

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

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2005**

**(Translated into English from
the Original Turkish Report)**

CONVENIENCE TRANSLATION OF REPORT AND FINANCIAL
STATEMENTS ORIGINALLY ISSUED IN TURKISH

İŞ FİNANSAL KİRALAMA A.Ş.

LIMITED REVIEW REPORT FOR THE PERIOD
1 JANUARY 2005 - 30 JUNE 2005

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

1. We have reviewed the accompanying consolidated interim balance sheet of İş Finansal Kiralama A.Ş., its affiliates and its subsidiaries (together “Group”) as of 30 June 2005 and the related consolidated interim statements of income, changes in shareholders’ equity and cash flows for the six months period then ended prepared in accordance with Capital Market Board (“CMB”) standards applicable to review engagements. Our review on the consolidated interim financial statements is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards issued by CMB. For the purposes of understanding the system of preparing the consolidated interim financial statements, our review consisted principally of applying analytical procedures, obtaining information and included such other review procedures, as we considered necessary in the circumstances. Accordingly, our review report should be considered different than the annual independent auditors’ report.
2. Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with generally accepted accounting principles determined by CMB (Note 2).

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.

Member of DELOITTE TOUCHE TOHMATSU

Hüseyin Gürer
Partner
Istanbul, 23 August 2005

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İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2005 AND 31 DECEMBER 2004

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

ASSETS	Note	30 June 2005 Reviewed <u>000 NTL</u>	31 December 2004 Audited <u>000 NTL</u>
<hr/>			
Current Assets		336.158	341.589
<hr/>			
Cash and cash equivalents	4	45.898	67.158
Marketable securities (net)	5	1.720	5.209
Trade receivables (net)		-	-
Finance lease receivables	8	239.762	244.614
Due from related parties (net) (*)	9	-	-
Other receivables (net)	10	12.735	13.120
Biological assets		-	-
Inventories (net)		-	-
Receivables from ongoing construction contracts		-	-
Deferred tax assets		-	-
Other current assets	15	36.043	11.488
Long-term Assets		221.539	205.878
<hr/>			
Trade receivables (net)		-	-
Finance lease receivables	8	211.453	196.589
Due from related parties (net)		-	-
Other receivables (net)	10	1.558	-
Financial assets (net)	16	6.955	7.430
Positive / (negative) goodwill (net)	17	166	166
Investment Properties		-	-
Tangible assets (net)	19	892	1.089
Intangible assets (net)	20	394	604
Deferred tax assets	14	121	-
Other long-term assets (net)		-	-
TOTAL ASSETS		<u>557.697</u>	<u>547.467</u>

(*) 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 SHEET AS OF 30 JUNE 2005 AND 31 DECEMBER 2004

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

LIABILITIES	Note	30 June 2005 Reviewed 000 NTL	31 December 2004 Reviewed 000 NTL
Short-term Liabilities		242.226	215.935
Short-term borrowings (net)	6	182.256	177.258
Short-term portions of long-term borrowings (net)	6	38.389	22.525
Finance lease payables (net)	8	20	30
Other financial liabilities (net)		-	-
Trade payables (net)	7	9.913	8.575
Due to related parties (net) (*)	9	-	-
Advances received	21	10.940	6.610
Provisions		-	-
Deferred tax liabilities		-	-
Other short-term liabilities (net)	15	708	937
Long-term Liabilities		202.186	237.379
Long-term borrowings (net)	6	201.834	236.862
Finance lease payables (net)		-	-
Other financial liabilities (net)		-	-
Trade payables (net)	7	-	168
Due to related parties (net)		-	-
Advances received		-	-
Provisions	23	352	325
Deferred tax liabilities	14	-	24
Other long-term liabilities (net)		-	-
Minority share	24	4.595	4.395
Shareholders' Equity	21	108.690	89.758
Capital /Treasury stock	26	50.000	25.000
Capital reserves	26	31.253	52.335
- Premium in excess of par		-	-
- Gain on cancellation of equity shares		-	-
- Revaluation fund		-	-
- Valuation fund on financial assets		(113)	-
- Shareholders' equity inflation restatement differences		31.366	52.335
Profit reserves	27	6.183	6.181
- Legal reserves		842	840
- Statutory reserves		-	-
- Extraordinary reserves		5.434	5.434
- Special reserves		-	-
- Gain on sale of properties and equity participations which will be transferred to capital		-	-
- Currency translation reserve		(93)	(93)
Net profit for the period		19.045	23.354
Retained earnings	28	2.209	(17.112)
TOTAL LIABILITIES and SHAREHOLDER' S EQUITY		557.697	547.467

