

İŞ FİNANSAL KİRALAMA A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH THE
COMMUNIQUE NO: XI/25 PUBLISHED BY
CAPITAL MARKET BOARD
FOR THE PERIOD ENDED 30 SEPTEMBER 2006

(Translated into English from
the Original Turkish Report)

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İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

FOR THE PERIODS ENDED 30 SEPTEMBER 2006 AND 31 DECEMBER 2005

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

ASSETS	Note	30 September 2006 <u>Unaudited</u>	31 December 2005 <u>Audited</u>
Current Assets		495.239	413.882
Liquid assets	4	65.629	71.329
Marketable securities (net)	5	2	13
Trade receivables (net)	7	-	-
Finance lease receivables (net)	8	362.928	292.138
Due from related parties (net) (*)	9	-	-
Other receivables (net)	10	21.255	16.098
Biological assets (net)	11	-	-
Inventories (net)	12	-	-
Receivables from ongoing construction contracts (net)	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	45.425	34.304
Long-term Assets		393.697	319.508
Trade receivables (net)	7	-	-
Finance lease receivables (net)	8	385.467	311.140
Due from related parties (net)	9	-	-
Other receivables (net)	10	-	-
Financial assets (net)	16	7.190	7.068
Positive / (negative) goodwill (net)	17	166	166
Investment properties (net)	18	-	-
Tangible assets (net)	19	854	1.108
Intangible assets (net)	20	2	3
Deferred tax assets	14	18	23
Other long-term assets	15	-	-
TOTAL ASSETS		888.936	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.

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CONSOLIDATED BALANCE SHEETS

FOR THE PERIODS ENDED 30 SEPTEMBER 2006 AND 31 DECEMBER 2005

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

LIABILITIES	Note	30 September 2006 <u>Unaudited</u>	31 December 2005 <u>Audited</u>
Short-term Liabilities		401.491	325.233
Short-term borrowings	6	320.607	229.486
Short-term portions of long-term borrowings	6	55.121	70.163
Finance lease payables (net)	8	31	39
Other financial liabilities	10	-	-
Trade payables (net)	7	10.425	13.426
Due to related parties (net)	9	-	-
Advances received	21	14.146	11.488
Ongoing construction progress payments	13	-	-
Provisions	23	342	161
Deferred tax liabilities (net)	14	-	-
Other short-term liabilities	15	819	470
Long-term Liabilities		325.304	273.652
Long-term borrowings (net)	6	324.859	273.273
Finance lease payables (net)	8	-	-
Other financial liabilities (net)	10	-	-
Trade payables (net)	7	-	-
Due to related parties (net)	9	-	-
Advances received	21	-	-
Provisions	23	445	379
Deferred tax liabilities (net)	14	-	-
Other long-term liabilities	15	-	-
MINORITY SHARES	24	5.046	4.726
SHAREHOLDER’S EQUITY		157.095	129.779
Capital	26	100.000	50.000
Capital reserves	26	12.675	31.365
- Premium in excess of par		-	-
- Gain on cancellation of equity shares		-	-
- Revaluation fund		-	-
- Valuation fund on financial assets	26	94	(1)
- Shareholders’ equity inflation restatement differences	26	12.581	31.366
Profit reserves	27	15.699	7.722
- Legal reserves	27	3.186	2.381
- Statutory reserves		-	-
- Extraordinary reserves	27	12.513	5.434
- Special reserves		-	-
- Gain on sale of properties and equity participations which will be transferred to capital		-	-
- Currency translation reserve	27	-	(93)
Net profit for the period	42	27.128	40.022
Retained earnings	28	1.593	670
TOTAL LIABILITIES and SHAREHOLDER’S EQUITY		888.936	733.390

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 SEPTEMBER 2006 AND 2005

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

INCOME STATEMENT	Note	Unaudited 1 January - 30 September 2006	Unaudited 1 January - 30 September 2005	Unaudited 1 July - 30 September 2006	Unaudited 1 July - 30 September 2005
OPERATING INCOME					
Sales (net)	36	150.376	22.563	(9.180)	17.533
Cost of sales (-)		-	-	-	-
Service income (net)		-	-	-	-
Other operating income (interest+dividend+rent) (net)		-	-	-	-
GROSS PROFIT / (LOSS)		150.376	22.563	(9.180)	17.533
Operating expenses (-)	37	(7.645)	(6.879)	(2.556)	(2.189)
NET OPERATING PROFIT / (LOSS)		142.731	15.684	(11.736)	15.344
Other income and profit	38	6.803	5.297	1.097	950
Other expenses and losses (-)	38	(9.975)	(3.536)	288	(1.922)
Finance income/(expense) (net)	39	(111.790)	10.547	29.117	(5.481)
OPERATING PROFIT / (LOSS)		27.769	27.992	18.766	8.891
Net monetary gain / (loss)					
Minority interest	24	(294)	(278)	(108)	(77)
PROFIT/ (LOSS) BEFORE TAXATION		27.475	27.714	18.658	8.814
Taxation	41	(347)	(5)	(124)	(150)
NET PROFIT/ (LOSS) FOR THE PERIOD	42	27.128	27.709	18.534	8.664
EARNINGS PER SHARE (NTL)	42	0,00271	0,00277	0,00185	0,00087

