annual report 2004

İŞ LEASING

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financialhighlights

İş Leasing meets your financial needs through tailored services rather than off the shelf products.

('000 YTL)	2004*	2003*
TOTAL ASSETS	547.467	477.882
NET LEASING RECEIVABLES	441.202	338.024
SHAREHOLDERS' EQUITY	89.758	66.508
NET PROFIT	23.354	26.912
('000 USD)	**2004**	**2003**
TOTAL ASSETS	407.918	356.070
NET LEASING RECEIVABLES	328.740	251.862
SHAREHOLDERS' EQUITY	66.879	49.555
NET PROFIT	17.401	20.052
Exchange Rate (YTL/USD)	**1.3421**	**1.3421**

* Amounts expressed in '000 YTL in terms of the purchasing power of the YTL at 31 December 2004.

operatingresults

İş Leasing significantly outperformed its sector in 2004, growing at 68% compared to 35% for the sector.

Over the past two years Turkey's leasing sector has delivered impressive results, growing faster than GNP. In 2003 the sector grew by 63% and in 2004 35%.

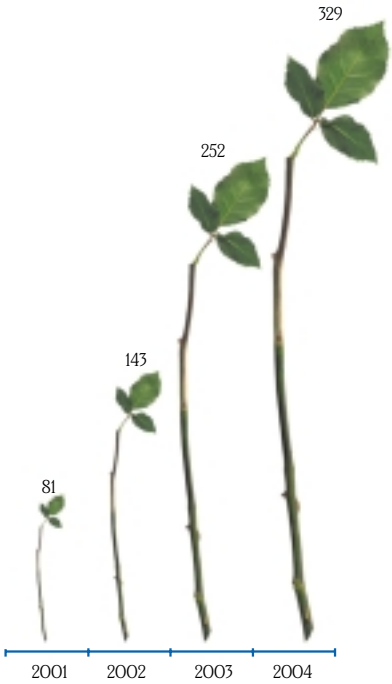
The sector's dynamism continued in 2004, which proved to be an extremely successful and profitable year for İş Leasing. The company further reinforced its leading position by growing 68% in 2004, significantly outperforming the 35% growth rate of the sector. Its market share increased in 2004 to 10.48%, up from 8.40% in 2003.

The company's continuously accelerating portfolio grew by 30% in 2004 after growing 76% in 2003. Increased market share and more effective use of distribution channels were important factors contributing to this growth.

İş Leasing, with a significant market share of project financing and transaction volumes, successfully continued its quality portfolio creation policy and tailored solution packages

Transaction Volume (million USD)

Portfolio (million USD)



Group

Non-Group

boardofdirectors

We strive for constant development and success through unified and stable management.

Ali Cüneyt Demren
(Chairman of the Board)

Born in 1950 in İstanbul, Cüneyt Demren is a graduate of the Academy of Economic and Commercial Sciences. He joined İş Bank in 1973, and was promoted to an assistant accountant position in 1976, accountant in 1978, and sub manager in 1986. He was appointed as an assistant manager to the Galata Branch in 1989, and the manager of the Zincirlikuyu Branch in 1990. He became the manager of the Sirkeci Branch in 1991 and the manager of the İstanbul Credit Information and Financial Analysis Directorate in 1993. He served as the manager of the Galata Branch from 1996 until October 28, 1998, when he was appointed as a deputy chief executive and since December 11, 1998, has been serving as chairman of the board at İş Leasing.

Kemal Ağanoğlu
(Vice-Chairman of the Board)

Mr. Ağanoğlu has served at İş Bankası for more than 32 years, as inspector on the Board of Inspectors, deputy manager in the Foreign Relations Directorate, and as manager in various branches. Currently he holds the position of manager of Intelligence and Financial Analysis Directorate. Born in 1947 in Trabzon, Mr. Ağanoğlu graduated from the economics faculty of Istanbul University. Mr. Ağanoğlu joined the board of İş Finansal Kiralama A.Ş. Leasing as a member on March 10, 1997 and continues his duties as vice-chairman of the board.

İbrahim Halil Çiftçi
(General Manager)

İş Leasing's general manager, İbrahim Halil Çiftçi, was born in Kahta/Adıyaman in 1950. He is a graduate of business administration from Middle East Technical University (ODTÜ). Mr. Çiftçi, who began working at İş Bankası in 1974 as deputy inspector, has served as deputy manager and regional manager, Istanbul regional manager and branch manager. Mr. Çiftçi holds the position of general manager of İş Leasing since January 1, 2001.

Burhanettin Kantar
(Member)

Burhanettin Kantar was born in Trabzon in 1963. Mr. Kantar graduated from the department of public administration of the Faculty of Economics and Administration of Middle East Technical University (ODTÜ), and in 1988 he joined İş Bankası as deputy inspector. In 1997, Mr. Kantar was appointed deputy manager at İş Bankası Affiliates Directorate and is still serving there as group manager. He has been a member of İş Leasing's board of directors since March 22, 2004.

Seyfettin Uncular
(Member)

Seyfettin Uncular is a graduate of the Ted Ankara College and of Ankara University with a degree in management and accounting from the faculty of political science. Joining the board of inspectors of İş Bankası in 1976, he served at Organizational Directorate in 1986 and at Ankara Regional Directorate in 1994. Between 1996 and 2005, Mr. Uncular has held managerial positions in various branches and is currently the Balmumcu branch manager. He joined the board of directors of İş Leasing as a member on March 22, 2004.

Burak Akgüç
(Member)

Mr. Akgüç was born in İstanbul in 1964. He graduated from the faculty of economics and business administration at Boğaziçi University and worked in marketing department at İktisat Bank. Mr. Akgüç subsequently joined TSKB, where he occupied positions in marketing administration and management. Promoted to deputy general manager at TSKB as of January 2005, Mr. Akgüç has been a member of the board of directors at İş Leasing since January 12, 2005.

Köksal Burkan
(Member)

Mr. Burkan was born in 1950 in Erzurum and is a graduate of science from the Erzurum Institute of Education. He has been with İş Bankası for 25 years and held various positions in regional branch directorates, including the Black Sea Regional Directorate. Currently manager of the Non-Performing Credits Directorate, Mr. Burkan has been a member of the board of directors at İş Leasing since March 22, 2004.

Korkut Ün
(Member)

Mr. Ün was born in İstanbul in 1968. He is a graduate of the German High School and department of industrial engineering of Boğaziçi University. Having served at various levels and most recently as a manager in TSKB's Financial Analysis Directorate, he is currently manager of the Engineering Directorate at TSKB. Mr. Ün has been serving as a member in the board of directors of İş Leasing since January 14, 2004.

