

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 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.

INDEPENDENT AUDITORS' REPORT
FOR THE PERIOD 1 JANUARY 2005-31 DECEMBER 2005

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

1. We have audited the accompanying consolidated balance sheets of İş Finansal Kiralama A.Ş., and its subsidiaries (together "Group") as of 31 December 2005 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended prepared in accordance with Capital Market Board ("CMB") standards. Our audit was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.
2. In our opinion, the attached financial statements present fairly the financial position of the Group as at 31 December 2005 and the results of its operations for the year then ended, in conformity with legislation and generally accepted accounting principles determined by Capital Market Board (Note 2).

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

Sibel Türker
Partner
İstanbul, 10 February 2006

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CONSOLIDATED BALANCE SHEETS FOR THE PERIODS ENDED 31 DECEMBER 2005 AND 2004

(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.)

ASSETS	Note	31 December 2005 <u>Audited</u>	31 December 2004 <u>Audited</u>
Current Assets		413.882	341.589
Liquid assets	4	71.329	67.158
Marketable securities (net)	5	13	5.209
Trade receivables (net)		-	-
Finance lease receivables	8	295.675	244.614
Due from related parties (net) (*)	9	-	-
Other receivables (net)	10	16.098	13.120
Biological assets		-	-
Inventories (net)		-	-
Receivables from ongoing construction contracts		-	-
Deferred tax assets		-	-
Other current assets	15	30.767	11.488
Long-term Assets		319.508	205.878
Trade receivables (net)		-	-
Finance lease receivables	8	311.140	196.589
Due from related parties (net)		-	-
Other receivables (net)	10	-	-
Financial assets (net)	16	7.068	7.430
Positive / (negative) goodwill (net)	17	166	166
Investment properties		-	-
Tangible assets (net)	19	898	1.089
Intangible assets (net)	20	213	604
Deferred tax assets	14	23	-
Other long-term assets (net)		-	-
TOTAL ASSETS		<u>733.390</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 SHEETS FOR THE PERIODS ENDED 31 DECEMBER 2005 AND 2004

(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.)

LIABILITIES	Note	31 December 2005 <u>Audited</u>	31 December 2004 <u>Audited</u>
Short-term Liabilities		325.233	215.935
Short-term borrowings (net)	6	229.486	177.258
Short-term portions of long-term borrowings (net)	6	70.163	22.525
Finance lease payables (net)	8	39	30
Other financial liabilities (net)		-	-
Trade payables (net)	7	13.426	8.575
Due to related parties (net) (*)	9	-	-
Advances received	21	11.488	6.610
Ongoing construction progress payments (net)		-	-
Provisions		161	-
Deferred tax liabilities		-	-
Other short-term liabilities (net)	15	470	937
Long-term Liabilities		273.652	237.379
Long-term borrowings (net)	6	273.273	236.862
Finance lease payables (net)		-	-
Other financial liabilities (net)		-	-
Trade payables (net)		-	168
Due to related parties (net)		-	-
Advances received		-	-
Provisions	23	379	325
Deferred tax liabilities	14	-	24
Other long-term liabilities (net)		-	-
Minority share	24	4.726	4.395
Shareholders' Equity		129.779	89.758
Capital / Treasury stock	26	50.000	25.000
Capital reserves	26	31.365	52.335
- Premium in excess of par		-	-
- Gain on cancellation of equity shares		-	-
- Revaluation fund		-	-
- Valuation fund on financial assets		(1)	-
- Shareholders' equity inflation restatement differences		31.366	52.335
Profit reserves	27	7.722	6.181
- Legal reserves		2.381	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		40.022	23.354
Retained earnings	28	670	(17.112)
TOTAL LIABILITIES and SHAREHOLDER' S EQUITY		733.390	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 2005 AND 2004

(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.)