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 30 SEPTEMBER 2006 AND 30 SEPTEMBER 2005

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

	<u>Capital</u>	Increase/ (Decrease) in fair value of available for sale investments	<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	-	-	-	-	-	-	-	-
Decrease in fair value of available for sale	-	(167)	-	-	-	-	-	(167)
Capital increase	25.000	-	-	-	-	(20.969)	(4.031)	-
Net period profit	-	-	-	-	-	-	27.709	27.709
Balance as of 30 September 2005	50.000	(167)	2.381	5.434	(93)	31.366	28.379	117.300
Balance as of 1 January 2006	50.000	(1)	2.381	5.434	(93)	31.366	40.692	129.779
Reserves	-	-	805	23.344	-	-	(24.149)	-
Capital Increase	50.000	-	-	(16.265)	-	(18.785)	(14.950)	-
Translation reserves	-	-	-	-	93	-	-	93
Increase in fair value of available for sale	-	95	-	-	-	-	-	95
Net period profit	-	-	-	-	-	-	27.128	27.128
Balance as of 30 September 2006	<u>100.000</u>	<u>94</u>	<u>3.186</u>	<u>12.513</u>	<u>-</u>	<u>12.581</u>	<u>28.721</u>	<u>157.095</u>

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

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

STATEMENT OF CASH FLOWS AS OF 30 SEPTEMBER 2006 AND 30 SEPTEMBER 2005

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

	Note	30 September 2006	30 September 2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		27.128	27.709
Adjustments to reconcile net profit to net cash used in operating activities:			
Depreciation of tangible fixed assets	19	407	706
Amortization of intangible assets	20	1	9
Retirement pay provision	23	86	93
Allowances for doubtful receivables	38	9.063	3.511
Forward income accrual	15	(1.866)	-
Interest income	38	(5.282)	(3.497)
Interest expenses	39	30.889	16.125
Minority interest		294	278
Provision for corporate tax	23	342	-
Deferred tax	41	5	5
Translation reserves		93	-
Operating cash flows before movements in working capital		61.160	44.939
Change in assets and liabilities:			
Change in finance lease receivables		(154.180)	(68.006)
Change in factoring receivables		(5.157)	(2.701)
Change in other receivables and current assets		(9.255)	(30.736)
Change in trade payables		(3.001)	(148)
Change in advances received		2.658	6.743
Change in other payables and liabilities		437	(274)
Cash used in operating activities		(107.338)	(50.183)
Income tax paid		(258)	-
Retirement pay provision paid	23	(20)	(52)
Interest paid	39	(30.889)	(16.125)
Net cash used in operating activities		(138.505)	(66.360)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	19	(177)	(156)
Sale of property, plant and equipment (net)	19	24	11
Marketable securities sales/(purchases) (net)		11	5.081
Financial asset sales		-	-
Interest income	38	5.282	3.497
Net cash provided by investing activities		5.140	8.433
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		685.411	151.421
Repayment of loans		(557.746)	(98.231)
Net cash (used in) / provided by financing activities		127.665	53.190
NET CHANGE IN CASH AND CASH EQUIVALENTS		(5.700)	(4.737)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		71.329	67.158
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		65.629	62.421

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 SEPTEMBER 2006

(Amounts are expressed in thousand of New Turkish Lira (“NTL”) unless otherwise indicated. The information given for the purpose of comparison is adjusted in accordance with the purchasing power 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 in 1988. The head office of İş Leasing is located at İş Kuleler Kule: 2 Flat: 10 34330 Levent- İstanbul/ Turkey.

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. Net amount of goodwill as at the balance sheet date is NTL 166 thousand.(31 December 2005 : NTL 166 thousand)

The operations of the subsidiary, Karya Trading Ltd. (Karya) which was established on 23 June 1999 and incorporated in Jersey have been ceased as of 19 July 2006.

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 September 2006, the Company employs 85 persons.

2. BASIS OF PRESENTATION 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 financial statements were prepared in accordance with the CMB's decree mentioned above and with the CMB's decree announced on 20 December 2004 regarding the format of the financial statements and footnotes.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

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

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

Accounting Standards Applied (cont’d)

The CMB declared with a decision taken dated 17 March 2005 that hyperinflationary period is over. Therefore, the CMB declared that; for the companies operated in Turkey and subject to CMB rules, the inflation accounting has been ceased starting from 1 January 2005. Accordingly, the Group did not apply inflation accounting starting from 1 January 2005.

Inflation Accounting

The Group’s functional and reporting currency is New Turkish Lira (“NTL”). International Accounting Standard No. 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”) requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit currency at the balance sheet date.

Restatement adjustments as of 31 December 2004 have been made according to the wholesale price indices published by the State Institute of Statistics.

