</u>	<u>Share (%)</u>	<u>000 NTL</u>	<u>Share (%)</u>
İş Yatırım Menkul Değerler A.Ş. - (İş Yatırım)	5.990	6,0	5.990	6,0
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (old name was İş Risk Sermayesi Yatırım Ortaklığı A.Ş.)	839	0,9	709	0,9
Camiş Menkul Değerler A.Ş.	2	0,5	2	0,5
TSKB Menkul Değerler A.Ş.	39	0,6	39	0,6
TSKB Gayrimenkul Yatırım Ortaklığı	40	0,04	-	-
İş Net Elektronik Bilgi Üretim Dağ. Tic. Ve İletişim Hiz. A.Ş. – (İş Net)	328	1,0	328	1,0
TOPLAM	<u>7.238</u>		<u>7.068</u>	

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

17. POSITIVE / (NEGATIVE) GOODWILL (NET)

The Company has purchased nominal shares of İş Faktoring Finansman Hizmetleri A.Ş. amounting to NTL 12.517 thousand with a price of US \$ 10.952.375 as of 11 August 2004. The shareholding rate on this subsidiary is 78,22 %. Positive goodwill has been occurred amounting to NTL 169 thousand on purchased equity of NTL 16.603.154. The net amount of goodwill as at the balance sheet date is NTL 166 thousand. Within the framework of IFRS 3 “Mergers and Acquisitions” which is effective from 1 January 2005, no amortization is applied to goodwill realized out of the acquisitions after December 31, 2004 for the annual periods beginning on or after 31 March 2004, and analysis of provision for impairment is performed as of each balance sheet date for goodwill.

18. INVESTMENT PROPERTIES

None.

19. TANGIBLE ASSETS (NET)

	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Other Tangible Assets</u>	<u>Total</u>
<u>Acquisition cost</u>				
Opening balance 1 January 2006	743	2.998	1.724	5.465
Additions		6	-	6
Disposals	(67)	-	-	(67)
Closing balance 31 March 2006	<u>676</u>	<u>3.004</u>	<u>1.724</u>	<u>5.404</u>
<u>Accumulated depreciation</u>				
Opening balance 1 January 2006	(375)	(2.664)	(1.528)	(4.567)
Charge for the period	(28)	(51)	(26)	(105)
Disposals	55	-	-	55
Closing balance 31 March 2006	<u>(348)</u>	<u>(2.715)</u>	<u>(1.554)</u>	<u>(4.617)</u>
Net book value as of 31 March 2006	328	289	170	787
Net book value as of 31 December 2005	368	334	196	898

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

20. INTANGIBLE ASSETS (NET)

	<u>Rights</u>	<u>Leasehold Improvements</u>	<u>Total</u>
<u>Acquisition cost</u>			
Opening balance 1 January 2006	159	2.459	2.618
Additions	-	-	
Disposals	-	-	
Closing balance 31 March 2006	<u>159</u>	<u>2.459</u>	<u>2.618</u>
<u>Accumulated amortization</u>			
Opening balance 1 January 2006	(156)	(2.249)	(2.405)
Charge for the period	(1)	(72)	(73)
Disposals	-	-	-
Closing balance 31 March 2006	<u>(157)</u>	<u>(2.321)</u>	<u>(2.478)</u>
Net book value as of 31 March 2006	2	138	140
Net book value as of 31 December 2005	3	210	213

21. ADVANCES RECEIVED

	<u>31 March 2006</u>	<u>31 December 2005</u>
Advances received (*)	14.835	11.488

(*) Advances received consist of the leasing advances received from lessees for the machinery and equipment which are not in use of the lessees, yet.

22. RETIREMENT BENEFITS

As of 31 March 2006 and 31 December 2005, there is no retirement plan.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

23. PROVISIONS

	<u>31 March 2006</u>	<u>31 December 2005</u>
Retirement pay provision	402	379

24. MINORITY SHARE

The Company owns 78,22% of İş Faktoring Finansman Hizmetleri A.Ş. Therefore, minority share is calculated from balance sheet and income statement of the subsidiary amounting to NTL 4.773 thousand (31 December 2005: NTL 4.726 thousand) and NTL 48 thousand, respectively as of 31 March 2006 (31 December 2005: NTL 331 thousand).

25. CAPITAL / TREASURY STOCK

The Company consolidates its subsidiaries with a full consolidation method. The carrying value of the subsidiaries are eliminated with the corresponding share capital amounts in the accompanying consolidated financial statements.