(*) 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 30 JUNE 2005

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

INCOME STATEMENT	Note	1 January - 30 June 2005 Reviewed <u>000 NTL</u>	1 January - 30 June 2004 Reviewed <u>000 NTL</u>	1 April - 30 June 2005 Reviewed <u>000 NTL</u>	1 April - 30 June 2004 Reviewed <u>000 NTL</u>
OPERATING INCOME					
Sales revenue (net)	36	5.030	38.628	(6.737)	52.522
Cost of Sales (-)		-	-	-	-
Income from services (net)		-	-	-	-
Other operating income (net)		-	-	-	-
GROSS PROFIT / (LOSS)		5.030	38.628	(6.737)	52.522
Operating expenses (-)	37	(4.690)	(3.341)	(2.306)	(1.602)
NET OPERATING PROFIT / LOSS		340	35.287	(9.043)	50.920
Other income and profit	38	4.347	7.178	2.053	2.641
Other expenses and losses (-)	38	(1.614)	(3.792)	(1.219)	(3.791)
Finance income (net)	39	16.028	(24.929)	18.105	(42.786)
OPERATING PROFIT / LOSS		19.101	13.744	9.896	6.984
Net monetary gain / (loss)		-	(4.446)	-	(1.102)
Minority interest	24	(201)	-	(155)	-
PROFIT BEFORE TAXATION		18.900	9.298	9.741	5.882
Taxation	37	145	-	145	-
NET PROFIT FOR THE PERIOD		19.045	9.298	9.886	5.882
EARNINGS PER SHARE	42	381	186	198	118

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 PERIOD ENDED 30 JUNE 2005 AND 30 JUNE 2004

(Amounts are expressed in New Turkish Lira ("NTL") unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

	Capital <u>000 NTL</u>	Decrease in fair value of available for sale <u>000 NTL</u>	Legal reserves <u>000 NTL</u>	Extraordinary reserves <u>000 NTL</u>	Translation reserves <u>000 NTL</u>	Shareholders equity inflation restatement differences <u>000 NTL</u>	Accumulated profit/loss <u>000 NTL</u>	Total <u>000 NTL</u>
As of 1 January 2004	25.000	-	840	5.434	11	52.335	(17.112)	66.508
Translation reserves	-	-	-	-	(10)	-	-	(10)
Net profit for the period	-	-	-	-	-	-	8.831	8.831
As of 30 June 2004	25.000	-	840	5.434	1	52.335	(8.281)	(8.281)
Translation reserves	-	-	-	-	(94)	-	-	(94)
Net profit for the period	-	-	-	-	-	-	14.523	14.523
As of 31 December 2004	25.000	-	840	5.434	(93)	52.335	6.242	89.758
Reserves	-	-	2	-	-	-	(2)	-
Translation reserves	-	-	-	-	-	-	-	-
Decrease in fair value of available for sale	-	(113)	-	-	-	-	-	(113)
Capital increase	25.000	-	-	-	-	(20.969)	(4.031)	-
Net period profit	-	-	-	-	-	-	19.045	19.045
Balance as of 30 June 2005	50.000	(113)	842	5.434	(93)	31.366	21.254	108.690

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 30 JUNE 2005 AND 2004

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

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 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 Factoring 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 %. The positive goodwill has been occurred amounting to NTL 169 Thousand on purchased equity of NTL 16.603.154. The net amount of the 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 30 June 2005, the Company employs 72 persons.

2. BASIS OF THE FINANCIAL STATEMENTS

The Capital Market Board (“CMB”) has published Communiqué No: XI/25 “Communiqué on Capital Market 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. The accompanying financial statements include adjustments and reclassifications to the statutory records in accordance with the accounting standards issued by CMB Communiqué No: XI/25 “Communiqué on Capital Market Accounting Standards”.

The Group’s financial statements were prepared in accordance with the CMB rules for accounting and reporting (CMB Accounting Standards).

Basis of Preparation of Financial Statements:

Communiqué No: XI/25 “Communiqué on Capital Market Accounting Standards” issued by the CMB, provides a detailed set of accounting principles. The Communiqué declared that as an alternative the compliance with the accounting standards issued by the International Accounting Standards Board (IASB) and the 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 CMB’s above Communiqué and with CMB’s announcement on 20 December 2004 regarding the format of the financial statements and notes.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005 AND 2004

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

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

Preparation of Financial Statements in Hyperinflationary Periods

Restatement adjustments have been made to compensate for the effect of changes in the general purchasing power of the Turkish Lira, in accordance with CMB Communiqué No: XI/20 “Communiqué on the Principles of Preparation of Financial Statements in Hyperinflationary Periods” for the financial statements prepared before 1 January 2005. CMB Communiqué No: XI/20 requires that consolidated financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date.

CMB resolved in the meeting numbered 11/367 dated 17 March 2005 that hyperinflationary period, as defined in the Communiqué No: XI/20 paragraph 6 and the Communiqué No: XI/25 “Communiqué on Capital Market Accounting Standards” paragraph 375, 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 and inflation accounting has not been applied in the accompanying consolidated financial statements for the period ended 30 June 2005.

Group’s consolidated financial statements prepared as of 31 December 2004 included the restatement adjustments to compensate for the effect of changes in the general purchasing power of the Turkish Lira in accordance with CMB Communiqué No: XI/20. CMB Communiqué No: XI/20 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.

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

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005 AND 2004

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

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

Preparation of Financial Statements in Hyperinflationary Periods (cont’d)

At 30 June 2005 the exchange rate announced by the Turkish Central Bank was NTL 1,3413 = US\$ 1 (31 December 2004: NTL 1,3421 = 1 US\$).