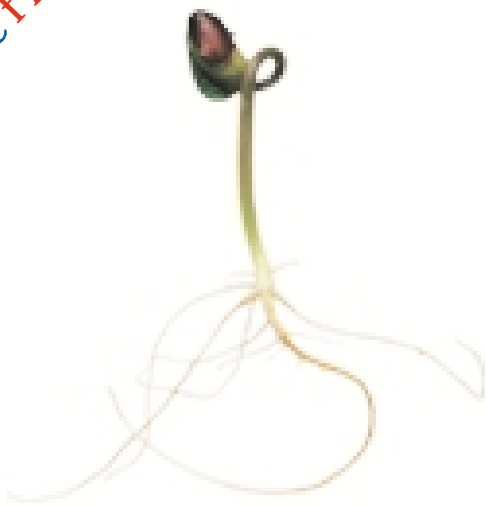
Rabia İmer
(Auditor)

Born in Ankara in 1955, Mrs. İmer is a graduate of faculty of economics of Istanbul University. After holding various positions at the Şişli, Mecidiyeköy and Galata branches of the bank, Mrs. İmer was appointed manager of the Nişantaşı Branch. Having worked at İş Bankası since 1980, Mrs. İmer is currently the manager of Mecidiyeköy Branch. Mrs. İmer has been serving as auditor at İş Leasing since March 26, 1999.

Selen Hepdoğan
(Auditor)

Ms. Hepdoğan was born in 1970. She is a graduate of economics from Bilkent University and received her masters degree from Loughborough University on european economics and finance. She joined İş Bankası in 1991 as an assistant credit expert and later became deputy manager. Ms. Hepdoğan is currently deputy manager in the Corporate Credit Directorate. She has been serving as an auditor at İş Leasing since March 17, 2003.

message from the chairman of the board



Financial leasing and investment demand: Two dynamics feeding each other.

Dear Shareholders,

2004 was a very productive and successful year for our company, immensely exceeding our transaction volume targets. The sector experienced accelerating growth in recent years, and our company has outperformed the sector, increasing its market share to 10.48%.

Year after year, the structure of our economy becomes more stable and capable of supporting investors' long term projections. As a result, we believe the leasing sector will capture an increasing share of investment demand and continue to see consistently increasing transaction volumes.

İş Leasing has placed its signature under many innovations and large scale projects since its foundation, and has always and will always continue to stand as trustworthy partner beside all investors who seek fast, accurate, and efficient evalution of their investment projects by the support of its experienced staff, sectorial expertise, partnered solutions, and unique design work.

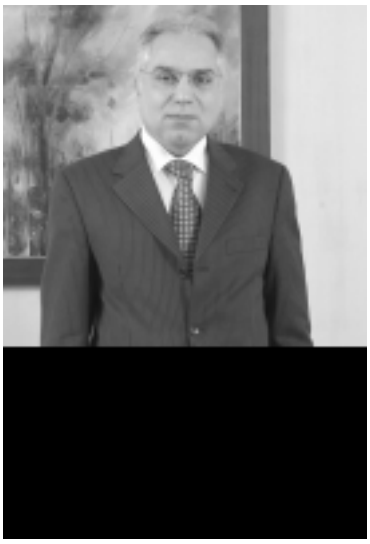
İş Leasing closely tracks developments in corporate transparency and, in consideration of the trust our investors place in us, we have implemented the Principals of Corporate Governance published by the Capital Markets Boards in July 2003 to a large extent, the Compliance Report of which has been submitted to you as part of this Annual Report. Our annual report, financial statements and profit distribution proposal prepared in accordance with the No:2499 Capital Markets Act and related legislation has been submitted to your approval.

On behalf of the Board of Directors and myself personally, our company extends its respects and gratitude for the support of all shareholders participating in General Assembly Meetings, our business partners who support the success of our operations, our customers, and our staff.

Ali Cüneyt Demren
Chairman of the Board

messagefromthegeneralmanager

Service with care, good timing and emphasis on innovation has lead to successful development.



In 2004, our company's growth outperformed that of its sector and increased its market share from 8.4% to 10.48%. The past year was a very successful one for the leasing sector, which saw transaction volume grow by 35% to reach $2.9 billion. The year was also a success for İş Leasing, exceeding our targets and growing transaction volumes by 68%, with continued display in stable growth and development.

Our branch office expansion gained momentum in 2004, with the opening of representation offices in Central Anatolia, Aegea and the Southern Anatolia. In order to provide more effective service throught Turkey in general, we plan to continue expanding this representational presence in 2005.

In addition to the policy of quality portfolio creation and packaged solutions tailored to customer needs and expectations, İş Leasing secured significant new market share of transaction volumes in 2004. I believe that service with care, good timing and emphasis on innovation will together lead to successful development. With the aim of maintaining this performance, we commenced "Project Blue" with support of a consulting firm, which is focusing on our processes and work flows to allow us to carry out even faster and more customer oriented work flows. The efficiency to be gained from "Project Blue" will be refected in customer satisfaction and financial performance in 2005.

We believe that with continued stable economic policies, market conditions will enable investors to make long-term projections and lead to increasing transaction volumes for the leasing sector. In addition, current draft laws for the creation of the mortgage system contain provisions allowing the leasing sector to offer morgages. It is anticipated that this development will further accelerate the leasing sector's involvement in real estate transactions.

We shall continue to take bold and strong steps to move İş Leasing and the leasing sector in new directions and towards a future full of potential.

We extend our gratitude and respects at first to our Board of Directors, to all our partners and employees who have helped make our company a success.

İbrahim Halil Çiftçi
General Manager

sectorialpanorama

The leasing sector broke new records in transaction volume in 2004.

The legal framework for financial leasing in Turkey was established in 1985 with the passage of the "Leasing Law" and subsequent supporting regulations.

The profound financial crisis that struck Turkey in the beginning of 2001 negatively affected the leasing sector. A growth trend was later re-established, accompanied by falling inflation rates, support of the IMF to the stability program and increased investments. In 2003, economic stability revived the country's economy performance and the leasing sector's transaction volume reached $2.1 billion. In 2004, the leasing sector reached an all time record with $2.9 billion in transaction volume, as the economy further stabilized, creating the necessary general conditions that allow investors to make long term projections.

The balancing of the markets and continuity of the economic stability program that is in place over the past three years will lead to increases in investments, spurring rapid expansion of the leasing sector.