Such indices 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 30 September 2006 the exchange rate announced by the Turkish Central Bank was NTL 1,4971 = 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

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

2. BASIS OF PRESENTATION 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.

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,
- As of 31 December 2005, for the purpose of consolidation, the US\$ financial statements of Karya have been translated into the New Turkish Lira.

Adoption of New and Revised International Financial Reporting Standards:

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“the IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005 except for the ones that contradict with CMB's decree regarding required format, announced on 20 December 2004.

The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

In the consolidated financial statements, if positive goodwill that indicates the difference between the share in the fair value of the acquired Company's net assets and the original price is related to the sales prior to 31 March 2004, it is capitalized and amortized over their estimated useful lives, using the straight line amortization method. Under IFRS 3-“Business Combinations”, positive goodwill arising from acquisitions subsequent to 31 March, 2004 is reviewed and, if any impairment should be allocated. Also for the purchases after the same period, any excess of the Company's interest in the net fair value of the identifiable assets, liabilities acquired over cost of acquisition, (previously known as negative goodwill) this amount should be recognized as income in the period in which it incurred. As of its first annual period beginning on or after 31 March 2004 (1 January 2005), the Company has ceased to amortize positive goodwill arising from the transactions that took place before 31 March 2004.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

Adoption of New and Revised International Financial Reporting Standards: (cont'd)

At the date of authorization of these financial statements, the following Standards and Interpretations we in issue but not yet effective:

IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim reporting and impairment

The management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

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

If the presentation or classification of the financial statements is changed in the current period, 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

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

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 after 1 January 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

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 depreciation rate used for intangible assets is 20%.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

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

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

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.

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 Group 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 Group could realize in a current market exchange.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

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

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

g. Financial Instruments (cont'd):

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 Group 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.

Investments: 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.

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 derivative instruments, 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.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

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

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

h. Credit Risk

The Group's credit risk is primarily attributable to its lease contract receivables. The leasing receivable 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.

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 financial statements of Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of Group are expressed in NTL, which is the functional currency of the Group, and the presentation currency for the financial statements. In preparing the financial statements of the Group, transactions in currencies other than NTL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

m. Earnings per Share:

In accordance with IAS 33, 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.

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.

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

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.

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.

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

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 IAS 12, ‘Taxation’.

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate – entity basis.

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.

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.

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

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 IAS 19 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.

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4. LIQUID ASSETS

	30 September 2006	31 December 2005
Demand deposits	1.097	2.861
Time deposits	64.532	68.468
	<u>65.629</u>	<u>71.329</u>

The details of time deposits as of 30 September 2006 are as follows:

Time Deposits:

<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	30 September 2006
US\$	% 3,5 - % 5,20	28-29.09.2006	13.869
EURO	2% - 3,15%	1.10.2006	50.663
			<u>64.532</u>

As of 30 September 2006, NTL 42.445 thousand of total foreign currency deposits (31 December 2005: NTL 65.480 thousand) and 529 NTL thousand (31 December 2005: NTL 4.188 thousand) of total NTL deposits consist of accounts at its main shareholder, Türkiye İş Bankası.

The details of time deposits as of 31 December 2005 are as follows:

<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	31 December 2005
NTL	17,5% - 18,50%	01 - 31.01.2006	24.046
US\$	3,50% - 4,00%	01.01.2006	24.843
EURO	2% - 2,25%	01.01.2006	19.579
			<u>68.468</u>

5. MARKETABLE SECURITIES (NET)

<u>Trading Securities:</u>	30 September 2006	31 December 2005
Mutual funds	2	13

The Group has T. İş Bankası A.Ş.’s mutual funds amounting to NTL 2 thousand.

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6. BORROWINGS

	30 September 2006	31 December 2005
<u>Short-term borrowings</u>		
Short-term borrowings	320.607	229.486
Short-term portions of long-term borrowings	55.121	70.163
Total short-term borrowings	375.728	299.649
<u>Long-term borrowings</u>		
Long-term portions of long-term borrowings	324.859	273.273
Total long-term borrowings	324.859	273.273
Total borrowings	700.587	572.922
	30 September 2006	31 December 2005
<u>Maturity analysis of borrowings</u>		
Within 1 year	375.728	299.649
Within 1-2 years	289.456	223.008
Within 2-3 years	31.365	47.576
Within 3-4 years	4.038	1.969
Over 4 years	-	720
TOTAL	700.587	572.922

The details of short-term borrowings are as follows:

<u>Currency Type</u>	<u>Interest Rate %</u>	<u>Currency Amount</u>	30 September 2006
NTL	19,10% - 20,25%		31.441
US\$	5,25% - 8,63%	114.328.200	171.160
EURO	3,36% - 9,81%	56.910.164	107.924
Accruals			10.082
Total			320.607
			31 December 2005
<u>Currency Type</u>	<u>Interest Rate %</u>	<u>Currency Amount</u>	
NTL	14% - 14,90%		25.455
US\$	3,77% - 7,56%	98.393.683	132.025
EURO	2,52% - 9,25%	41.937.911	66.576
Accruals			5.430
Total			229.486

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

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6. BORROWINGS (cont'd)