26. CAPITAL RESERVES

As of 31 March 2006 and 31 December 2005 capital reserves are as follows:

Capital

<u>Shareholders</u>	(%)	<u>31 March</u> <u>2006</u>	(%)	<u>31 December</u> <u>2005</u>
Türkiye İş Bankası A.Ş.	27,79	13.897	27,79	13.897
Türkiye Sınai Kalkınma Bankası A.Ş.(TSKB)	28,56	14.280	28,56	14.280
Publicly traded	41,85	20.923	41,85	20.923
Camiş Sigorta A.Ş.	0,90	450	0,90	450
Nemtaş Nemrut Liman İşletmeleri A.Ş.	0,90	450	0,90	450
Total	100,00	<u>50.000</u>	100,00	<u>50.000</u>

Capital Reserves

	<u>31 March</u> <u>2006</u>	<u>31 December</u> <u>2005</u>
Decrease in fair value of available for sale investments	129	(1)
Shareholders' equity inflation restatement differences	<u>31.366</u>	<u>31.366</u>
Capital (*)	26.516	26.516
Legal reserves	2.375	2.375
Extraordinary reserves	<u>2.475</u>	<u>2.475</u>
Total	<u>31.495</u>	<u>31.365</u>

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

27. PROFIT RESERVES

As of 31 March 2006 and 31 December 2005 profit reserves are as follows:

	<u>31 March 2006</u>	<u>31 December 2005</u>
Legal reserves	3.166	2.381
Extraordinary reserves	5.434	5.434
Currency translation reserve	(93)	(93)
Total	<u>8.507</u>	<u>7.722</u>

The legal reserves consist of the 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.

28. RETAINED EARNINGS

	<u>31 March 2006</u>	<u>31 December 2005</u>
Retained earnings	39.907	670

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

29. FOREIGN CURRENCY POSITION

Foreign currencies and receivables and payables denominated in foreign currencies as of 31 March 2006 are as follows:

<u>31 March 2006</u>	<u>US\$ 000</u>	<u>EUR 000</u>	<u>CHF 000</u>	<u>GBP 000</u>	<u>JPY 000</u>	<u>000 NTL</u>
Cash and cash equivalents	11.104	7.803	11	0,5	27	27.571
Finance lease receivables	149.961	147.585	-	-	-	440.603
Factoring receivables	943	294	-	-	-	1.743
Advances given	2.781	7.128	-	137	2.056	15.633
Equipment to be leased	4.942	2.469	-	-	-	10.638
Other Current assets	-	488	-	-	-	791
Financial liabilities	(202.251)	(181.753)	-	-	-	(566.202)
Advances received	(3.048)	(3.090)	-	-	-	(9.103)
Trade payables	(150)	(1.375)	-	-	-	(2.431)
Finance lease payables	(21)	-	-	-	-	(29)
Forward	19.000	-	-	-	-	25.511
Net foreign currency position						(55.275)

<u>31 December 2005</u>	<u>US\$ 000</u>	<u>EUR 000</u>	<u>CHF 000</u>	<u>GBP 000</u>	<u>JPY 000</u>	<u>000 NTL</u>
Cash and cash equivalents	19.488	12.953	11	-	27	46.724
Finance lease receivables	155.634	145.441	-	-	-	439.719
Factoring receivables	1.361	477	-	-	-	2.583
Advances given	529	4.010	-	-	41.523	7.549
Equipment to be leased	901	990	-	-	-	2.780
Financial liabilities	(200.738)	(175.187)	-	-	-	(547.459)
Advances received	(2.660)	(2.576)	-	-	-	(7.659)
Trade payables	(956)	(3.672)	-	-	-	(7.112)
Finance lease payables	(29)	-	-	-	-	(39)
Forward transactions	2.386	(2.000)	-	-	-	27
Net foreign currency position						(62.887)

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

30. GOVERNMENT GRANTS AND INCENTIVES

As of 31 March 2006 and 31 December 2005, there are no government grants and incentives.

31. COMMITMENTS AND CONTINGENCIES

A Letter of guarantee amounting to NTL 3.532 thousand (31 December 2005: NTL 2.670 thousand) is given to customs, authorities and banks.

As of 31 March 2006, the total risk of court cases opened and currently pending against the Company amounts to approximately NTL 255 thousand (31 December 2005: NTL 124 thousand). The Company provided a provision amounting to NTL 41 thousand (31 December 2005: NTL 41 thousand).