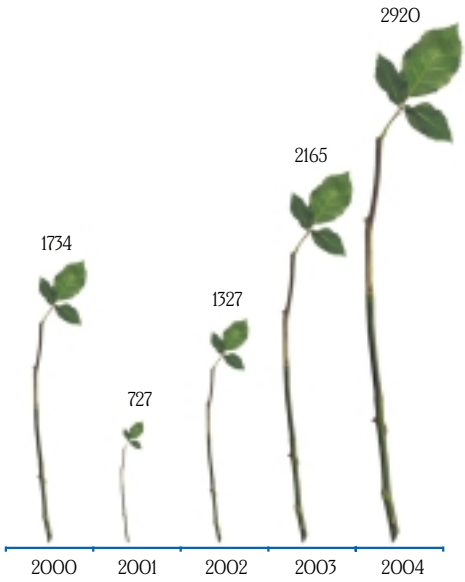
At the same time, the leasing sector's share in private sector investments in international markets is around 20-30%, as opposed the 6-7% in Turkey. This data is the best evidence of the growth potential of financial leasing as the economy continues to stabilize.

In Turkey, leasing was originally preferred only by large companies as an alternative financing method; today, also medium and even small-scale companies often utilize leasing for financing.

In July 2003 important accounting and tax changes regarding lessees and lessors brought forward the implementation of IFRS standards in lease accounting, the result of which was a significant increase in real estate leasing transactions. Moreover, draft laws supporting the creation of a mortgage system, now in the legislative stage, contain provisions that allow the leasing sector to offer mortgages as well. It is anticipated that this development will further accelerate the leasing sector's involvement in real estate transactions.

Turkish leasing firms are still operating in accordance with the Leasing Law that went into effect in 1985. Given the rapidly changing and developing economic conditions and requirements of the last 20 years, the sector has taken the general and unified view that the law should be structured in a more flexible way such that it meets the contemporary needs of the industry. Among the sector's important expectations in this regard is the introduction of operational leasing, which is widely practiced abroad.

Transaction Volume, Sector (million USD)



İş Leasing in the sector

İş Leasing's strong corporate and financial structure brings investment projects to life.

İş Leasing transaction volumes in 2004 outperformed general growth in the sector and exceeded its targets for the year.

İş Leasing achieved these highest transaction volumes by responding to its customers' needs through tailored solution packages and continued support in their investments.

İş Leasing has realized many efficient and productive investments thanks to its strategic and long-term marketing policy. The partnership of İş Bankası branches and the support of newly opened regional representation offices enabled İş Leasing to reach its customers directly and fostered the continuous expansion of its customer portfolio by offering alternative solutions. Anticipating developments in the Turkish economy, İş Leasing drew upon its ability to create suitable funding resources to finance projects in the most effective manner and maintained its leadership in the leasing sector.

Sectorial growth and potential

The transaction volumes achieved over the past two years are very encouraging for the leasing sector. The balancing of the markets and the attainment and continuation of economic stability has fostered the growth of the leasing sector and enabled increases in investments. Over the past two years Turkey's leasing sector has delivered impressive results, growing faster than GNP. In 2003 the sector grew by 63% and in 2004 35%.

The dynamic year of 2004 was a very successful and profitable one for İş Leasing as well. The company's growth of 68% in 2004 was considerably above the sector's overall growth of 35% and further strengthened the company's leadership position. The company's market share increased from 8.40% in 2003 to 10.48% in 2004.

The company's portfolio also showed continued growth, 76% in 2003 and 30% in 2004. The company's increasing market share and more efficient use of distribution channels played an important role in this growth.

It is important to note, however, that the leasing sector's share in private sector investments in international markets is about 20-30%, whereas in Turkey this percentage is only 6-7% and closely linked to our country's economic stability. It is evident that the leasing sector has a great growth potential.

İş Leasing in SME's world

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

İş Leasing is the leader in leasing services for SME's, and the company enjoyed significant success in this area in 2003. İş Leasing provides financial and investment support to an important part of the national economy, and is fully supported by Türkiye İş Bankası, İş Leasing's founder, main shareholder and the country's largest private bank.

Regional representation and new goals

Branch office expansion gained momentum in 2004, with the creation of representation offices in Central Anatolia, Aegea and Southern Anatolia. Aiming to provide more effective service throughout Turkey in general, İş Leasing plans to continue expanding its representational presence in 2005.

In addition to the policy of quality portfolio creation and packaged solutions tailored to customer needs and expectations, İş Leasing secured significant new market share of transaction volumes in 2004.

company operations

- e-İş Leasing
- marketing
- credit approval
- operations
- leasing portfolio
- fund management
- training

In 2004, İş Leasing further strengthened and expanded its leasing service network throughout Turkey.

A dynamic service channel: e-İş Leasing

Due to its investments in technology, İş Leasing's customers increasingly benefit from the company's online leasing services. İş Leasing's web site offers interactive leasing services that are continuously updated and allow customers to track their accounts online. Customers can access their password-protected accounts to determine current debt balances and send instructions for payment from any bank they choose. In addition, customers may file online requests for proposals, follow those proposals' progress status and access all information regarding their existing contracts.

Successful marketing has delivered a broader customer base

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

The core of İş Leasing's marketing strategy centers on providing long-term financing for investment projects that expand, modernize, or enhance investors' facilities and increase product diversity and quality. This strategy is complemented by the strong and stable companies that feature prominently in İş Bankası's customer network and whose long standing relationship widens the company's access to different sectors and target markets.

İş Leasing's partnership solutions with qualified sellers and suppliers allows for competitive and dynamic operations through on-site and timely services.

In an effort to evaluate and meet the investment needs of SME's, İş Leasing put particular emphasis on expansion of its branch network in 2004, opening regional representation offices in Central Anatolia, Aegea and Southern Anatolia. The establishment of such regional representation will continue in 2005 and thus serve to meet increasing demand from customers for face-to-face, closely customer oriented services.

Speed and trust in granting credit

İş Leasing supports and finances those industries identified as strong and stable through a continuously updated credit information database. Furthermore, modern and scientific rating criteria and scoring system provide effective risk assessment and portfolio configuration.

İş Leasing carefully evaluates, finances and supports the development of investments.

İş Leasing quickly starts the credit evaluation process for each customer utilizing its facilities in intelligence research unit, rating, scoring, feasibility analysis and market inquiry and swiftly completes the necessary information flow. Credit evaluations result in fast and trustworthy decisions, communicated to investors for a reliable assurance of the company's financial commitment.