The main guidelines for the Capital Market Board Communiqué No: XI/20 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.
- As of 31 December 2004 all items in the statement of income were restated by applying the relevant conversion factors from the dates when the income and expense items were initially recorded in the consolidated financial statements, except for restatement of certain specific income statement items which arise from the restatement of non-monetary assets and liabilities like amortization, gain or loss on sale of fixed assets which are included as restated values.
- 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005 AND 2004

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

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

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 NTL monetary unit including comparatives. Accordingly, the accompanying consolidated financial statements are presented in NTL.

Consolidation:

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 to Turkish lira.

<u>Consolidated subsidiaries</u>	Holding effective rate <u>30 June 2005</u>	Holding effective rate <u>31 December 2004</u>
Karya Trading Ltd.	99,38 %	99,38 %
İş Factoring Finansman Hizmetleri A.Ş.	78,22 %	78,22 %

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005 AND 2004

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

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 are 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 balances 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	20%
Furniture and fittings	20%
Computer software	20%
Leasehold improvements	20%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005 AND 2004

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

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 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005 AND 2004

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

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

g. Financial Instruments (cont’d):

Trading and available-for-sale investments 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 carried at restated cost in the accompanying financial statements.

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 here in 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 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 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 along with the related allowances for uncollectibility and trade payables balances are estimated to be their fair values.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005 AND 2004

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

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.

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.

During its operations, the Company uses financial instruments, such as letter of credits, which have off balance sheet risks. The possible loss from these instruments to the Company 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 because the funds are invested in time deposits for short term purposes.

i. 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 Group’s activities are interest rate and exchange rate risk. 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 disposing of investments. The Group’s proceedings from these instruments generally approximate their fair values.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005 AND 2004

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

k. Mergers and Acquisitions:

Within the framework of IFRS 3 “Mergers and Acquisitions”, no amortization accounting is applied to the goodwill realized out of acquisitions after March 31, 2004, and analysis of provision for impairment is performed as of each balance sheet date for the goodwill recorded. 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:

In the statutory accounts of the Group, transactions in foreign currencies (currencies other than New Turkish Lira) are translated into 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 statements of income.

m. Earnings per Share:

Earning per share is the portion of the net profit or loss that accounts for the common share, which is divided by the weighted average number of common shares.

n. Subsequent Events:

Subsequent events covers 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.

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,

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

o. Provisions, Contingent Liabilities and Contingent Assets (cont’d):

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 made for 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 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 rceivables for each accounting period.

- 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.

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

r. 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.

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 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 other income exemptions.

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

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

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 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 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.

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 and reflected to the accompanying consolidated financial statements.

ab. Retirement Plans:

None.

ac. Agricultural Operations:

None.

ad. Statement of Cash Flows:

The Group prepares 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

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4. CASH AND CASH EQUIVALENTS

	30 June 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Cash	-	-
Demand deposits	3.378	19.744
Time deposits	42.520	47.414
	<u>45.898</u>	<u>67.158</u>

The details of time deposits as of 30 June 2005 are as follows:

Time Deposits:

<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	30 June 2005 <u>000 NTL</u>
NTL	14,25% - 18,5%	01-07.07.2005	7.655
US\$	2,5% - 4,25%	01.07.2005	22.787
EURO	2% - 3,85	01.07.2005	12.078
			<u>42.520</u>

As of 30 June 2005, NTL 26.682 thousand of total foreign currency deposits (31 December 2004: NTL 42.307 thousand) and NTL 8.041 thousand (31 December 2004: NTL 6.015 thousand) of total NTL deposits consist of accounts at Türkiye İş Bankası, main shareholder.

5. MARKETABLE SECURITIES (NET)

	30 June 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Government Bonds	1.719	5.111
Mutual Funds	1	98
	<u>1.720</u>	<u>5.209</u>

	Nominal Value <u>000 NTL</u>	30 June 2005 <u>000 NTL</u>
Government Bonds	2.000	1.719

The maturities vary between 24 May-9 August 2006. The Group has İşbank mutual funds amounting to NTL 1.

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6. BORROWINGS

	30 June 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
<u>Short-term borrowings</u>		
Short-term borrowings	182.256	177.258
Short-term portions of long-term borrowings	38.389	22.525
Total short-term borrowings	<u>220.645</u>	<u>199.783</u>
<u>Long-term borrowings</u>		
Long-term portions of long-term borrowings	<u>201.834</u>	<u>236.862</u>
Total long-term borrowings	<u>201.834</u>	<u>236.862</u>
Total Borrowings	<u><u>422.479</u></u>	<u><u>436.645</u></u>

<u>Maturity analysis of borrowings</u>	30 June 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Within 1 year	220.645	199.783
Within 1-2 years	159.774	108.058
Within 2-3 years	38.325	123.815
Within 3-4 years	2.266	3.568
Over 4 years	1.469	1.421
TOTAL	<u><u>422.479</u></u>	<u><u>436.645</u></u>

The details of short-term borrowings are as follows:

CurrencyType	Interest Rate %	Currency Amount	30 June 2005 <u>000 NTL</u>
TL	16%		597
US\$	3,84% - 5,98%	78.325.315	105.058
EURO	2,28% - 5,65%	44.871.895	72.544
Accruals			4.057
Total			<u><u>182.256</u></u>

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

Currency Type	Interest Rate %	Currency Amount	30 June 2005 <u>000 NTL</u>
US\$	3,77% - 6,51%	15.755.512	21.133
EURO	2,63% - 8,89%	10.673.552	17.256
Total			<u><u>38.389</u></u>

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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>30 June 2005</u> 000 NTL
US\$	3,77% - 6,51%	60.210.579	80.760
EURO	2,63% - 8,89%	74.889.024	121.074
Total			<u>201.834</u>

7. TRADE RECEIVABLES AND PAYABLES

	<u>30 June</u> 2005 000 NTL	<u>31 December</u> 2004 000 NTL
<u>Trade payables</u>		
Finance Lease Payables	7.002	6.525
Other Trade Payables (*)	2.911	2.050
	<u>9.913</u>	<u>8.575</u>

(*)The Group insures the equipment 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>30 June 2005</u>	<u>Short-Term</u> 000 NTL	<u>Long-Term</u> 000 NTL	<u>Total</u> 000 NTL
Invoiced leased rental receivables	17.548	-	17.548
Doubtful leasing receivables	18.356	-	18.356
Uninvoiced leased rental receivables	275.357	240.163	515.520
Less: Unearned interest income	(44.344)	(23.570)	(67.914)
Less: Allowance for possible losses	(27.155)	(5.140)	(32.295)
Net financial leasing receivables	<u>239.762</u>	<u>211.453</u>	<u>451.215</u>

(*) Allowance for possible losses includes general provision amounting to NTL 4.508 Thousand.

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

<u>31 December 2004</u>	Short-Term	Long-Term	Total
	<u>000 NTL</u>	<u>000 NTL</u>	<u>000 NTL</u>
Invoiced leased rental receivables	17.795	-	17.795
Doubtful leasing receivables	10.173	-	10.173
Uninvoiced leased rental receivables	270.034	248.291	518.325
Less: Unearned interest income	(46.147)	(27.855)	(74.002)
Less: Allowance for possible loses	(7.241)	(23.847)	(31.088)
Net financial leasing receivables	<u>244.614</u>	<u>196.589</u>	<u>441.203</u>

The distribution of uninvoiced rental receivables as of 30 June 2005 is as follows:

	2005	2006	2007	2008	2009	2010	Toplam <u>000 NTL</u>
Financial lease principal	152.894	220.861	106.031	30.248	4.784	702	515.520
Unearned interest	(26.650)	(29.520)	(9.588)	(1.944)	(198)	(14)	(67.914)
Total	<u>126.244</u>	<u>191.341</u>	<u>96.443</u>	<u>28.304</u>	<u>4.586</u>	<u>688</u>	<u>447.606</u>

As of 30 June 2005, the distribution of uninvoiced rental receivables according to foreign currency types is as follows:

Foreign Currency	Principal Foreign Currency	Principal <u>000 NTL</u>	Unearned Interest Foreign Currency	Unearned Interest <u>000 NTL</u>
US \$	128.060.703	171.767	14.336.123	(19.229)
EURO	117.189.920	189.461	14.587.511	(23.584)
NTL	-	86.378	-	(25.101)
Total		<u>447.606</u>		<u>(67.914)</u>

As of 30 June 2005, the average interest rates of lease receivables denominated all in foreign currency are 9,03% for US\$, 11,33% for EURO and %26,88 for NTL (2004 – 9,21% for US\$ and 11,11% for EURO), respectively.

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

Financial Lease Payables

	30 June 2005 000 NTL	31 December 2004 000 NTL
Financial lease payables	21	31
Less: Cost of deferred financial lease payable	(1)	(1)
Net Financial lease payable	<u>20</u>	<u>30</u>

9. DUE FROM / TO RELATED PARTIES (NET)

	30 June 2005 000 NTL	31 December 2004 000 NTL
<u>Financial Lease Receivables</u>		
Türkiye İş Bankası A.Ş.	60.046	58.182
Gemport Gemlik Liman İşletmeleri A.Ş.	4.790	6.259
Petrol Ofisi A.Ş.	3.828	3.781
İş Koray Turizm Ormancılık Madencilik	2.891	2.807
Bayek Tedavi Sağlık Hizmetleri ve İşletmesi A.Ş.	932	1.372
Avea İletişim Hizmetleri A.Ş. (former name: İş-Tim		
Telekomunikasyon Hizmetleri A.Ş.)	-	1.031
Anadolu Anonim Türk Sigorta A.Ş.	307	382
Other	619	1.104
Total	<u>73.413</u>	<u>74.918</u>

Factoring Receivables

Kültür Yayınları A.Ş.	-	22
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Payables to Related Parties

Anadolu Anonim Türk Sigorta A.Ş.	3.050	2.458
Türkiye İş Bankası A.Ş.	446	396
Türkiye Sınai Kalkınma Bankası A.Ş.	35	3
İş Koray Turizm Ormancılık Madencilik	17	17
Other	206	208
Total	<u>3.754</u>	<u>3.082</u>