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>30 September 2006</u>
US\$	3,91% - 8,16%	7.177.312	10.745
EURO	4,58% - 5,74%	23.400.000	44.376
Total			<u>55.121</u>

<u>Currency Type</u>	<u>Interest Rate %</u>	<u>Currency Amount</u>	<u>31 December 2005</u>
US\$	3,77% - 7,56%	17.422.179	23.378
EURO	2,52% - 9,25%	29.471.145	46.785
Total			<u>70.163</u>

The details of long-term borrowings are as follows:

<u>Currency Type</u>	<u>Interest Rate %</u>	<u>Currency Amount</u>	<u>30 September 2006</u>
US\$	3,91% - 8,16%	53.255.601	79.729
EURO	3,93% - 5,74%	129.261.112	245.130
Total			<u>324.859</u>

<u>Currency Type</u>	<u>Interest Rate %</u>	<u>Currency Amount</u>	<u>31 December 2005</u>
US\$	3,77% - 7,56%	82.791.157	111.089
EURO	2,52% - 9,25%	102.163.351	162.184
Total			<u>273.273</u>

7. TRADE RECEIVABLES AND PAYABLES

	<u>30 September 2006</u>	<u>31 December 2005</u>
<u>Trade payables</u>		
Payables to finance lease suppliers	5.284	9.153
Other trade payables (*)	5.141	4.273
	<u>10.425</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.

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8. FINANCE LEASE RECEIVABLES AND PAYABLES

Finance Lease Receivables

<u>30 September 2006</u>	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Invoiced leased rental receivables	21.793	-	21.793
Doubtful leasing receivables	20.465	-	20.465
Uninvoiced leased rental receivables	415.370	464.111	879.481
Less: Unearned interest income	(77.849)	(60.486)	(138.335)
Less: Allowance for possible losses (*)	(16.851)	(18.158)	(35.009)
Net financial leasing receivables	<u>362.928</u>	<u>385.467</u>	<u>748.395</u>

(*) Allowance for possible losses includes some allowances accounted by the Group in order to avoid some possible credit risks.

<u>31 December 2005</u>	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
Invoiced leased rental receivables	18.021	-	18.021
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 losses(*)	(28.003)	(4.389)	(32.392)
Net financial leasing receivables	<u>292.138</u>	<u>311.140</u>	<u>603.278</u>

(*) Allowance for possible losses includes some allowances accounted by the Group in order to avoid some possible credit risks.

<u>Movement of allowance for possible losses</u>	<u>30 September 2006</u>	<u>31 December 2005</u>
Allowance at the beginning of the period	32.392	29.688
Additions	18.278	11.366
Write offs	(6.268)	(867)
Collections	(9.393)	(7.795)
Allowance at the end of the period	<u>35.009</u>	<u>32.392</u>

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

The distribution of uninvoiced rental receivables according to their maturities as of 30 September 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 receivables	126.954	377.741	234.973	101.171	29.863	8.779	879.481
Unearned interest	<u>(26.076)</u>	<u>(66.962)</u>	<u>(31.220)</u>	<u>(10.769)</u>	<u>(2.848)</u>	<u>(460)</u>	<u>(138.335)</u>
Total	<u>100.878</u>	<u>310.779</u>	<u>203.753</u>	<u>90.402</u>	<u>27.015</u>	<u>8.319</u>	<u>741.146</u>

The distribution of uninvoiced rental receivables according to their maturities as of 31 December 2005 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 receivables	339.606	212.150	104.314	33.991	8.269	3.033	701.363
Unearned interest	<u>(61.842)</u>	<u>(30.151)</u>	<u>(11.652)</u>	<u>(3.641)</u>	<u>(617)</u>	<u>(167)</u>	<u>(108.070)</u>
Total	<u>277.764</u>	<u>181.999</u>	<u>92.662</u>	<u>30.350</u>	<u>7.652</u>	<u>2.866</u>	<u>593.293</u>

As of 30 September 2006, the average interest rates of lease receivables denominated all in foreign currency are 9,26% for US\$, 9,36% for EURO and %22,21 for NTL, respectively.(31 December 2005: 8,98% for US\$ and 10,18% for EURO and %23,31 for NTL).

As of 30 September 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 \$	146.665.822	219.573	20.055.283	30.025
EURO	165.750.175	314.329	24.036.695	45.583
NTL		207.244		62.727
Total		<u>741.146</u>		<u>138.335</u>

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

As of 31 December 2005, the distribution of uninvoiced rental receivables according to foreign currency types are as follows:

Foreign <u>Currency</u>	Principal Foreign <u>Currency</u>	<u>Principal</u>	Unearned Interest <u>Foreign Currency</u>	Unearned <u>Interest</u>
US \$	154.033.390	206.682	20.516.652	27.529
EURO	144.036.997	228.659	21.433.364	34.025
NTL		157.952		46.516
Total		<u>593.293</u>		<u>108.070</u>

Finance Lease Payables

	30 September 2006	31 December 2005
Finance Lease Payables	33	41
Less: Cost of Deferred Finance Lease Payable	(2)	(2)
Net Finance Lease Payable	<u>31</u>	<u>39</u>