Operations developed in accordance with customer requests

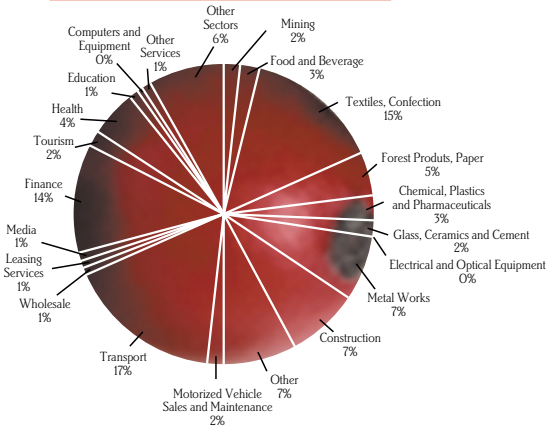
Through new investments in technological infrastructure, İş Leasing has ensured that operational activities such as purchasing, incentives and customs are performed more quickly and easily. In addition to its infrastructure, the performance of experienced and professional staff in maintaining a continuous and high quality service approach significantly boosts operational quality. Requests from customers are carried out in the fastest possible way, and leasing operations are carried out after quick completion of necessary procedures. In order to improve quality of service and customer satisfaction, operational procedures have been further simplified according to customer requests. In this regard, the current ongoing work on "Project Blue" will result in more effective and efficient operations.

The internal control functions implemented by İş Leasing have proved sound results and contributed to introduction of suitable products meeting customer expectations.

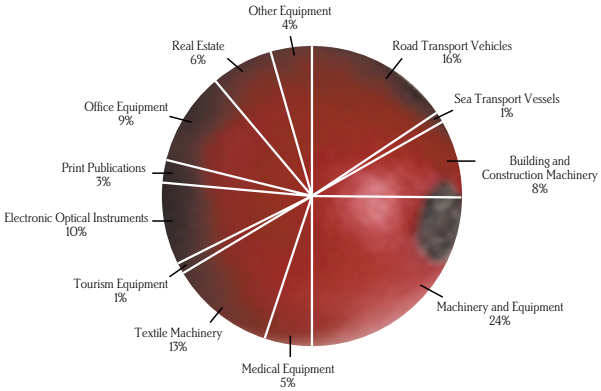
Sectoral diversity in leasing porfolio

İş Leasing's customers represent a wide sectorial base, some of which are İş Bankası customers and some are directly referred by İş Leasing, ensuring a diverse portfolio structure. The company's management places importance in maintaining a largely dispersed portfolio and ensures that the portfolio risk is not concentrated on a few sectors. With this wide sectorial portfolio distribution, the very natural collateral of leasing transactions, the leased equipment portfolio, also displays a largely diversified picture. Diversification by geographical location and marketing resources is also a key element of İş Leasing's market strategy.

2004 Sectoral Distribution



2004 Equipment Distribution



A strong and prestigious investment partner

İş leasing has earned a reputation in international and domestic financial circles for honoring all commitments on time and in an orderly manner. This strong reputation has secured İş Leasing a strong position in the business arena. The company is able to fund its operations not just through its parent bank and other local banks but also through a large number of international financial institutions. Despite the negative effects of Turkey's instable economic periods in the past, the company never observed any difficulty in accessing financial resources.

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

Success and training

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

executive management

The dynamic structure of İş Leasing's power has made a difference in the sector.

İbrahim Halil Çiftçi
(General Manager)

Nida Çetin
(Assistant General Manager)

Orhan Erdoğan
(Assistant General Manager)

Tanya Karakaşlı
(Operations Manager)

Onan Keleş
(Finance Manager)

Murat Ruben
(Legal Counselor)

Dilek Sezer
(Marketing Group Manager)

Neslihan Oruç
(Accounting Manager)

Mehmet Sevinç
(Marketing Manager)

Berrin Akçal
(Credit Manager)

independent auditors' report, consolidated financial statements and notes

İş Finansal Kiralama A.Ş.

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İŞ FİNANSAL KİRALAMA A.Ş.

INDEPENDENT AUDITORS' REPORT

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

1. We have audited the accompanying balance sheet of İş Finansal Kiralama A.Ş. (the "Company") and its subsidiaries (together the "Group") as of 31 December 2004 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended, all expressed in the equivalent purchasing power of the Turkish Lira as of 31 December 2004. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as of 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

4. Without qualifying our opinion, we draw attention to the followings:

   On 15 November 2003, Capital Market Board ("CMB") published Communiqué No: 25 of Series XI, "Communiqué on Accounting Standards in Capital Market". The Communiqué is applicable to first interim financial statements for the period ending after 1 January 2005 and is effective from the date of publishing. However, companies may choose to adopt Communiqué No: 25 of Series XI, for years or interim periods ending on or after 31 December 2003.

   As explained in the first tentative clause of Article 34 of the stated Communiqué – General Commands related with the preparation and public announcement of financial statements in accordance with IFRS until the beginning of that period which application Communiqué No: 25 of Series XI becomes enforceable, is accepted as fulfillment of obligations related with preparation of financial statements and public announcement in accordance with that Communiqué.

Member of
Deloitte Touche Tohmatsu

Deloitte.

Consequently, the Company prepared and publicly announced its financial statements in accordance with IFRS beginning from 31 December 2003.

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

Hüseyin Gürer
Partner

İstanbul, 21 February 2005

Member of
Deloitte Touche Tohmatsu

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF 31 DECEMBER 2004 AND 2003

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

	Note	31 December 2004 YTL 000	31 December 2003 YTL 000
CURRENT ASSETS			
Cash and cash equivalents	4	67.158	39.988
Securities held for trading (net)	5	5.209	13.344
Leasing receivables (net)	6	244.614	199.331
Factoring receivables (net)		13.121	-
Other receivables and current assets (net)	7	9.320	57.727
Total Current Assets		339.422	310.390
LONG TERM ASSETS			
Lease contract receivables (net)	6	196.588	138.693
Available for sale assets (net)	8	7.430	7.932
Equipment to be leased	9	2.168	18.940
Property, plant and equipment (net)	10	1.089	1.047
Intangible assets (net)	11	604	880
Goodwill (net)		166	-
Total Long Term Assets		208.045	167.492
TOTAL ASSETS		547.467	477.882