Borrowed Loans

Türkiye İş Bankası A.Ş.	238.619	276.294
Türkiye Sınai Kalkınma Bankası A.Ş.	5.386	6.087
Total	<u>244.005</u>	<u>282.381</u>

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

	01.01.2005- 30.06.2005 000 NTL	01.01.2004- 30.06.2004 000 NTL	01.04.2005- 30.06.2005 000 NTL	01.04.2004- 30.06.2004
<u>Lease Interest Income</u>				
Türkiye İş Bankası A.Ş.	2.219	455	1.238	306
Gemport Gemlik Liman. İşl. A.Ş.	370	364	146	149
Petrol Ofisi A.Ş.	185	291	82	136
İş Koray Turizm Ormancılık Madencilik	35	235	16	111
Avea İletişim Hizm. A.Ş. (Former name:İş-Tim)	49	198	-	7
Bayek Tedavi Sağlık Hizm. Ve İşl.A.Ş.	87	108	40	51
Anadolu Anonim Türk Sigorta A.Ş.	7	15	3	-
Other	21	123	14	71
<u>Total</u>	<u>2.973</u>	<u>1.789</u>	<u>1.539</u>	<u>831</u>
<u>Factoring Interest Income</u>				
Türkiye İş Bankası A.Ş.	1	-	1	-
Cam Pazarlama A.Ş.	59	-	37	-
Kültür Yayınları A.Ş.	2	-	-	-
<u>Total</u>	<u>62</u>	<u>-</u>	<u>38</u>	<u>-</u>
<u>Interest Income</u>				
Türkiye İş Bankası A.Ş.	474	291	433	249
İş Yatırım ve Menkul Değerler A.Ş.	791	-	-	-
Camiş Yatırım Holding A.Ş.	-	1.433	-	928
<u>Total</u>	<u>1.265</u>	<u>1.724</u>	<u>433</u>	<u>1.177</u>
<u>Dividend Income</u>				
İş Yatırım Menkul Değerler A.Ş.	73	-	73	-
<u>Interest Expenses</u>				
Türkiye İş Bankası A.Ş.	6.518	3.816	3.278	2.201
Türkiye Sınai Kalkınma Bankası A.Ş.	127	135	62	77
<u>Total</u>	<u>6.645</u>	<u>3.951</u>	<u>3.340</u>	<u>2.278</u>
<u>Rent Expense</u>				
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	405	340	205	172
<u>Commission Income</u>				
Anadolu Anonim Türk Sigorta A.Ş.	659	475	342	254

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10. OTHER RECEIVABLES AND PAYABLES (NET)

	30 June 2005	31 December 2004
	<u>000 NTL</u>	<u>000 NTL</u>
Factoring receivables (*)		
Short-term	12.735	13.120
Long-term	1.558	-
Doubtful factoring receivables	1.400	1.400
Doubtful factoring receivables provision	(1.400)	(1.400)

(*) The balance consists of factoring receivables of the subsidiary İş Factoring Finansman Hizmetleri A.Ş. which is owned by the Company 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 Company recognizes deferred tax assets and liabilities based upon 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 utilised.

The deferred tax liability presented in the accompanying financial statements belongs to one of the subsidiaries of the Group. It is provided full provision for the deferred tax assets of the parent company on the basis of the afore mentioned reasons.

	30 June 2005	31 December 2004
	<u>000 NTL</u>	<u>000 NTL</u>
Deferred Tax Liability /(Asset)	(121)	24

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

	30 June 2005	31 December 2004
<u>Other current/ non-current assets</u>	<u>000 NTL</u>	<u>000 NTL</u>
Equipment to be leased (*)	12.864	2.168
Advances given	16.615	5.335
VAT deductible and other VAT	3.354	3.270
Assets held for sale	2.821	204
Other	389	511
Total	36.043	11.488

(*) 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 total amount paid for these machinery and equipment but not charged to the lessees, yet as of 30 June 2005 and 31 December 2004.

	30 June 2005	31 December 2004
<u>Other current/ non-current liabilities</u>	<u>000 NTL</u>	<u>000 NTL</u>
Social security premiums payable	169	189
Other short-term advances received	254	409
Litigation provisions	41	122
Other	244	217
Total	708	937

16. FINANCIAL ASSETS (NET)

<u>Name</u>	<u>30 June 2005</u>		<u>31 December 2004</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	5.917	6,0
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim) (eski adıyla İş Risk Sermayesi Yatırım Ortaklığı A.Ş.)	596	0,9	709	0,9
TSKB Yatırım Ortaklığı A.Ş.	-	-	435	4,0
Camiş Menkul Değerler A.Ş.	2	0,5	2	0,5
TSKB Menkul Değerler A.Ş.	39	0,6	39	0,6
İş Net Elektronik Bilgi Üretim Dağ. Tic. Ve İletişim Hiz. A.Ş. – (İş Net)	328	1,0	328	1,0
TOTAL	6.955		7.430	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

17. POSITIVE / (NEGATIVE) GOODWILL (NET)

The Company has purchased nominal shares of İş Factoring 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 the goodwill as at the balance sheet date is NTL 166. Within the framework of IFRS 3 “Mergers and Acquisitions” which is effective from 1 January 2005, no amortization accounting is applied to the goodwill realized out of acquisitions after March 31, 2004, and analysis of provision for impairment is performed as of each balance sheet date for the goodwill recorded.