INCOME STATEMENT	Note	1 January - 31 December 2005 <u>Audited</u>	1 January - 31 December 2004 <u>Audited</u>
OPERATING INCOME			
Sales revenue (net)	36	38.457	54.721
Cost of sales (-)		-	-
Income from services (net)		-	-
Other operating income (net)		-	-
GROSS PROFIT / (LOSS)		<hr/> 38.457	<hr/> 54.721
Operating expenses (-)	37	(9.504)	(9.248)
NET OPERATING PROFIT / LOSS		<hr/> 28.953	<hr/> 45.473
Other income and profit	38	6.944	13.966
Other expenses and losses (-)	38	(3.605)	(7.193)
Finance income and expenses (net)	39	8.174	(20.545)
OPERATING PROFIT / LOSS		<hr/> 40.466	<hr/> 31.701
Net monetary gain / (loss)		-	(8.498)
Minority interest	24	(331)	284
PROFIT BEFORE TAXATION		<hr/> 40.135	<hr/> 23.487
Taxation		(113)	(133)
NET PROFIT FOR THE PERIOD	42	<hr/> <hr/> 40.022	<hr/> <hr/> 23.354
EARNINGS PER SHARE (NTL)	42	800,44	467,08

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

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED 31 DECEMBER 2005 AND 31 DECEMBER 2004

(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.)

	<u>Capital</u>	<u>Decrease in fair value of available for sale</u>	<u>Legal reserves</u>	<u>Extraordinary reserves</u>	<u>Translation reserves</u>	<u>Shareholders equity inflation restatement differences</u>	<u>Accumulated profit/loss</u>	<u>Total</u>
As of 1 January 2004	25.000	-	840	5.434	11	52.335	(17.112)	66.508
Translation reserves	-	-	-	-	(104)	-	-	(104)
Net profit for the period	-	-	-	-	-	-	23.354	23.354
As of 31 December 2004	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	-	(1)	-	-	-	-	-	(1)
Capital increase (*)	25.000	-	-	-	-	(20.969)	(4.031)	-
Net period profit	-	-	-	-	-	-	40.022	40.022
Balance as of 31 December 2005	<u>50.000</u>	<u>(1)</u>	<u>2.381</u>	<u>5.434</u>	<u>(93)</u>	<u>31.366</u>	<u>40.692</u>	<u>129.779</u>

(*) A total amount of NTL 4.031 thousand of retained earnings added to the capital in 2005 consists of NTL 3.141 thousand of 2004 dividend and NTL 890 thousand of gain on sale of equity participations.

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

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005 AND 2004

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

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

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

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

As of 31 December 2005, the Company employs 81 persons.

2. BASIS OF THE FINANCIAL STATEMENTS

Accounting Standards Applied

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

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

Communiqué No: XI/25 “Communiqué on Capital Markets Accounting Standards” issued by the CMB, provides a detailed set of accounting principles. The Communiqué declared that as an alternative the compliance with accounting standards issued by International Accounting Standards Board (IASB) and International Accounting Standards Committee (IASC) will be counted as in compliance to the CMB Accounting Standards. The accompanying consolidated financial statements were prepared in accordance with the above mentioned alternative application permitted by CMB. The CMB declared that; for the companies operated in Turkey and subject to CMB rules, the inflation accounting has been ceased beginning from 1 January 2005. Therefore, the Company did not apply inflation accounting for the period 1 January 2005-31 December 2005.

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005 AND 2004

(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 THE FINANCIAL STATEMENTS (cont'd)

Inflation Accounting

Financials statements as of 31 December 2004 include restatement adjustments made to compensate the effect of changes in the general purchasing power of the Turkish Lira, in accordance with International Accounting Standard No. 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”). IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. The CMB resolved in the meeting numbered 11/367 dated 17 March 2005 that hyperinflationary period is over. In addition, the other criteria regarding the continuity of hyperinflationary period deemed to be no longer valid and therefore, preparation of financial statements according to inflation accounting has been ceased in 2005 and inflation accounting has not been applied in the accompanying consolidated financial statements for the period ended 31 December 2005.