The Company's subsidiary, İş Faktoring Finansman Hizmetleri A.Ş., had a tax audit and tax penalty notifications were sent to İş Faktoring Finansman Hizmetleri A.Ş. within the context of article 16 in Corporate Tax Law. İş Faktoring A.Ş. has brought a lawsuit against the relevant authorities concerning the cancellation of the given tax penalty notifications and on condition of keeping a right to bring a lawsuit and given blocked cheques amounting to NTL 4.265 thousand to the tax office regarding the amounts claimed for the notifications. These blocked cheques have been journalized as other receivables in the accompanying financial statements. The Company management believes that, the case on trial as of the report date will be resulted in favor of the Company. Regarding this case, no provision is included in the accompanying financial statements.

32. MERGERS AND ACQUISITIONS

The Company has purchased nominal shares of İş Faktoring Finansman Hizmetleri A.Ş. amounting to NTL 12.517 thousand with a price of US \$ 10.952.375 as of 11 August 2004. The shareholding rate on this subsidiary is 78,22 %. During the current period, the Group does not have any merger and acquisition activities.

33. SEGMENTAL INFORMATION

As of 31 March 2006,

	<u>Leasing (*)</u>	<u>Factoring</u>	<u>Consolidation eliminations</u>	<u>Consolidated</u>
Total assets	787.093	34.812	(16.606)	805.299
Total liabilities	647.836	12.766	-	660.602
Net period profit	9.843	220	(48)	10.015

As of 31 December 2005,

	<u>Leasing (*)</u>	<u>Factoring</u>	<u>Consolidation eliminations</u>	<u>Consolidated</u>
Total assets	721.258	28.739	(16.607)	733.390
Total liabilities	591.845	7.050	-	598.895
Net period profit	38.831	1.522	(331)	40.022

(*) Consolidated figures of İş Finansal Kiralama A.Ş. and Karya Trading Ltd.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

34. SUBSEQUENT EVENTS

Capital increase decision of the Company from 50.000.000 NTL to 100.000.000 NTL was approved by General Assembly on 20 March 2006 . The Company made necessary applications to SPK for capital increase and the legal procedures are still going on.

35. DISCONTINUED OPERATIONS

As of 31 March 2005 and 31 December 2005, there is no discontinued operation.

36. OPERATING INCOME (NET)

	<u>1 January 2006- 31 March 2006</u>	<u>1 January 2005 - 31 March 2005</u>
Finance lease income		
-Interest Income	20.224	14.141
-Foreign exchange gains/ (losses)	4.884	(2.972)
Factoring income	667	598
	<u>25.775</u>	<u>11.767</u>

37. OPERATING EXPENSES

	<u>1 January 2006- 31 March 2006</u>	<u>1 January 2005 - 31 March 2005</u>
Personnel expenses	(1.710)	(1.444)
Depreciation expense	(178)	(229)
Other operating expenses	(907)	(715)
	<u>(2.795)</u>	<u>(2.388)</u>

38. OTHER INCOME / EXPENSE AND PROFIT / LOSSES

	<u>1 January 2006- 31 March 2006</u>	<u>1 January 2005 - 31 March 2005</u>
Other income/expense		
Interest income	1.822	1.583
Commission income	495	336
Other	1	375
	<u>2.318</u>	<u>2.294</u>

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

38. OTHER INCOME / EXPENSE AND PROFIT / LOSSES (cont'd)

	1 January 2006- 31 March 2006	1 January 2005 - 31 March 2005
Other operating losses		
Provision expense	(1.443)	(282)
Other	(192)	(113)
	<u>(1.635)</u>	<u>(395)</u>

39. FINANCE INCOME (NET)

	1 January 2006- 31 March 2006	1 January 2005 - 31 March 2005
Foreign exchange gains/ (losses) (net)	(5.217)	2.840
Interest expense	(8.290)	(4.917)
	<u>(13.507)</u>	<u>(2.077)</u>

40. NET MONETARY GAIN / (LOSS)

The application of inflation accounting has been ceased in 2005. Therefore, there is no monetary gain or loss in the accompanying statement of income.

41. TAXATION

As of balance sheet date, there is no corporate tax payable.

The Group is subject to the Turkish corporation taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the year.

Corporation tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rates are as follows:

- In 2002 and prior years: 33%, being 30% corporate tax plus a 10% surcharge of funds contribution on corporate tax.
- In 2003: 30% (the 10% funds contribution was abolished for 2003).
- In 2004: 33% (the corporate tax rate was increased from 30% to 33% by Law No. 5035 published in the Official Gazette on 2 January 2004).
- In 2005: 30%

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

41. TAXATION: (cont'd)

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was increased from 25% to 30%, effective from 24 April 2003, and to 33% for 2004.