18. INVESTMENT PROPERTIES

None.

19. TANGIBLE ASSETS (NET)

	Vehicles <u>000 NTL</u>	Furniture and Fixtures <u>000 NTL</u>	Other Tangible Assets <u>000 NTL</u>	Total <u>000 NTL</u>
<u>Acquisition cost</u>				
Opening balance 1 January 2005	716	2.962	1.610	5.288
Additions	-	9	39	48
Disposals	(105)	(14)	-	(119)
Closing balance 30 June 2005	<u>611</u>	<u>2.957</u>	<u>1.649</u>	<u>5.217</u>
<u>Accumulated depreciation</u>				
Opening balance 1 January 2005	(374)	(2.399)	(1.426)	(4.199)
Charge for the period	(49)	(144)	(50)	(243)
Disposals	105	12	-	117
Closing balance 30 June 2005	<u>(318)</u>	<u>(2.531)</u>	<u>(1.476)</u>	<u>(4.325)</u>
Net book value as of 31 December 2004	<u>342</u>	<u>563</u>	<u>184</u>	<u>1.089</u>
Net book value as of 30 June 2005	<u>293</u>	<u>426</u>	<u>173</u>	<u>892</u>

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(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

20. INTANGIBLE ASSETS (NET)

	<u>Rights</u> <u>000 NTL</u>	<u>Leasehold</u> <u>Improvements</u> <u>000 NTL</u>	<u>Total</u> <u>000 NTL</u>
<u>Acquisition cost</u>			
Opening balance 1 January 2005	159	2.393	2.552
Additions	-	26	26
Disposals	-	-	-
Closing balance 30 June 2005	<u>159</u>	<u>2.419</u>	<u>2.578</u>
<u>Accumulated amortization</u>			
Opening balance 1 January 2005	(146)	(1.802)	(1.948)
Charge for the period	(9)	(227)	(236)
Disposals	-	-	-
Closing balance 30 June 2005	<u>(155)</u>	<u>(2.029)</u>	<u>(2.184)</u>
Net book value as of 31 December 2004	<u>13</u>	<u>591</u>	<u>604</u>
Net book value as of 30 June 2005	<u>4</u>	<u>390</u>	<u>394</u>

21. ADVANCES RECEIVED

	30 June 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Advances received (*)	10.940	6.610

(*) Advances received consists 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 30 June 2005 and 31 December 2004, there is no retirement plan.

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23. PROVISIONS

	30 June 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Retirement pay provisions	352	325

24. MINORITY SHARE

The Company owns 78,22% of İş Factoring Finansman Hizmetleri A.Ş. Therefore, minority share is calculated from balance sheet and income statement of the subsidiary amounting to NTL 4.595 Thousand (31 December 2004: NTL 4.395 Thousand) and NTL 201 Thousand, respectively as of 30 June 2005.

25. CAPITAL / TREASURY STOCK

The Company consolidates its subsidiaries with 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 30 June 2005 and 31 December 2004 capital reserves are as follows:

<u>Shareholders</u>	(%)	30 June 2005 <u>000 NTL</u>	(%)	31 December 2004 <u>000 NTL</u>
Türkiye İş Bankası A.Ş.	35,29	17.647	35,29	8.823
Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB)	29,16	14.580	30,00	7.500
Publicly traded	33,75	16.873	29,41	7.353
Camiş Sigorta A.Ş.	0,90	450	2,65	662
Nemtaş Nemrut Liman İşletmeleri A.Ş.	0,90	450	2,65	662
TOTAL	100,00	50.000	100,00	25.000
		30 June 2005 <u>000 NTL</u>		31 December 2004 <u>000 NTL</u>
Decrease in fair value of available for sale investments		(113)		-
Shareholders' equity inflation restatement differences		31.366		52.335
Capital		26.516		47.485
Legal Reserves		2.375		2.375
Extraordinary Reserves		2.475		2.475
TOTAL		31.253		52.335

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(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

27. PROFIT RESERVES

As of 30 June 2005 and 31 December 2004 profit reserves are as follows:

	30 June 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Legal reserves	842	840
Extraordinary reserves	5.434	5.434
Currency translation reserve	(93)	(93)
Total	<u>6.183</u>	<u>6.181</u>

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.