9. DUE FROM / TO RELATED PARTIES (NET)

<u>Finance Lease Receivables</u>	30 September 2006	31 December 2005
Türkiye İş Bankası A.Ş.	95.611	87.216
Gemport Gemlik Liman İşletmeleri A.Ş.	1.799	2.676
İş Koray Turizm Ormancılık Madencilik İnş.Taah.Tic.A.Ş.	331	2.020
Bayek Tedavi Sağlık Hizmetleri ve İşletmesi A.Ş.	997	1.188
Anadolu Anonim Türk Sigorta A.Ş.	672	324
Mars Sinema Turizm ve Sportif Tes. İşl. A.Ş.	2.583	1.062
Other	1.379	1.013
	<u>103.372</u>	<u>95.499</u>

Payables to Related Parties

Anadolu Anonim Türk Sigorta A.Ş.	5.297	4.405
Türkiye İş Bankası A.Ş.	238	555
Türkiye Sınai Kalkınma Bankası A.Ş.	28	44
İş Koray Turizm Ormancılık Madencilik İnş.Taah.Tic.A.Ş.	5	16
Other	101	128
	<u>5.669</u>	<u>5.148</u>

Borrowings

Türkiye İş Bankası A.Ş.	239.241	230.461
Türkiye Sınai Kalkınma Bankası A.Ş.	10.971	5.021
	<u>250.212</u>	<u>235.482</u>

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

	01.01.2006 - 30.09.2006	01.01.2005 - 30.09.2005	01.07.2006 - 30.09.2006	01.07.2005 - 30.09.2005
<u>Finance Lease Interest Income</u>				
Türkiye İş Bankası A.Ş.	6.357	3.553	2.255	1.334
Gemport Gemlik Liman. İşl. A.Ş.	197	484	67	114
İş Koray Turizm Ormancılık Madencilik	120	297	26	262
Avea İletişim Hizm. A.Ş.	-	49	-	-
Bayek Tedavi Sağlık Hizm. Ve İşl. A.Ş.	107	120	32	33
Anadolu Anonim Türk Sigorta A.Ş.	34	10	20	3
Other	442	135	200	114
	<u>7.257</u>	<u>4.648</u>	<u>2.600</u>	<u>1.860</u>
<u>Factoring Interest Income</u>				
Türkiye İş Bankası A.Ş.	-	1	-	-
Cam Pazarlama A.Ş.	-	59	-	-
Kültür Yayınları A.Ş.	-	2	-	-
	<u>-</u>	<u>62</u>	<u>-</u>	<u>-</u>
<u>Interest Income</u>				
Türkiye İş Bankası A.Ş.	2.108	884	132	410
İş Yatırım ve Menkul Değerler A.Ş.	48	-	-	-
Türkiye Sınai Kalkınma Bankası A.Ş.	-	791	-	-
	<u>2.156</u>	<u>1.675</u>	<u>132</u>	<u>410</u>
<u>Dividend Income</u>				
İş Yatırım Menkul Değerler A.Ş.	-	73	-	-
TSKB Menkul Değerler A.Ş.	4	-	-	-
	<u>4</u>	<u>73</u>	<u>-</u>	<u>-</u>
<u>Interest Expenses</u>				
Türkiye İş Bankası A.Ş.	11.254	9.647	3.651	3.129
Türkiye Sınai Kalkınma Bankası A.Ş.	349	193	221	66
	<u>11.603</u>	<u>9.840</u>	<u>3.872</u>	<u>3.195</u>
<u>Rent Expense</u>				
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	639	594	227	189
<u>Commission Income</u>				
Anadolu Anonim Türk Sigorta A.Ş.	1.492	1.094	479	435

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10. OTHER RECEIVABLES AND PAYABLES (NET)

	30 September 2006	31 December 2005
Factoring receivables (*)		
Short-term	21.255	16.098
Long-term	-	-
Doubtful factoring receivables	1.155	1.257
Doubtful factoring receivables provision	(1.155)	(1.257)
	<u>21.255</u>	<u>16.098</u>

(*) The balance consists of factoring receivables of the subsidiary İş Factoring 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.

	30 September 2006	31 December 2005
Deferred tax (liability) /asset	18	23

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14. DEFERRED TAX ASSETS AND LIABILITIES (NET) (Cont'd)

	30 September 2006	31 December 2005
<u>Temporary differences subject to deferred tax::</u>		
Finance Lease Adjustment	38.093	67.948
Tax Base Difference in Property, Plant and Equipment and Intangible Assets	6.407	3.233
Retirement Pay Provision	445	379
Finance Lease Income Accruals	(6.047)	(2.560)
Allowance for Doubtful Finance Lease Receivables	13.728	1.593
Forward Accrual	1.866	-
Unreal Finance Expense	7.240	9.654
Unused investment incentives	388.124	388.124
	<u>449.856</u>	<u>468.371</u>

The effective tax rate has been applied as 30% except investment incentives since the Company has decided to use investment incentive option in case the Company has taxable income in the following years. On the other hand, the Company's subsidiary İş Factoring A.Ş. does not have investment incentive to be used for the following years, thus the effective tax rate has been determined as 20%. A provision has been provided for the deferred tax asset of the Company, since it is not probable that future taxable income will be available against which the deductible temporary difference can be utilized.