During the temporary taxation of 2005 income, 30% of the profit will be regarded as temporary tax.

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns till April 15th of the following year. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and the Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from April 24, 2003. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Income withholding tax which was calculated in 2002 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not, has been removed in general. However, 19,8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to April 24, 2003. Such allowances may be used to relieve corporation tax liability until the profits reach the calculated level of exemption. If companies fail to make a profit or incur losses, any allowance outstanding may be carried forward to the following years so as to be deducted from taxable income of subsequent profitable years. Unused investment incentive allowance can be carried forward to the following years indexing with WPI rates.

Inflation adjusted tax calculation:

In 2003 and the previous years, profit for the period on which taxation was being calculated, used to be uninflated balances except for the effect of the annual revaluation of the fixed assets and the depreciation calculated thereon. The Law 5024 published in the Official Gazette of 30 December 2003 numbered 25332 requires the application of inflation accounting in 2004 and the following periods provided that the inflation rate reaches the limits set out by the Law. As the conditions outlined in the Turkish Tax Law occurred the Company adjusted its financial statements according to the regulations and calculated current period tax base over these financial statements as of 31 December 2004. The Turkish Tax Law is similar to IAS 29. Since the conditions outlined in the Turkish Tax Law's 298th article and the circular 18 announced by the Ministry of Finance did not occur as of 31 December 2005, the Company did not adjust its current period tax base in accordance with the inflation accounting.

41. TAXATION (cont'd):

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for the CMB Communiqué No: XI/25 purposes and financials prepared according to the Turkish tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with the CMB Communiqué No: XI/25 and tax legislation. Deferred tax assets resulting from deductible temporary differences are not recognized or provision is provided if it is not probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

The deferred tax liability presented in the accompanying financial statements belongs to the subsidiaries of the Group. Full provision is provided for the deferred tax assets of the parent company on the basis of the aforementioned reasons.

	<u>31 March 2006</u>	<u>31 December 2005</u>
Restatement of fixed assets	(5)	(7)
Retirement pay provision	31	30
Deductible carry forward tax losses	-	-
	<u>26</u>	<u>23</u>

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

42. EARNINGS PER SHARE

In 2006, the weighted average number of shares of the Group and earnings per share are as follows:

	<u>1 January 2006 - 31 March 2006</u>	<u>1 January 2005- 31 March 2005</u>
Number of outstanding shares	50.000.000.000	50.000.000.000
Net period profit (thousand NTL)	10.015	40.022
Earning per share (NTL)	200,30	800,44

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

STATEMENT OF CASH FLOWS AS OF 31 MARCH 2006 AND 31 MARCH 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

43. STATEMENT OF CASH FLOW

	31 March <u>2006</u>	31 March <u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	10.015	9.155
Adjustments to reconcile net profit to net cash used in operating activities:		
Depreciation of tangible fixed assets	105	118
Amortization of intangible assets	73	112
Allowances for doubtful receivables	1.443	282
Change in finance lease receivables	(18.657)	7.039
Change in factoring receivables	3.748	(3.322)
Change in other receivables and current assets (net)	(23.884)	(14.732)
Change in trade payables and advances received (net)	(1.333)	7.590
Change in other payables and current liabilities	968	(250)
Change in corporate tax payable	(65)	-
Change in deferred taxes	(3)	-
Net cash (used in) / provided by operating activities	(27.590)	5.992
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in financial assets at fair value through profit or loss (net)	(170)	3.579
Change in available for sale assets	90	108
Change in property, plant and equipment (net)	6	(30)
Change in intangible assets (net)	-	(4)
Goodwill	-	-
Net cash (used in) / provided by investing activities	(74)	3.653
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in short-term borrowings	93.145	(7.205)
Changes in long-term borrowings	(31.000)	(12.113)
Changes in minority shares	48	45
Other	-	14
Net cash (used in) / provided by financing activities	62.193	(19.259)
NET CHANGE IN CASH AND CASH EQUIVALENTS	34.529	(9.614)
Cash and cash equivalents at the beginning of the year	71.329	67.158
Cash and cash equivalents at the end of the year	105.858	57.544

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2006 AND 31 DECEMBER 2005

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated.)

44. OTHER ISSUES

None.