28. RETAINED EARNINGS

	30 June 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Retained earnings	<u>2.209</u>	<u>(17.112) (*)</u>
	<u>2.209</u>	<u>(17.112) (*)</u>

(*) The Company has decided to offset its accumulated losses until 2003 against the net profit of 2004 in the Ordinary General Assembly Meeting held on 18 March 2005.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005 AND 2004

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

29. FOREIGN CURRENCY POSITION

Foreign currencies and receivables and payables denominated in foreign currencies as of 30 June 2005 are as follows:

<u>30 June 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	18.718	7.803	32	1	26	37.754
Finance lease receivables	128.196	115.022	-	-	-	357.906
Factoring receivables	1.999	434	-	-	-	3.385
Advances given	4.303	5.524	125	103	27.000	15.161
Equipment to be leased	3.340	3.532	-	-	-	10.189
Financial liabilities	(156.195)	(131.364)	-	-	-	(421.882)
Advances received	(1.740)	(3.251)	-	-	-	(7.589)
Trade payables	(793)	(3.506)	-	22	-	(6.732)
Finance lease payables	(15)	-	-	-	-	(20)
Net foreign currency position						(11.828)
<u>31 December 2004</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	26.519	13.038	12	0,9	28	59.423
Finance lease receivables	125.296	111.817	-	-	-	372.428
Factoring receivables	1.261	437	-	-	-	2.491
Advances given	1.807	1.240	-	-	-	4.690
Equipment to be leased	748	484	-	-	-	1.887
Financial liabilities	(146.989)	(131.033)	-	-	-	(436.645)
Advances received	(1.197)	(1.617)	-	-	-	(4.561)
Trade payables	(1.474)	(2.414)	-	-	(5)	(6.387)
Forward transactions	(5.327)	4.000	-	-	-	158
Net foreign currency position						(6.516)

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30. GOVERNMENT GRANTS AND INCENTIVES

As of 30 June 2005 and 31 December 2004, there are no government grants and incentives.

31. COMMITMENTS AND CONTINGENCIES

Letters of guarantee given to customs, authorities and banks as of 30 June 2005 amounted to NTL 9.566 (31 December 2004: NTL 12.233).

As of 30 June 2005, the total risk of court cases opened and currently pending against the Company amounts to approximately NTL 201 (31 December 2004: NTL 92). The Company provided a provision amounting to NTL 41 (31 December 2004: NTL 122).

32. MERGERS AND ACQUISITIONS

The Company has purchased nominal shares of İş Factoring Finansman Hizmetleri A.Ş. amounting to NTL 12.517 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 Company has not have any merger and acquisition activities.

33. SEGMENTAL INFORMATION

As of 30 June 2005,

	<u>Leasing (*)</u>	<u>Factoring</u>	<u>Consolidation eliminations</u>	<u>Consolidated 000 NTL</u>
Total assets	550.540	23.768	(16.611)	557.697
Total liabilities	441.631	2.781	-	444.412
Net period profit	18.323	923	(201)	19.045

As of 31 December 2004,

	<u>Leasing (*)</u>	<u>Factoring</u>	<u>Consolidation eliminations</u>	<u>Consolidated 000 NTL</u>
Total assets	542.951	21.122	(16.606)	547.467
Total liabilities	452.370	944	-	453.314
Net period profit	24.177	(1.304)	481	23.354

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

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(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

34. SUBSEQUENT EVENTS

Commencing from 1 July 2005 the ceiling for gross pay for the retirement pay provision limit has been increased to NTL 1.727,15.

35. DISCONTINUED OPERATIONS

As of 30 June 2005 and 31 December 2004, there is no discontinued operation.

36. OPERATING INCOME (NET)

	<u>01.01.2005-</u> <u>30.06.2005</u>	<u>01.01.2004-</u> <u>30.06.2004</u>	<u>01.04.2005-</u> <u>30.06.2005</u>	<u>01.04.2004-</u> <u>30.06.2004</u>
	000 NTL	000 NTL	000 NTL	000 NTL
Finance lease income				
-Interest Income	29.166	22.460	15.025	12.288
-Foreign exchange gains/ (losses)	(25.466)	16.168	(22.494)	40.234
Factoring income	1.330	-	732	-
	<u>5.030</u>	<u>38.628</u>	<u>(6.737)</u>	<u>52.522</u>

37. OPERATING EXPENSES

	<u>01.01.2005-</u> <u>30.06.2005</u>	<u>01.01.2004-</u> <u>30.06.2004</u>	<u>01.04.2005-</u> <u>30.06.2005</u>	<u>01.04.2004-</u> <u>30.06.2004</u>
	000 NTL	000 NTL	000 NTL	000 NTL
Personnel expenses	(2.535)	(1.748)	(1.091)	(742)
Depreciation expense	(479)	(364)	(250)	(179)
Other operating expenses	(1.676)	(1.229)	(965)	(681)
	<u>(4.690)</u>	<u>(3.341)</u>	<u>(2.306)</u>	<u>(1.602)</u>

38. OTHER INCOME / EXPENSE AND PROFIT / LOSSES

	<u>01.01.2005-</u> <u>30.06.2005</u>	<u>01.01.2004-</u> <u>30.06.2004</u>	<u>01.04.2005-</u> <u>30.06.2005</u>	<u>01.04.2004-</u> <u>30.06.2004</u>
	000 NTL	000 NTL	000 NTL	000 NTL
Other income/expense				
Interest income	2.640	4.871	1.057	2.340
Commission income	697	497	361	257
Other	1.010	1.810	635	44
	<u>4.347</u>	<u>7.178</u>	<u>2.053</u>	<u>2.641</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005 AND 2004