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

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

At 31 December 2005 the exchange rate announced by the Turkish Central Bank was NTL 1,3418 = US\$ 1 (31 December 2004: NTL 1,3421 = 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 31 DECEMBER 2005 AND 2004

(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 THE FINANCIAL STATEMENTS (cont’d)

Inflation Accounting (cont’d)

- The gain or loss on the net monetary position as of 31 December 2004, was the result of the effect of general inflation and is the difference resulting from the restatement of non-monetary assets, shareholders' equity and income statement items. The gain or loss on the net monetary position was included in net income.

The New Turkish Lira:

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

Consolidation Principles:

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

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

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

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005 AND 2004

(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 THE FINANCIAL STATEMENTS (cont'd)

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

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

Offsetting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Revenue recognition:

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

b. Inventory:

None.

c. Tangible Assets:

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005 AND 2004

(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)

c. Tangible Assets: (cont'd)

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

d. Intangible Assets:

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

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

e. Impairment of Assets:

At each balance sheet date, assets other than deferred tax and financial assets are investigated whether there is an indication which requires impairment of the asset or not. If there is such an indication, recoverable amount of that asset is estimated. If the carrying amount of an asset exceeds its recoverable amount, allowance for impairment should be provided. Recoverable amount of an asset is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flow expected to arise from the continuing use of an asset and from its disposal at the end of its life.

f. Borrowing Costs:

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

g. Financial Instruments:

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005 AND 2004

(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):

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

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

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

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

The following methods and assumptions were used to estimate the fair value of each class of financial instrument.

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005 AND 2004

(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):

Finance lease receivables and payables: Book values of the finance lease receivables based on the relevant leasing contracts along with the related allowances for uncollectibility and trade payables balances are estimated to be their fair values.

Due to/from related parties: The carrying value of due to and due from related parties are estimated to be their fair value except the ones having certain credit terms and discounted to their present values.

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

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

h. Credit Risk

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

i. Market Risk

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

j. Liquidity Risk

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005 AND 2004

(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)

k. Mergers and Acquisitions:

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

l. Foreign Currency Transactions:

The transactions in foreign currencies are translated into the New Turkish Lira at the rates of exchange ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the financial statements.

m. Earnings per Share:

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

n. Subsequent Events:

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

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

İŞ FİNANSAL KİRALAMA A.Ş. AND SUBSIDIARIES

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

o. Provisions, Contingent Liabilities and Contingent Assets:

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

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

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

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

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

q. Finance Lease:

- the Group as Lessee

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

- the Group as Lessor

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

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

r. Related Parties:

In the accompanying financial statements, shareholders of the Group, related companies, their directors and key management personnel and any groups to which they are known to be related, are considered and referred to as related companies.

s. Segmental Information:

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

t. Construction Agreements:

None.

u. Discontinued Operations:

None.

v. Government Grant and Incentives:

None.

y. Investment Properties:

None.

z. Taxation and Deferred Tax:

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

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

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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 in respect of material temporary timing differences arising from different treatment of items for accounting and taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are only provided to the extent if it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. A provision is provided if it is not probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

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

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

aa. Employee Benefits / Retirement Pay Provision:

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

ab. Retirement Plans:

None.

ac. Agricultural Operations:

None.

ad. Statement of Cash Flows:

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

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4. LIQUID ASSETS

	31 December 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Demand deposits	2.861	19.744
Time deposits	68.468	47.414
	<u>71.329</u>	<u>67.158</u>

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

Time Deposits:

<u>Currency</u>	<u>Interest rate</u>	<u>Maturity</u>	31 December 2005 <u>000 NTL</u>
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>

As of 31 December 2005, NTL 65.480 thousand of total foreign currency deposits (31 December 2004: NTL 42.307 thousand) and NTL 4.188 thousand (31 December 2004: NTL 6.015 thousand) of total NTL deposits consist of accounts at its main shareholder, Türkiye İş Bankası.