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

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF 31 DECEMBER 2004 AND 2003

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

	Note	31 December 2004 YTL 000	31 December 2003 YTL 000
CURRENT LIABILITIES			
Short-term borrowings	12	199.783	209.554
Trade payables		8.605	16.135
Advances received		6.610	8.716
Other payables and current liabilities		937	1.782
Corporate tax payable	13	-	-
Total Current Liabilities		215.935	236.187
LONG TERM LIABILITIES			
Long term borrowings	12	236.862	174.983
Trade payables		168	-
Retirement pay provision		325	204
Deferred tax liabilities (net)	13	24	-
Total Long Term Liabilities		237.379	175.187
Minority interest		4.395	-
COMMITMENTS & CONTINGENCIES	14		
SHAREHOLDERS' EQUITY			
Capital	15	25.000	25.000
Legal reserves	15	841	841
Extraordinary reserves	15	5.434	5.434
Translation reserves		(93)	11
Equity indexation differences	16	52.334	52.334
Accumulated deficit		(17.112)	(44.024)
Net profit for the year		23.354	26.912
Total Shareholders' Equity		89.758	66.508
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		547.467	477.882

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

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

	Note	2004 YTL 000	2003 YTL 000
Lease income			
-Interest income		51.091	44.439
-Foreign currency gains/(losses)		1.720	(13.126)
		52.811	31.313
Factoring income		1.910	-
Finance income/expenses (net)	18	(12.653)	6.608
General and administrative expenses	19	(9.124)	(6.531)
Other income/(expenses) (net)	20	(1.243)	1.241
Profit before taxation and monetary loss		31.701	32.631
Taxation	13	(133)	(1.470)
Profit after taxation and before monetary loss		31.568	31.161
Monetary loss		(8.498)	(4.249)
Net profit before minority interest		23.070	26.912
Minority interest		284	-
Net profit for the year		23.354	26.912
Earnings per share (Full TL)	3.p	934	1.076

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

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

	2004 YTL 000	2003 YTL 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	23.354	26.912
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation of property plant and equipment	386	343
Amortization of intangible fixed assets	370	369
Allowances for doubtful receivables	7.154	3.384
Change in lease receivables	(110.332)	(32.696)
Change in factoring receivables	(13.121)	-
Change in equipment to be leased	16.772	(9.201)
Change in other receivables and current assets (net)	48.407	16.638
Change in trade payables and advances received (net)	(9.468)	3.824
Change in other payables and current liabilities	(724)	1.196
Change in corporate tax payable	-	(1.258)
Change in deferred taxes	24	1.470
Net cash (used in) / provided by operating activities	(37.178)	10.981
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in investment securities	8.135	(1.430)
Change in available for sale assets	502	(258)
Change in property, plant and equipment (net)	(428)	(367)
Change in intangible assets (net)	(94)	-
Goodwill	(166)	-
Net cash (used in) / provided by investing activities	7.949	(2.055)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in short-term borrowings	(9.771)	42.754
Change in long-term borrowings	61.879	(77.659)
Other	4.291	(116)
Net cash (used in) / provided by financing activities	56.399	(35.021)
NET CHANGE IN CASH AND CASH EQUIVALENTS	27.170	(26.095)
Cash and cash equivalents at the beginning of the year	39.988	66.083
Cash and cash equivalents at the end of the year	67.158	39.988

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

İŞ FİNANSAL KİRALAMA A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2004 AND 2003

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

	Capital YTL 000	Legal reserves YTL 000	Extraordinary reserves YTL 000	Translation reserves YTL 000	Equity indexation differences YTL 000	Accumulated profit/ (deficit) YTL 000	Total YTL 000
As of 31 December 2002	20.000	608	1.014	126	50.847	(32.884)	39.711
Increase in share capital	5.000	-	-	-	771	(5.771)	-
Reserves	-	233	4.420	-	716	(5.369)	-
Translation reserves	-	-	-	(115)	-	-	(115)
Net profit for the year	-	-	-	-	-	26.912	26.912
As of 31 December 2003	25.000	841	5.434	11	52.334	(17.112)	66.508
Translation reserves	-	-	-	(104)	-	-	(104)
Net profit for the year	-	-	-	-	-	23.354	23.354
As of 31 December 2004	25.000	841	5.434	(93)	52.334	6.242	89.758

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

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

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

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

The Company has purchased nominal shares of İş Faktoring Finansman Hizmetleri A.Ş. amounting to 12.517 YTL 000 with a price of 10.952.375 US Dollars as of 11 August 2004. The shareholding rate on this subsidiary is 78,22%. The positive goodwill has been occurred amounting to 169 YTL 000 on purchased equity of 16.603 YTL 000. The net amount of the goodwill as the balance sheet date is 166 YTL 000.

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

As of 31 December 2004 the Company employs 62 persons.

2. BASIS OF THE FINANCIAL STATEMENTS

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

To be consistent with the current year, some reclassifications made to prior year financial statements.

Inflation Accounting

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

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100 %. The cumulative rate in Turkey has been realized as 69,7% for the three years ended 31 December 2004 based upon the wholesale price index announced by the Turkish State Institute of Statistics.

Except this, although the price level has not increased according to the rates mentioned above, IAS 29 is required if there are signs such as; the general population regards monetary amounts not in terms of the local currency but in terms of a relatively stable foreign currency, prices are quoted in that currency, interest rates, wages and prices are linked to a price index, sales and purchases on credit take place at prices that compensate for the expected loss of purchasing power during the credit period, even if the period is short.

The restatement was calculated by means of conversion factors derived from the Turkish countrywide wholesale price index published by the State Institute of Statistics (with the index beginning in 1994 at 100). Such index and the conversion factors used to restate the accompanying financial statements as of the end of each period to 31 December 2004 are given below:

	Index	Conversion Factor
31 December 2002	6.478,8	1,2971
31 December 2003	7.382,1	1,1384
31 December 2004	8.403,8	1,0000

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

Inflation Accounting (cont'd)

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

Year:	2004	2003	2002	2001	2000	1999
Currency Deflation US $	(3,8%)	(14,6%)	13,5%	114,3%	24,4%	72,7%
WPI Inflation	13,8%	13,9%	30,8%	88,6%	32,7%	62,9%

At 31 December 2004 the exchange rate announced by the Turkish Central Bank was YTL 1,3421 = US$ 1 (31 December 2003: YTL 1,3958 = 1 US$).

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

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

New Turkish Lira

The effective date of the Law on the Currency Unit of the Republic of Turkey No. 5083 has been determined as 1 January 2005 and the new currency unit of the Republic of Turkey has been defined as "New Turkish Lira" (YTL) and the subunit as "New Kuruş" (YKr). According to the second article of the related law, Turkish Lira has been converted to New Turkish Lira and by dropping six zeros from Turkish Lira, a new value has been introduced as "1 million Turkish Lira is equal to 1 New Turkish Lira (1,000,000TL= 1 YTL) ". Based on the article of Capital Markets Boards numbered MSD-10/832 -43399 and dated 1 December 2004, the financial statements to be announced to public within year 2005, including prior periods as comparatives, has been stated as YTL just for comparison.