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

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

	01.01.2005- 30.06.2005	01.01.2004- 30.06.2004	01.04.2005- 30.06.2005	01.04.2004- 30.06.2004
	000 NTL	000 NTL	000 NTL	000 NTL
Other operating losses				
Provision expense	(1.596)	(3.792)	(1.314)	(3.791)
Other	(18)	-	95	-
	<u>(1.614)</u>	<u>(3.792)</u>	<u>(1.219)</u>	<u>(3.791)</u>

39. FINANCE INCOME (NET)

	01.01.2005- 30.06.2005	01.01.2004- 30.06.2004	01.04.2005- 30.06.2005	01.04.2004- 30.06.2004
	000 NTL	000 NTL	000 NTL	000 NTL
Foreign exchange gains/ (losses) (net)	26.113	(15.165)	23.273	(37.080)
Interest expense	(10.085)	(9.764)	(5.168)	(5.706)
	<u>16.028</u>	<u>(24.929)</u>	<u>18.105</u>	<u>(42.786)</u>

40. NET MONETARY GAIN / (LOSS)

According to the decision of CMB dated 17 March 2005 and numbered 11/367, 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.

	30 June 2005	31 December 2004
	000 NTL	000 NTL
<u>Current tax payable:</u>		
Corporate tax	-	-
Less : Prepaid taxes and funds	-	-
	<u>-</u>	<u>-</u>
<u>Taxation:</u>		
Current income tax	-	-
Deferred tax charge/(benefit)	-	-
	<u>-</u>	<u>-</u>

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.

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(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

41. TAXATION: (cont'd)

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%

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 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.

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(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

41. TAXATION: (cont'd)

Inflation adjusted tax calculation:

In 2003 and 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. Since the conditions outlined in the Turkish Tax Law did not occur as of 30 June 2005, the Company did not adjust its current period tax base in accordance with the inflation accounting.

Deferred Tax:

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for CMB Communiqué No: XI/25 purposes and financials prepared according to Turkish tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with CMB Communiqué No: XI/25 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 utilised.

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

<u>Deferred tax assets/(liabilities)</u>	30 June 2005	31 December 2004
	<u>000 NTL</u>	<u>000 NTL</u>
Restatement of fixed assets	(22)	(47)
Retirement pay provision	32	23
Deductible carry forward tax losses	111	-
	<u>121</u>	<u>(24)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005 AND 2004

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

42. EARNINGS PER SHARE

In 2005, the weighted average number of shares of the Group and earnings per share are as follows:

	<u>01.01.2005-</u> <u>30.06.2005</u>	<u>01.01.2004-</u> <u>30.06.2004</u>	<u>01.04.2005-</u> <u>30.06.2005</u>	<u>01.04.2004-</u> <u>30.06.2004</u>
Number of outstanding shares	50.000.000	50.000.000	50.000.000	50.000.000
Net period profit (Thousand NTL)	19.045	9.298	9.886	5.882
Earning per share – (1 share equals to NTL 1 nominal valued share)	381	186	198	118

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

STATEMENT OF CASH FLOWS AS OF 30 JUNE 2005 AND 30 JUNE 2004

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

43. STATEMENT OF CASH FLOW	30 June 2005	30 June 2004
CASH FLOWS FROM OPERATING ACTIVITIES	<u>000 NTL</u>	<u>000 NTL</u>
Net profit for the period	19.045	9.298
Adjustments to reconcile net profit to net cash used in operating activities:	-	-
Depreciation of tangible fixed assets	243	179
Amortization of intangible assets	236	185
Allowances for doubtful receivables	1.596	3.791
Change in finance lease receivables	(11.608)	(36.638)
Change in factoring receivables	(1.173)	-
Change in other receivables and current assets (net)	(24.555)	(8.027)
Change in trade payables and advances received (net)	5.490	(3.597)
Change in other payables and current liabilities	(202)	(1.504)
Change in corporate tax payable	-	-
Change in deferred taxes	(145)	-
<hr/>		
Net cash (used in) / provided by operating activities	(11.073)	(36.313)
<hr/>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in financial assets at fair value through profit or loss (net)	3.489	(1.281)
Change in available for sale assets	362	(55)
Change in property, plant and equipment (net)	(46)	(242)
Change in intangible assets (net)	(26)	(2)
<hr/>		
Net cash (used in) / provided by investing activities	3.779	(1.580)
<hr/>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in short-term borrowings	20.862	55.123
Changes in long-term borrowings	(35.028)	6.658
Changes in minority shares	200	-
Other	-	(11)
<hr/>		
Net cash (used in) / provided by financing activities	(13.966)	61.770
<hr/>		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(21.260)	23.877
Cash and cash equivalents at the beginning of the year	67.158	39.989
Cash and cash equivalents at the end of the year	45.898	63.866

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2005 AND 2004

(Amounts are expressed in New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power of the Turkish Lira as of 31 December 2004.)

44. OTHER ISSUES

None.