5. MARKETABLE SECURITIES (NET)

	31 December 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Government bonds	-	5.111
Mutual funds	13	98
	<u>13</u>	<u>5.209</u>

The Group has T. İş Bankası A.Ş.’s mutual funds amounting to NTL 13 thousand.

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6. BORROWINGS

	31 December 2005	31 December 2004
<u>Short-term borrowings</u>	<u>000 NTL</u>	<u>000 NTL</u>
Short-term borrowings	229.486	177.258
Short-term portions of long-term borrowings	70.163	22.525
Total short-term borrowings	<u>299.649</u>	<u>199.783</u>
<u>Long-term borrowings</u>		
Long-term portions of long-term borrowings	<u>273.273</u>	<u>236.862</u>
Total long-term borrowings	<u>273.273</u>	<u>236.862</u>
Total borrowings	<u><u>572.922</u></u>	<u><u>436.645</u></u>
	31 December 2005	31 December 2004
<u>Maturity analysis of borrowings</u>	<u>000 NTL</u>	<u>000 NTL</u>
Within 1 year	299.649	199.783
Within 1-2 years	223.008	108.058
Within 2-3 years	47.576	123.815
Within 3-4 years	1.969	3.568
Over 4 years	720	1.421
TOTAL	<u><u>572.922</u></u>	<u><u>436.645</u></u>

The details of short-term borrowings are as follows:

			31 December 2005
<u>Currency Type</u>	<u>Interest Rate %</u>	<u>Currency Amount</u>	<u>000 NTL</u>
YTL	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			<u><u>229.486</u></u>

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

			31 December 2005
<u>Currency Type</u>	<u>Interest Rate %</u>	<u>Currency Amount</u>	<u>000 NTL</u>
US\$	3,77% - 7,56%	17.422.179	23.378
EURO	2,52% - 9,25%	29.471.145	46.785
Total			<u><u>70.163</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>	31 December 2005 <u>000 NTL</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

	31 December 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
<u>Trade payables</u>		
Finance lease payables	9.153	6.525
Other trade payables (*)	4.273	2.050
	<u>13.426</u>	<u>8.575</u>

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

8. FINANCE LEASE RECEIVABLES AND PAYABLES

Finance Lease Receivables

31 December 2005	Short-Term <u>000 NTL</u>	Long-Term <u>000 NTL</u>	Total <u>000 NTL</u>
Invoiced leased rental receivables	21.558	-	21.558
Doubtful leasing receivables	24.356	-	24.356
Uninvoiced leased rental receivables	339.606	361.757	701.363
Less: Unearned interest income	(61.842)	(46.228)	(108.070)
Less: Allowance for possible loses (**)	(28.003)	(4.389)	(32.392)
Net financial leasing receivables	<u>295.675</u>	<u>311.140</u>	<u>606.815</u>

(**) Allowance for possible loses includes general provision amounting to NTL 5.990 thousand.

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

31 December 2004	Short-Term 000 NTL	Long-Term 000 NTL	Total 000 NTL
Invoiced leased rental receivables	17.795	-	17.795
Doubtful leasing receivables	8.773	-	8.773
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	(5.841)	(23.847)	(29.688)
Net financial leasing receivables	<u>244.614</u>	<u>196.589</u>	<u>441.203</u>

The distribution of uninvoiced rental receivables according to their maturities as of 31 December 2005 is as follows:

	2006	2007	2008	2009	2010	2011 and after	Total 000 NTL
Financial lease principal	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 31 December 2005, the distribution of uninvoiced rental receivables according to foreign currency types is as follows:

Foreign Currency	Principal Foreign Currency	Principal 000 NTL	Unearned Interest Foreign Currency	Unearned Interest 000 NTL
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>

As of 31 December 2005, the average interest rates of lease receivables denominated all in foreign currency are 8,98% for US\$, 10,18% for EURO and %23,31 for NTL, respectively.(2004: 9,21% for US\$ and 11,11% for EURO and %30,05 for NTL).