	30 September 2006	31 December 2005
<u>Deferred Tax Assets/(Liabilities)</u>		
Finance Lease Adjustment	11.428	20.384
Tax Base Difference in Property, Plant and Equipment and Intangible Assets	1.924	970
Retirement Pay Provision	122	114
Finance Lease Income Accruals	(1.814)	(768)
Allowance for Doubtful Finance Lease Receivables	4.118	478
Forward Accrual	560	-
Unreal Finance Expense	2.172	2.896
Unused Investment Incentives	95.221	95.221
Deferred Tax Asset	113.731	119.295
Provision	(113.713)	(119.272)
Deferred Tax Asset (net)	<u>18</u>	<u>23</u>

Deferred tax assets/ (liabilities) movement for the period ended as of 30 September 2006 is as follows:

	30 September 2006	31 December 2005
Opening Balance 1 January	23	(24)
Deferred Tax (Benefit) / Expense	(5)	47
Closing Balance 31 December	<u>18</u>	<u>23</u>

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

<u>Other Current/ Non-Current Assets</u>	<u>30 September 2006</u>	<u>31 December 2005</u>
Equipment to be Leased (*)	9.677	6.941
Advances Given	15.303	10.084
VAT Deductible and Other VAT	4.935	5.386
Insurance Premium Receivables	4.497	3.537
Forward Income Accruals	1.866	-
Assets Held for Sale	2.917	2.797
Other (**)	6.230	5.559
	<u>45.425</u>	<u>34.304</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 30 September 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>30 September 2006</u>	<u>31 December 2005</u>
Social Security Premiums Payable	294	280
Other Short-Term Advances Received	-	99
Litigation Provisions	41	41
Other	484	50
	<u>819</u>	<u>470</u>

16. FINANCIAL ASSETS (NET)

<u>Name</u>	<u>30 September 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. (İş Girişim) (former name: İş Risk Sermayesi Yatırım Ortaklığı A.Ş.)	831	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
İş Net Elektronik Bilgi Üretim Dağ. Tic. Ve İletişim Hiz. A.Ş. – (İş Net)	328	1,0	328	1,0
Total	<u>7.190</u>		<u>7.068</u>	

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17. POSITIVE / (NEGATIVE) GOODWILL

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 thousand. 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.

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19. TANGIBLE ASSETS

<u>Acquisition cost</u>	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Other Tangible Assets</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Opening balance 1 January 2006	743	2.998	1.724	2.459	7.924
Additions	17	104	3	53	177
Disposals	(260)	-	-	-	(260)
Closing balance 30 September 2006	<u>500</u>	<u>3.102</u>	<u>1.727</u>	<u>2.512</u>	<u>7.841</u>
<u>Accumulated depreciation</u>					
Opening balance 1 January 2006	(375)	(2.664)	(1.528)	(2.249)	(6.816)
Charge for the period	(92)	(112)	(81)	(122)	(407)
Disposals	236	-	-	-	236
Closing balance 30 September 2006	<u>(231)</u>	<u>(2.776)</u>	<u>(1.609)</u>	<u>(2.371)</u>	<u>(6.987)</u>
Net book value as of 30 September 2006	270	326	118	141	854
Net book value as of 31 December 2005	368	334	196	210	1.108

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20. INTANGIBLE ASSETS

	Rights 000 NTL
<u>Acquisition cost</u>	
Opening balance 1 January 2006	159
Additions	-
Disposals	-
Closing balance 30 September 2006	<u>159</u>
<u>Accumulated amortization</u>	
Opening balance 1 January 2006	(156)
Charge for the period	(1)
Disposals	-
Closing balance 30 September 2006	<u>(157)</u>
Net book value as of 30 September 2006	2
Net book value as of 31 December 2005	3

21. ADVANCES RECEIVED

	30 September 2006	31 December 2005
Advances received (*)	14.146	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

None.

23. PROVISIONS

Short term provisions:

	30 September 2006	31 December 2005
Corporate Tax Provision	342	161

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23. PROVISIONS (Cont'd)

Long term provisions:

	30 September 2006	31 December 2005
<u>Retirement Pay Provision:</u>		
1 January	379	325
Increase During the Period	86	106
Amounts paid	(20)	(52)
Period End	<u>445</u>	<u>379</u>

Retirement Pay Provision

Under the Turkish Labour Law, the Company and its Turkish subsidiaries and associates are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of YTL 1.857,44 (2005: YTL 1.727,15) for each period of service at 30 September 2006.