Consolidation

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

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

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

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES

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

a. Related parties

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

b. Investment securities

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

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

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

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

Securities held for trading:

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

Securities held to maturity:

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

Securities available for sale:

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

c. Finance lease & provision for possible lease receivable losses

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

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

d. Property, plant and equipment

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

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

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

e. Impairment of assets

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

f. Borrowing costs

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

g. Taxation

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

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

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

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

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

h. Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. The total provision represents discounted vested benefit obligation according to IAS 19 "Rights Given to Personnel" as at the balance sheet date.

i. Foreign currency transactions

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

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j. Cash and cash equivalents

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

k. Finance Leases - the 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.

l. Financial instruments

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

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

Balances with banks, receivables, contingent liabilities like letters of guarantee, letters of credit and other derivative instruments such as forward transactions, are important financial instruments which would have negative effects on the financial structure of the 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 carrying values due to their short-term nature.

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

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

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

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

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

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

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

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

l. Financial Instruments (cont'd)

Credit Risk

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

Market Risk

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

Liquidity Risk

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

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

m. Offsetting

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

n. Use of estimates

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

o. Dividends

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

p. Earnings per Share

The weighted average number of shares outstanding during 2004 and 2003 and the basic earnings per share calculation is as follows:

	2004	2003
Weighted average number of shares	25,000,000,000	25,000,000,000
Net profit (YTL 000)	23.354	26.912
Basic Earnings per share (Full TL)	934	1.076

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

4. CASH AND CASH EQUIVALENTS

	31 December 2004 YTL 000	31 December 2003 YTL 000
Cash	-	1
Demand deposits	19.744	7.947
Time deposits	47.414	32.040
	67.158	39.988

The details of time deposits as of 31 December 2004 are as follows:

Currency	Interest rate	Maturity	31 December 2004 YTL 000
TL	18%-23%	01-06.01.2005	7.172
US$	1,75%	01-03.01.2005	32.459
EURO	1,50%-2,50%	01-03.01.2005	7.783
			47.414

As of 31 December 2004, 42.307 YTL 000 of total foreign currency deposits (31 December 2003: 7.581 YTL 000) and 6.015 YTL 000 (31 December 2003: 12.681 YTL 000) of total TL deposits consist of accounts at Türkiye İş Bankası, main shareholder.

5. SECURITIES HELD FOR TRADING (Net)

	31 December 2004 YTL 000	31 December 2003 YTL 000
Government bonds	5.111	13.316
Mutual funds	98	-
Equity shares	-	28
	5.209	13.344

	Nominal Value YTL 000	31 December 2004 YTL 000
Government bonds	6.000	5.111

The maturities vary between August-October 2005. The Group has İşbank mutual funds amounting to 98 YTL 000.

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

6. LEASING RECEIVABLES (Net)

31 December 2004	Current YTL 000	Non-Current YTL 000	Total YTL 000
Invoiced leased rental receivables	27.968	-	27.968
Uninvoiced leased rental receivables	270.034	248.290	518.324
Less: Unearned interest income	(46.147)	(27.855)	(74.002)
Less: Allowance for possible losses	(7.241)	(23.847)	(31.088)
Net Financial Leasing Receivables	244.614	196.588	441.202

Allowance for possible losses includes general provision amounting to 4.475 YTL 000.

31 December 2003	Current YTL 000	Non-Current YTL 000	Total YTL 000
Invoiced leased rental receivables	26.822	-	26.822
Uninvoiced leased rental receivables	218.469	175.745	394.214
Less: Unearned interest income	(32.208)	(22.332)	(54.540)
Less: Allowance for possible losses	(13.752)	(14.720)	(28.472)
Net Financial Leasing Receivables	199.331	138.693	338.024

The distribution of uninvoiced rental receivables as of 31 December 2004 is as follows:

YTL 000	2005	2006	2007	2008	2009	2010	Total
Leasing receivables Principal	223.887	143.622	64.195	11.182	1.436	-	444.322
Unearned interest	46.147	20.793	5.765	1.215	77	5	74.002
Total	270.034	164.415	69.960	12.397	1.513	5	518.324

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

6. LEASING RECEIVABLES (Net) (cont'd)

As of 31 December 2004, the distribution of uninvoiced rental receivables according to foreign currency types is as follows:

Foreign Currency	Principle Foreign Currency	Principle YTL 000	Unearned Interest Foreign Currency	Unearned Interest YTL 000
US Dollar	125.247.352	168.094	14.783.482	19.841
Euro	116.709.359	213.205	18.094.523	33.055
TL		63.023		21.106
Total		444.322		74.002

As of December 31, 2004 the average interest rates of lease receivables denominated all in foreign currency are 9,21% for US$ and 11,11% for EUR (2003 – 12,26% for US$ and 12,19% for EUR), respectively.

7. OTHER RECEIVABLES AND CURRENT ASSETS (NET)

	31 December 2004 YTL 000	31December 2003 YTL 000
Loan receivable from a related party (*)	-	48.342
Advances given to suppliers	5.335	4.362
Deductible and other VAT	3.270	3.893
Assets held for resale	204	562
Other	511	568
	9.320	57.727

(*) This receivable represents a loan amounting to 30,000,000 U.S. Dollars provided by Karya to a related party (Cam-İş Yatırım Holding A.Ş.). The loan has been closed during 2004.

8. AVAILABLE FOR SALE ASSETS (Net)

	31 December 2004		31 December 2003	
Name of the Company	YTL 000	Share (%)	YTL 000	Share (%)
İş Yatırım Menkul Değerler A.Ş. - (İş Yatırım)	5.917	6,0	2.887	3,0
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Girişim) (formerly İş Risk Sermayesi Yatırım Ortaklığı A.Ş.)	709	0,9	5.009	7,5
Sınai Yatırım Bankası Yatırım Ortaklığı A.Ş. (Sınai Yatırım Ortaklığı)	435	4,0	50	2,0
Camiş Menkul Değerler A.Ş.	2	0,5	2	0,5
Sınai Yatırım Bankası Menkul Değerler A.Ş. (Sınai Menkul Değerler)	39	0,6	-	-
İş Net Elektronik Bilgi Üretim Dağ. Tic. Ve İletişim Hiz. A.Ş. – (İş Net)	328	1	-	-
	7.430		7.948	
Provision for decline in value:				
Sınai Yatırım Ortaklığı	-		(16)	
TOTAL	7.430		7.932	

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

9. EQUIPMENT TO BE LEASED

The Company purchases machinery and equipment from foreign and domestic vendors in relation to financial lease agreements signed in the current year for projects in progress at its customers, which will be completed in the subsequent year. As of 31 December 2004 and 31 December 2003, the equipment to be leased balance includes the cost of equipment to be leased as described above together with related expenses.