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

Financial Lease Payables

	31 December 2005 000 NTL	31 December 2004 000 NTL
Financial lease payables	41	31
Less: Cost of deferred financial lease payable	(2)	(1)
Net Financial lease payable	<u>39</u>	<u>30</u>

9. DUE FROM / TO RELATED PARTIES (NET)

	31 December 2005 000 NTL	31 December 2004 000 NTL
<u>Financial Lease Receivables</u>		
Türkiye İş Bankası A.Ş.	87.216	58.182
Gemport Gemlik Liman İşletmeleri A.Ş.	2.676	6.259
Petrol Ofisi A.Ş. (*)	-	3.781
İş Koray Turizm Ormanlık Madencilik	2.020	2.807
Bayek Tedavi Sağlık Hizmetleri ve İşletmesi A.Ş.	1.188	1.372
Avea İletişim Hizmetleri A.Ş. (former name: İş-Tim		
Telekomunikasyon Hizmetleri A.Ş.)	-	1.031
Anadolu Anonim Türk Sigorta A.Ş.	324	382
Other	2.075	1.104
Total	<u>95.499</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.	4.405	2.458
Türkiye İş Bankası A.Ş.	555	396
Türkiye Sınai Kalkınma Bankası A.Ş.	44	3
İş Koray Turizm Ormanlık Madencilik	16	17
Other	128	208
Total	<u>5.148</u>	<u>3.082</u>

Borrowings

Türkiye İş Bankası A.Ş.	230.461	276.294
Türkiye Sınai Kalkınma Bankası A.Ş.	5.021	6.087
Total	<u>235.482</u>	<u>282.381</u>

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

	1 January 2005- 31 December 2005 000 NTL	1 January 2004- 31 December 2004 000 NTL
<u>Lease Interest Income</u>		
Türkiye İş Bankası A.Ş.	5.155	1.740
Gemport Gemlik Liman. İşl. A.Ş.	570	540
Petrol Ofisi A.Ş. (*)	-	531
İş Koray Turizm Ormancılık Madencilik	383	324
Avea İletişim Hizm. A.Ş. (Former name:İş-Tim)	49	317
Bayek Tedavi Sağlık Hizm. Ve İşl.A.Ş.	153	207
Anadolu Anonim Türk Sigorta A.Ş.	13	-
Other	189	221
Total	<u>6.512</u>	<u>3.880</u>
<u>Factoring Interest Income</u>		
Petrol Ofisi A.Ş. (*)	-	16
Türkiye İş Bankası A.Ş.	-	-
Cam Pazarlama A.Ş.	-	133
Kültür Yayınları A.Ş.	2	21
Total	<u>2</u>	<u>170</u>
<u>Interest Income</u>		
Türkiye İş Bankası A.Ş.	1.069	413
İş Yatırım ve Menkul Değerler A.Ş.	791	119
Türkiye Sınai Kalkınma Bankası A.Ş.	25	-
Camiş Yatırım Holding A.Ş.	-	-
Total	<u>1.885</u>	<u>532</u>
<u>Dividend Income</u>		
İş Net Elektronik Bilgi Üretim Dağ.Tic. ve İletişim	-	6
İş Yatırım ve Menkul Değerler A.Ş.	73	-
Total	<u>73</u>	<u>6</u>
<u>Interest Expenses</u>		
Türkiye İş Bankası A.Ş.	12.849	9.342
Türkiye Sınai Kalkınma Bankası A.Ş.	259	214
Total	<u>13.108</u>	<u>9.556</u>
<u>Rent Expense</u>		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	799	849
<u>Commission Income</u>		
Anadolu Anonim Türk Sigorta A.Ş.	1.504	1.050

(*) T. İş Bankası A.Ş.'s shares in Petrol Ofisi A.Ş. were sold to Doğan Şirketler Grubu Holding A.Ş. as at 2 September 2005.

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10. OTHER RECEIVABLES AND PAYABLES (NET)

	31 December 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Factoring receivables (*)		
Short-term	16.098	13.120
Long-term	-	-
Doubtful factoring receivables	1.257	1.400
Doubtful factoring receivables provision	<u>(1.257)</u>	<u>(1.400)</u>
	<u>16.098</u>	<u>13.120</u>

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

11. BIOLOGICAL ASSETS

None.