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 6,175% and a discount rate of 12%, resulting in a real discount rate of approximately 5,49%. (31 December 2005: annual inflation % 6,175 , interest rate % 12 and resulting real discount rate % 5,49) . Turnover rate to estimate the probability of retirement is taken as 0%. (2005: 0%)

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 5.046 thousand (31 December 2005: NTL 4.726 thousand) and NTL 294 thousand, respectively as of 30 September 2006 (30 September 2005: NTL 201 thousand-loss).

25. CAPITAL / TREASURY STOCK

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

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26. CAPITAL RESERVES

As of 30 September 2006 and 31 December 2005 share capital held is as follows:

Shareholders	(%)	30 September		31 December	
		2006	(%)	2005	
Türkiye İş Bankası A.Ş.	27,79	27.794	27,79		13.897
Türkiye Sınai Kalkınma Bankası A.Ş.(TSKB)	28,56	28.560	28,56		14.280
Publicly traded	42,30	42.296	41,85		20.923
Cam Pazarlama A.Ş.	0,45	450	0,90		450
Nemtaş Nemrut Liman İşletmeleri A.Ş.	0,90	900	0,90		450
Total	100,00	100.000	100,00		50.000

CAPITAL RESERVES

	30 September	31 December
	2006	2005
Increase/(Decrease) in Fair Value of Available for Sale Investments	94	(1)
Shareholders' equity inflation restatement differences	12.581	31.366
Capital	12.581	26.516
Legal reserves	-	2.375
Extraordinary reserves	-	2.475
Total	12.675	31.365

27. PROFIT RESERVES

	30 September	31 December
	2006	2005
Legal reserves	3.186	2.381
Extraordinary reserves	12.513	5.434
Currency translation reserve	-	(93)
Total	15.699	7.722

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.

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28. RETAINED EARNINGS

	30 September 2006	31 December 2005
Retained earnings	<u>1.593</u>	<u>670</u>

29. FOREIGN CURRENCY POSITION

<u>30 September 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	9.470	27.056	11	-	27	65.505
Finance lease receivables (*)	149.293	162.750	-	-	-	532.148
Factoring receivables	677	297	-	-	-	1.579
Advances given	4.307	3.926	-	88	1.869	14.163
Equipment to be leased	3.730	892	-	-	-	7.276
Financial liabilities	(178.679)	(211.953)	-	-	-	(669.447)
Advances received	(3.630)	(3.085)	-	-	-	(11.285)
Trade payables	(170)	(2.190)	-	-	-	(4.408)
Finance lease payables	(21)	-	-	-	-	(31)
Forward transactions	15.129	12.462	-	-	-	46.284
Net foreign currency position						(18.216)

(*) This amount is composed of invoiced and uninvoiced finance lease receivables.

<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)

(*) This amount is composed of invoiced and uninvoiced finance lease receivables.

30. GOVERNMENT GRANTS AND INCENTIVES

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As of 30 September 2006 and 31 December 2005, there are no government grants and incentives.

31. COMMITMENTS AND CONTINGENCIES

As of 30 September 2006, letter of guarantees amounting to NTL 2.488 thousand (31 December 2005: NTL 2.670 thousand) are given to customs, authorities and banks.

As of 30 September 2006, the total risk of court cases opened and currently pending against the Group amounts to approximately NTL 241 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 Factoring Finansman Hizmetleri A.Ş., had a tax audit and tax penalty notifications were sent to İş Factoring Finansman Hizmetleri A.Ş. within the context of article 16 in Corporate Tax Law. İş Factoring 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.

As a recent development, İş Factoring Finansman Hizmetleri A.Ş. has lost the pending lawsuits against the tax authorities with a right to appeal to the Supreme Court. Tax notifications with regards to the finalised lawsuits have been issued by the Tax Office and submitted to İş Factoring Finansman Hizmetleri A.Ş., while in accordance with the court judgement, İş Factoring Finansman Hizmetleri A.Ş. has filed an appeal with a motion to stay at the Supreme Court. The Group management believes that, the case on trial as of the report date will be resulted in favor of the Group. Regarding this case, no provision is included in the accompanying financial statements.

32. MERGERS AND ACQUISITIONS

During the current period, the Group does not have any merger and acquisition activities.

33. SEGMENTAL INFORMATION

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As of 30 September 2006,

	<u>Leasing</u>	<u>Factoring</u>	<u>Consolidation eliminations</u>	<u>Consolidated</u>
Total assets	874.961	30.582	(16.607)	888.936
Total liabilities	719.381	7.414	-	726.795
Net period profit	26.074	1.348	(294)	27.128

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.

34. SUBSEQUENT EVENTS

Commencing from 1 July 2006 the ceiling for gross pay for the retirement pay provision limit has been increased to NTL 1.857,44

35. DISCONTINUED OPERATIONS

As of 30 September 2006 and 31 December 2005, there is no discontinued operation.