10. PROPERTY, PLANT AND EQUIPMENT (NET)

	Vehicles YTL 000	Furniture and Fixtures YTL 000	Other Fixed Assets YTL 000	Total YTL 000
Acquisition cost				
Opening balance 1 January 2004	560	1.981	1.561	4.102
Additions	184	129	50	363
Consolidation effect (*)	116	859	-	975
Disposals	(144)	(7)	-	(151)
Closing balance 31 December 2004	716	2.962	1.611	5.289
Accumulated depreciation				
Opening balance 1 January 2004	(280)	(1.433)	(1.342)	(3.055)
Charge for the year	(92)	(209)	(85)	(386)
Consolidation effect (*)	(116)	(762)	-	(878)
Disposals	114	5	-	119
Closing balance 31 December 2004	(374)	(2.399)	(1.427)	(4.200)
Net book value at 31 December 2004	342	563	184	1.089
Net book value at 31 December 2003	280	548	219	1.047

11. INTANGIBLE ASSETS (NET)

	Rights YTL 000	Leasehold Improvements YTL 000	Total YTL 000
Acquisition cost			
Opening balance 1 January 2004	-	1,853	1,853
Additions	-	4	4
Consolidation effect (*)	159	535	694
Disposals	-	-	-
Closing balance 31 December 2004	159	2.392	2.551
Amortisation			
Opening balance 1 January 2004	-	(973)	(973)
Additions	-	(370)	(370)
Consolidation effect (*)	(146)	(458)	(604)
Disposals	-	-	-
Closing balance 31 December 2004	(146)	(1.801)	(1.947)
Net book value at 31 December 2004	13	591	604
Net book value at 31 December 2003	-	880	880

(*) As a result of the purchase of %78,22 share of İş Faktoring Hizmetleri A.Ş., the fixed assets belonging to this company is represented as "consolidation effect".

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

12. BORROWINGS

	31 December 2004 YTL 000	31December 2003 YTL 000
Short term bank loans	177.260	200.637
Current portion of long term loans	22.523	8.917
Total short term borrowings	199.783	209.554
Long term portion of long term loans	236.862	174.983
Total Borrowings	436.645	384.537

Analysis of loan repayments is as follows:

Within one year	199.783	209.554
Between one to two years	108.058	161.356
Between two to three years	123.815	7.757
Between three to four years	3.568	2.304
After four years	1.421	3.566
	436.645	384.537

Short-Term bank loans consist of the following:

Currency Type	Interest Rate %	Currency Amount	31 December 2004 YTL 000
US$	3,42-5,04	73.188.285	98.226
EURO	2,276-4,721	41.250.982	75.357
Interest accrual on loans			3.677
			177.260

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

Currency Type	Interest Rate %	Currency Amount	31 December 2004 YTL 000
USD	2,52-5,59688	12.155.511	16.314
EURO	2,5875-8,958	3.398.677	6.209
			22.523

Long-term bank loans consist of the following:

Currency Type	Interest Rate %	Currency Amount	31 December 2004 YTL 000
USD	2,52-5,73	60.388.335	81.047
EURO	2,5875-8,958	85.293.916	155.815
			236.862

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

13. TAXATION ON INCOME

	31 December 2004 YTL 000	31 December 2003 YTL 000
Balance Sheet: Current Tax Payable		
Current corporate and income tax	-	-
Less: Prepaid taxes and funds	-	-
	-	-
Income Statement: Taxation		
Current income tax	-	
Deferred tax charge (benefit)	(133)	(1.470)
	(133)	(1.470)

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

Corporation tax is applied 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% (%10 ratio of the 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).
- 2005:%30

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

Prepaid taxes for corporate tax will be calculated on 30% for year 2005.

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

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

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 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 24 April 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 following years so as to be deducted from taxable income of subsequent profitable years. The unused exemption due to insufficient profit is used by restating the exemption with wholesale price index for the future years.

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

13. TAXATION ON INCOME (cont'd)

Inflation Adjusted Tax Calculation

For 2003 and previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies".

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and are set out below. Provision is allocated for the deferred tax assets if the utilization is not probable.

The deferred tax liability and expense on the accompanying financial statements belong to the subsidiaries of the Group. Provision is allocated for the all deferred tax assets of the Company.

	31 December 2004 YTL 000
Components of Deferred Tax (Assets)/Liabilities:	
Restatement of fixed assets	47
Retirement pay provision	(23)
	24

14. COMMITMENTS AND CONTINGENCIES

Letters of guarantee given to customs, authorities and banks as of 31 December 2004 amounted to 12.233 YTL 000 (31 December 2003: 94.592 YTL 000). (In addition to, as of 31 December 2003, the Company has given guarantees in the amount of 17.655.000 US Dollars and 10.340.400 EURO on behalf of Karya for bank borrowings).

As of 31 December 2004, the total risk of court cases opened and currently pending against the Company amounts to approximately 92 YTL 000 (31 December 2003: 412 YTL 000). The Company provided a reserve amounting to 122 YTL 000 (31 December 2003: 33 YTL 000).

As of the balance sheet date, the Group has a forward agreement of 4.000.000 Euro buy and 5.326.800 US Dollars sell with the maturity of 7 January 2005.

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

15. SHAREHOLDERS' EQUITY AND LEGAL RESERVE

As of 31 December 2004 and 2003 the share capital is held as follows:

Shareholders	(%)	31 December 2004 YTL 000	(%)	31 December 2003 YTL 000
Türkiye İş Bankası A.Ş.	35,29	8.823	35,29	8.823
Türkiye Sınai Kalkınma Bankası A.Ş. (TSKB)	30,00	7.500	30,00	7.500
Publicly traded	29,41	7.353	29,41	7.353
Camiş Sigorta A.Ş.	2,65	662	2,65	662
Nemtaş Nemrut Liman İşletmeleri A.Ş.	2,65	662	2,65	662
Historical Capital	100,00	25.000	100,00	25.000
Inflation adjustment		47.485		47.485
Restated Capital		72.485		72.485

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

16. EQUITY ITEMS AND EQUITY INDEXATION DIFFERENCES

	31 December 2004 YTL 000	31 December 2003 YTL 000
Capital	25.000	25.000
Legal reserves	841	841
Extraordinary reserves	5.434	5.434
Translation reserves	(93)	11
Equity indexation differences	52.334	52.334
Capital	47.485	47.485
Legal reserves	2.375	2.375
Extraordinary reserves	2.474	2.474
Accumulated deficit	(17.112)	(44.024)
Net profit for the year	23.354	26.912
Total Shareholders' Equity	89.758	66.508

17. SUBSEQUENT EVENT

The termination indemnity ceiling has increased to 1.648,9 YTL effective from 1 January 2005.