12. INVENTORIES

None.

13. RECEIVABLES FROM ONGOING CONSTRUCTION CONTRACTS (NET)

None.

14. DEFERRED TAX ASSETS AND LIABILITIES (NET)

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

	31 December 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Deferred tax (liability) /asset	23	(24)

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15. OTHER CURRENT / NON-CURRENT ASSETS AND OTHER CURRENT/ NON-CURRENT LIABILITIES	31 December 2005 000 NTL	31 December 2004 000 NTL
<u>Other current/ non-current assets</u>		
Equipment to be leased (*)	6.941	2.168
Advances given	10.084	5.335
VAT deductible and other VAT	5.386	3.270
Assets held for sale	2.797	204
Other (**)	5.559	511
Total	<u>30.767</u>	<u>11.488</u>

(*) The Company purchases machinery and equipment from domestic and foreign suppliers on behalf of the lessees on the basis of the leasing contract terms. The balance includes the total amount paid for these machinery and equipment but not charged to the lessees yet as of 31 December 2005 and 31 December 2004.

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

Other current/ non-current liabilities	31 December 2005 000 NTL	31 December 2004 000 NTL
Social security premiums payable	280	189
Other short-term advances received	99	409
Litigation provisions	41	122
Other	50	217
Total	<u>470</u>	<u>937</u>

16. FINANCIAL ASSETS (NET)	31 December 2005		31 December 2004	
<u>Name</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) (former name: İş Risk Sermayesi Yatırım Ortaklığı A.Ş.)	709	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	<u>7.068</u>		<u>7.430</u>	

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17. POSITIVE / (NEGATIVE) GOODWILL (NET)

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

18. INVESTMENT PROPERTIES

None.

19. TANGIBLE ASSETS (NET)

	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	132	50	114	296
Disposals	(105)	(14)	-	(119)
Closing balance 31 December 2005	<u>743</u>	<u>2.998</u>	<u>1.724</u>	<u>5.465</u>
<u>Accumulated depreciation</u>				
Opening balance 1 January 2005	(374)	(2.399)	(1.426)	(4.199)
Charge for the period	(106)	(277)	(102)	(485)
Disposals	105	12	-	117
Closing balance 31 December 2005	<u>(375)</u>	<u>(2.664)</u>	<u>(1.528)</u>	<u>(4.567)</u>
Net book value as of 31 December 2005	368	334	196	898
Net book value as of 31 December 2004	342	563	184	1.089

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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	-	66	66
Disposals	-	-	-
Closing balance 31 December 2005	<u>159</u>	<u>2.459</u>	<u>2.618</u>
<u>Accumulated amortization</u>			
Opening balance 1 January 2005	(146)	(1.802)	(1.948)
Charge for the period	(10)	(447)	(457)
Disposals	-	-	-
Closing balance 31 December 2005	<u>(156)</u>	<u>(2.249)</u>	<u>(2.405)</u>
Net book value as of 31 December 2005	3	210	213
Net book value as of 31 December 2004	13	591	604

21. ADVANCES RECEIVED

	31 December 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Advances received (*)	11.488	6.610

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

22. RETIREMENT BENEFITS

As of 31 December 2005 and 31 December 2004, there is no retirement plan.

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(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.)

23. PROVISIONS

	31 December 2005	31 December 2004
	<u>000 NTL</u>	<u>000 NTL</u>
Retirement pay provision	379	325

24. MINORITY SHARE

The Company owns 78,22% of İş Faktoring Finansman Hizmetleri A.Ş. Therefore, minority share is calculated from balance sheet and income statement of the subsidiary amounting to NTL 4.726 thousand (31 December 2004: NTL 4.395 thousand) and NTL 331 thousand, respectively as of 31 December 2005 (31 December 2004: NTL 284 thousand).