36. OPERATING INCOME (NET)

	<u>01.01.2006 - 30.09.2006</u>	<u>01.01.2005 - 30.09.2005</u>	<u>01.07.2006 - 30.09.2006</u>	<u>01.07.2005 - 30.09.2005</u>
Finance lease income	-	-	-	-
Interest Income	70.565	46.086	25.653	16.920
Foreign exchange gains / (losses)	76.884	(25.559)	(36.047)	(93)
Factoring income	2.927	2.036	1.214	706
	<u>150.376</u>	<u>22.563</u>	<u>(9.180)</u>	<u>17.533</u>

37. OPERATING EXPENSES

	<u>01.01.2006 - 30.09.2006</u>	<u>01.01.2005 - 30.09.2005</u>	<u>01.07.2006 - 30.09.2006</u>	<u>01.07.2005 - 30.09.2005</u>
Personnel expenses	(4.446)	(3.688)	(1.404)	(1.153)
Depreciation expense	(408)	(715)	(101)	(236)
Other operating expenses	(2.791)	(2.476)	(1.051)	(800)
	<u>(7.645)</u>	<u>(6.879)</u>	<u>(2.556)</u>	<u>(2.189)</u>

38. OTHER INCOME / EXPENSE AND PROFIT / LOSSES

Income and Profit from Other Operations

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	01.01.2006 - 30.09.2006	01.01.2005 - 30.09.2005	01.07.2006 - 30.09.2006	01.07.2005 - 30.09.2005
Interest income	5.282	3.497	607	857
Commission income	1.512	1.108	487	411
Other	9	692		(318)
	<u>6.803</u>	<u>5.297</u>	<u>1.097</u>	<u>950</u>
Expense and Loss from Other Operations				
	01.01.2006 - 30.09.2006	01.01.2005 - 30.09.2005	01.07.2006 - 30.09.2006	01.07.2005 - 30.09.2005
Provision expense	(9.063)	(3.511)	716	(1.915)
Other	(912)	(25)	(428)	(7)
	<u>(9.975)</u>	<u>(3.536)</u>	<u>288</u>	<u>(1.922)</u>
39.	FINANCE EXPENSE (NET)			
	01.01.2006 - 30.09.2006	01.01.2005 - 30.09.2005	01.07.2006 - 30.09.2006	01.07.2005 - 30.09.2005
Foreign exchange gains/ (losses) (net)	(80.901)	26.672	38.882	559
Interest expense	(30.889)	(16.125)	(9.765)	(6.040)
	<u>(111.790)</u>	<u>10.547</u>	<u>29.117</u>	<u>(5.481)</u>
40.	NET MONETARY GAIN / (LOSS)			
	Since the Group did not apply inflation accounting in 2006, there is no monetary gain or loss in the accompanying statement of income.			
41.	TAXATION			
	01.01.2006 - 30.09.2006	01.01.2005 - 30.09.2005	01.07.2006 - 30.09.2006	01.07.2005 - 30.09.2005
<u>Provisions for taxes on income</u>				
Current tax provision	(342)	-	(125)	-
Deferred tax income / (expense)	(5)	(5)	1	(150)
	<u>(347)</u>	<u>(5)</u>	<u>(124)</u>	<u>(150)</u>
41.	TAXATION (cont'd)			
	<u>Corporation Tax</u>			
	The Group is subject to the Turkish corporation taxes. Provision is made in the accompanying			

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

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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 rate in 2006 is 20%. (2005: 30%)

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was decreased to 20% for 2006 in the second quarter of 2006. The excess income tax paid of corporate income that was calculated at the rate of 30% during the first quarter will be deducted from tax returns in following periods.

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 between 1 April and 25 April 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 24 April 2003. This rate was changed to 15% with the code numbered 5520 article 15 commencing from 21 June 2006. However until the resolution of Council of Ministers, it has been used as 10%. With the resolution of Council of Ministers, effective from 23 July 2006, income withholding tax rate has been changed to 15%. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the company. The investments without investment incentive certificates do not qualify for tax allowance.

Investment incentive certificates are revoked commencing from 1 January 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to following years as of 31 December 2005 so as to be deducted from taxable income of subsequent profitable years. However the companies can deduct the carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.

41. TAXATION (cont’d)

The tax rate that the companies can use in the case of deducting the tax investment incentive amount in 2006, 2007 and 2008 is 30%. If the Company cannot use the investment incentive carried forward, the effective tax rate will be 20% and the unused investment incentive will be

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2006

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

cancelled.

Income Withholding Tax (cont'd):

The Company has chosen to use investment incentive for the following years, thus the effective tax rate of the Company is 30%. On the other hand, the Company's subsidiary İş Factoring A.Ş. does not have investment incentive to be used for the following years, thus the effective tax rate has been determined as 20%.

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. The Turkish Tax Law is similar to IAS 29. 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. These financial statements constituted the opening balances for 2005. In accordance with the Law 5024, such threshold has not been met in 2005, thus the Group did not apply inflation accounting for the periods then ended.

42. EARNINGS PER SHARE

The weighted average number of shares of the Group and earnings per share are as follows:

	01.01.2006 - 30.09.2006	01.01.2005 - 31.12.2005
Number of outstanding shares	10.000.000.000	5.000.000.000
Net period profit (thousand NTL)	27.128	40.022
Earning per share (NTL)	0,0027	0,0080

43. OTHER ISSUES

None.