18. FINANCIAL INCOME/(EXPENSES) (Net)

	2004 YTL 000	2003 YTL 000
Foreign exchange gains/(losses) (net)	(1.075)	15.583
Interest income	7.892	12.074
Interest expenses	(19.470)	(21.049)
	(12.653)	6.608

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2004 YTL 000	2003 YTL 000
Personnel expenses	(3.888)	(2.580)
Depreciation	(756)	(712)
Other expenses	(4.480)	(3.239)
	(9.124)	(6.531)

20. OTHER INCOME /(EXPENSES) (Net)

	2004 YTL 000	2003 YTL 000
Provision expenses	(7.154)	(3.384)
Notary expenses	2.432	1.901
Commissions income (net)	1.100	845
Dividend income	6	294
Other	2.373	1.585
	(1.243)	1.241

21. FOREIGN CURRENCY POSITION

31 December 2004	US$ 000	EUR 000	CHF 000	YTL 000
Cash and cash equivalents	26.519	13.038	12	59.423
Leasing receivables (net)	125.296	111.817	-	372.428
Factoring receivables (net)	1.261	437	-	2.491
Advances given	1.807	1.240	-	4.690
Equipment to be leased	748	484	-	1.887
Bank borrowings	(146.989)	(131.033)	-	(436.645)
Advances received	(1.197)	(1.617)	-	(4.561)
Trade payables	(1.474)	(2.414)	-	(6.387)
Forward	(5.327)	4.000	-	158
Net foreign currency position				(6.516)

31 December 2003	US$ 000	EUR 000	CHF 000	YTL 000
Cash and cash equivalents	10.063	6.410	12	28.739
Leasing receivables (net)	84.548	92.149	-	317.411
Factoring receivables (net)	653	1.563	-	4.143
Advances given	6.552	3.724	-	17.808
Bank borrowings	(88.926)	(98.087)	-	(336.165)
Advances received	(1.549)	(2.286)	-	(7.003)
Trade payables	(4.943)	(2.652)	(99)	(13.250)
Net foreign currency position				11.683

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

22. RELATED COMPANY BALANCES AND SIGNIFICANT TRANSACTIONS

	2004 YTL 000	2003 YTL 000
Bank Balances		
Türkiye İş Bankası A.Ş.	48.322	20.262
Leasing Receivables		
Türkiye İş Bankası A.Ş.	58.182	5.859
Gemport Gemlik Liman İşletmeleri A.Ş.	6.259	10.864
Petrol Ofisi A.Ş.	3.781	1.710
İş Koray Turizm Ormancılık Madencilik	2.807	4.736
Bayek Tedavi Sağlık Hizmetleri ve İşletmesi A.Ş.	1.372	1.711
Avea İletişim Hizmetleri A.Ş. (formerly İş-Tim Telekomunikasyon Hizmetleri A.Ş.)	1.031	4.852
Anadolu Anonim Türk Sigorta A.Ş.	382	879
Other	1.104	1.181
	74.918	31.792
Factoring Receivables		
Kültür Yayınları A.Ş.	22	-
Payables to Related Parties		
Anadolu Anonim Türk Sigorta A.Ş.	2.458	3.049
Türkiye İş Bankası A.Ş.	396	477
Türkiye Sınai Kalkınma Bankası A.Ş.	3	291
İş Koray Turizm Ormancılık Madencilik	17	66
Other	208	93
	3.082	3.976
Loans Given to Related Parties		
Camiş Yatırım Holding A.Ş.	-	48.342
Loans Borrowed from Related Parties		
Türkiye İş Bankası A.Ş.	276.294	148.365
Türkiye Sınai Kalkınma Bankası A.Ş.	6.087	6.620
	282.381	154.985

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

22. RELATED COMPANY BALANCES AND SIGNIFICANT TRANSACTIONS (cont'd)

Leasing Income	2004 YTL 000	2003 YTL 000
Türkiye İş Bankası A.Ş.	1.740	500
Gemport Gemlik Liman İşletmeleri A.Ş.	540	2.191
Petrol Ofisi A.Ş.	531	550
İş Koray Turizm Ormancılık Madencilik	324	638
Avea İletişim Hizmetleri A.Ş. (formerly İş-Tim Telekomunikasyon Hizmetleri A.Ş.)	317	881
Bayek Tedavi Sağlık Hizmetleri ve İşletmesi A.Ş.	207	283
Anadolu Anonim Türk Sigorta A.Ş.	-	41
Other	221	296
	3.880	5.380
Factoring Interest Income		
Cam Pazarlama A.Ş.	133	-
Kültür Yayınları A.Ş.	21	-
Petrol Ofisi A.Ş.	16	
	170	-
Interest Income		
Türkiye İş Bankası A.Ş.	413	586
İş Yatırım	119	1.679
Camiş Yatırım Holding A.Ş.	-	3.564
	532	5.829
Interest Expense		
Türkiye İş Bankası A.Ş.	9.342	7.858
Türkiye Sınai Kalkınma Bankası A.Ş.	214	275
	9.556	8.133
Rent Expense		
İş Gayrimenkul Yatırım Ortaklığı	849	787
Dividend Income		
İş Net Elektronik Bilgi Üretim Dağ. Tic. Ve İletişim Hiz. A.Ş.	6	-
Commission Income		
Anadolu Anonim Türk Sigorta A.Ş.	1.050	875

(Amounts expressed in thousands of New Turkish Lira (YTL) in terms of the purchasing power of the TL at 31 December 2004 (note 2))

22. RELATED COMPANY BALANCES AND SIGNIFICANT TRANSACTIONS (cont'd)

	2004 YTL 000	2003 YTL 000
Other Expenses		
İş Merkezleri Yönetim ve İşletim A.Ş.	39	-
Türkiye İş Bankası A.Ş.	20	-
Türkiye Sınai Kalkınma Bankası A.Ş.	19	-
Anadolu Hayat A.Ş.	16	-
Anadolu Sigorta A.Ş.	7	-
	101	-

23. SEGMENTAL INFORMATION

YTL 000	Leasing (*)	Factoring	Consolidation adjustments	Consolidated
Assets total	542.951	21.123	(16.607)	547.467
Liabilities total	452.369	945	-	453.314
Net period profit	24.177	(1.304)	481	23.354

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

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