25. CAPITAL / TREASURY STOCK

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

26. CAPITAL RESERVES

As of 31 December 2005 and 31 December 2004 capital reserves are as follows:

Capital

		31 December 2005		31 December 2004
<u>Shareholders</u>	(%)	<u>000 NTL</u>	(%)	<u>000 NTL</u>
Türkiye İş Bankası A.Ş.	27,79	13.897	35,29	8.823
Türkiye Sınai Kalkınma Bankası A.Ş.(TSKB)	28,56	14.280	30,00	7.500
Publicly traded	41,85	20.923	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	<u>50.000</u>	100,00	<u>25.000</u>

Capital Reserves

	31 December 2005	31 December 2004
	<u>000 NTL</u>	<u>000 NTL</u>
Decrease in fair value of available for sale investments	(1)	-
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	<u>31.365</u>	<u>52.335</u>

(*) An amount of NTL 20.969 thousand has been transferred to the nominal capital from inflation restatement of the capital.

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(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.)

27. PROFIT RESERVES

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

	31 December 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Legal reserves	2.381	840
Extraordinary reserves	5.434	5.434
Currency translation reserve	<u>(93)</u>	<u>(93)</u>
Total	<u>7.722</u>	<u>6.181</u>

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

28. RETAINED EARNINGS

	31 December 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Retained earnings	670	(17.112) (*)

(*) The Company has decided to offset its accumulated losses until 31 December 2003 against the net profit of 2004 in the Ordinary General Assembly Meeting held on 18 March 2005.

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(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.)

29. FOREIGN CURRENCY POSITION

Foreign currencies and receivables and payables denominated in foreign currencies as of 31 December 2005 are as follows:

<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	2.386	(2.000)	-	-	-	27
Net foreign currency position						(62.887)

<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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(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.)

30. GOVERNMENT GRANTS AND INCENTIVES

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

31. COMMITMENTS AND CONTINGENCIES

A Letter of guarantee amounting to NTL 2.670 thousand (31 December 2004: NTL 12.233 thousand) is given to customs, authorities and banks.

As of 31 December 2005, the total risk of court cases opened and currently pending against the Company amounts to approximately NTL 124 thousand (31 December 2004: NTL 92 thousand). The Company provided a provision amounting to NTL 41 thousand (31 December 2004: NTL 122 thousand).

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

32. MERGERS AND ACQUISITIONS

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

33. SEGMENTAL INFORMATION

As of 31 December 2005,

	Leasing (*) 000 NTL	Factoring 000 NTL	Consolidation eliminations 000 NTL	Consolidated 000 NTL
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

As of 31 December 2004,

	Leasing (*) 000 NTL	Factoring 000 NTL	Consolidation eliminations 000 NTL	Consolidated 000 NTL
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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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2005 AND 2004

(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.)

34. SUBSEQUENT EVENTS

Commencing from 1 January 2006, the ceiling for gross pay for the retirement pay provision limit has been increased to NTL 1.770,62.

35. DISCONTINUED OPERATIONS

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

36. OPERATING INCOME (NET)

	1 January - 31 December 2005 000 NTL	1 January - 31 December 2004 000 NTL
Finance lease income	65.317	51.091
-Interest Income	(29.667)	1.720
-Foreign exchange gains/ (losses)	2.807	1.910
Factoring income	<u>38.457</u>	<u>54.721</u>

37. OPERATING EXPENSES

	1 January - 31 December 2005 000 NTL	1 January - 31 December 2004 000 NTL
Personnel expenses	(4.959)	(3.888)
Depreciation expense	(942)	(756)
Other operating expenses	<u>(3.603)</u>	<u>(4.604)</u>
	<u>(9.504)</u>	<u>(9.248)</u>

38. OTHER INCOME / EXPENSE AND PROFIT / LOSSES

	1 January - 31 December 2005 000 NTL	1 January - 31 December 2004 000 NTL
Other income/expense	4.625	7.892
Interest income	1.542	1.100
Commission income	777	4.974
Other	<u>6.944</u>	<u>13.966</u>

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

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(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 January - 31 December 2005 000 NTL	1 January - 31 December 2004 000 NTL
Other operating losses		
Provision expense	(3.571)	(7.154)
Other	(34)	(39)
	<u>(3.605)</u>	<u>(7.193)</u>
39. FINANCE INCOME (NET)		
	1 January - 31 December 2005 000 NTL	1 January - 31 December 2004 000 NTL
Foreign exchange gains/ (losses) (net)	31.571	(1.075)
Interest expense	(23.397)	(19.470)
	<u>8.174</u>	<u>(20.545)</u>
40. NET MONETARY GAIN / (LOSS)		

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

41. TAXATION

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

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

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

The effective tax rates are as follows:

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

41. TAXATION: (cont'd)

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax

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rate was increased from 25% to 30%, effective from 24 April 2003, and to 33% for 2004.

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

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

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

Income Withholding Tax:

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

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41. TAXATION (cont'd):

Inflation adjusted tax calculation:

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

Deferred Tax:

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

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

	31 December 2005 <u>000 NTL</u>	31 December 2004 <u>000 NTL</u>
Restatement of fixed assets	(7)	(47)
Retirement pay provision	30	23
Deductible carry forward tax losses	-	-
	<u>23</u>	<u>(24)</u>

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(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.)

42. EARNINGS PER SHARE

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

	1 January - 31 December <u>2005</u>	1 January - 31 December <u>2004</u>
Number of outstanding shares	50.000.000	50.000.000
Net period profit (thousand NTL)	40.022	23.354
Earning per share (NTL)	800,44	467,08

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STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2005 AND 2004

(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.)

43. STATEMENT OF CASH FLOW	31 December 2005	31 December 2004
CASH FLOWS FROM OPERATING ACTIVITIES	<u>000 NTL</u>	<u>000 NTL</u>
Net profit for the period	40.022	23.354
Adjustments to reconcile net profit to net cash used in operating activities:		
Depreciation of tangible fixed assets	485	386
Amortization of intangible assets	457	370
Allowances for doubtful receivables	3.571	7.154
Change in finance lease receivables	(169.183)	(110.332)
Change in factoring receivables	(2.978)	(13.121)
Change in other receivables and current assets (net)	(19.279)	65.179
Change in trade payables and advances received (net)	9.570	(9.468)
Change in other payables and current liabilities	(413)	(724)
Change in corporate tax payable	161	-
Change in deferred taxes	(47)	24
<hr/>		
Net cash (used in) / provided by operating activities	(137.634)	(37.178)
<hr/>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in financial assets at fair value through profit or loss (net)	5.196	8.135
Change in available for sale assets	363	502
Change in property, plant and equipment (net)	(296)	(428)
Change in intangible assets (net)	(66)	(94)
Goodwill	-	(166)
<hr/>		
Net cash (used in) / provided by investing activities	5.197	7.949
<hr/>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in short-term borrowings	99.866	(9.771)
Changes in long-term borrowings	36.411	61.879
Changes in minority shares	331	4.395
Other	-	(104)
<hr/>		
Net cash (used in) / provided by financing activities	136.608	56.399
<hr/>		
NET CHANGE IN CASH AND CASH EQUIVALENTS	4.171	27.170
Cash and cash equivalents at the beginning of the year	67.158	39.988
Cash and cash equivalents at the end of the year	71.329	67.158

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(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.)

44. OTHER ISSUES

The company signed a loan agreement having maturity of 370 days, amounting to US\$ 50.000.000 with the London Branch of WestLB AG (Leading Regulator Bank) on December 1, 2005. The company preferred not to increase the syndication amount although having a participation in syndicated loan that entirely consists of the international banks and with an underlying Libor+80 interest, above the prescribed. As regulators, Alpha Bank and HSH Nordbank, and as the leading regulators Emporiki Bank, Natexis Banques Populaires and State Bank of India took part in the constitution of the syndicated loan.