

**İŞ GİRİŞİM SERMAYESİ  
YATIRIM ORTAKLIĞI A.Ş.**

Financial Statements  
As at and For the Year Ended  
31 December 2016 with Independent  
Auditors' Report Thereon

*(Convenience Translation of Financial Statements  
and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

27 January 2017

This report contains 2 pages of the  
independent auditors'  
report and 49 pages of the financial  
statements and their explanatory notes.



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**Convenience Translation of the Independent Auditors' Report  
As at 31 December 2016 Originally Prepared and Issued in Turkish**

To the Board of Directors of  
İş Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi,

**Report on the Financial Statements**

We have audited the accompanying financial statements of İş Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi ("the Company") which comprise the statement of financial position as at 31 December 2016 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error or fraud.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

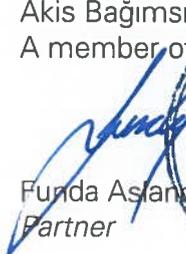
#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of İş Girişim Sermayesi Yatırım Ortaklığı as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with the Turkish Accounting Standards.

#### **Report on Other Legal and Regulatory Requirements**

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 27 January 2017.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2016, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
A member of KPMG International Cooperative

  
Funda Aslanoglu, SMMM  
Partner



27 January 2017  
İstanbul, Turkey

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# İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

(Amounts are expressed in Turkish Lira (“TL”))

	<u>Notes</u>	<u>Audited 31 December 2016</u>	<u>Audited 31 December 2015</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	45,734,742	11,601,590
Financial Investments	6	72,854,247	104,500,617
Other Receivables	8	-	1,180
Prepaid Expenses	14	295,743	246,926
Other Current Assets	15	519,890	446,497
<b>TOTAL CURRENT ASSETS</b>		<b>119,404,622</b>	<b>116,796,810</b>
<b>Non-current Assets</b>			
Other Receivables	8	150	150
- <i>Other Receivables from Related Parties</i>	4	150	150
Financial Investments	6	139,314,730	141,871,120
Tangible Assets	9	81,604	236,135
Intangible Assets	10	4,297	30,032
<b>TOTAL NON-CURRENT ASSETS</b>		<b>139,400,781</b>	<b>142,137,437</b>
<b>TOTAL ASSETS</b>		<b>258,805,403</b>	<b>258,934,247</b>

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

**İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.****STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016**

(Amounts are expressed in Turkish Lira (“TL”))

	<b>Notes</b>	<b>Audited 31 December 2016</b>	<b>Audited 31 December 2015</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade Payables	7	21,897	3,763
-Due to Related Parties	4	21,897	3,763
Other Payables	8	798	750
Employee Benefit Payables	16	45,284	36,912
Short-Term Provisions		1,711,981	1,878,814
-Short-Term Employee Benefits	13	1,711,981	1,878,814
Other Current Liabilities	15	750,214	1,187,640
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,530,174</b>	<b>3,107,879</b>
<b>Non-current Liabilities</b>			
Long-Term Provisions		114,231	720,027
-Long-Term Employee Benefits	13	114,231	720,027
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>114,231</b>	<b>720,027</b>
<b>TOTAL LIABILITIES</b>		<b>2,644,405</b>	<b>3,827,906</b>
<b>EQUITY</b>			
Share Capital	17	74,652,480	74,652,480
Adjustments to Share Capital	17	21,606,400	21,606,400
Items That Will Never be Reclassified to Profit or Loss		(5,635)	-
- Defined Benefit Plan Remeasurement Losses		(5,635)	-
Share Premiums	17	7,000,000	7,000,000
Legal Reserves	17	20,700,306	20,488,276
Retained Earnings	17	131,147,155	130,586,536
Profit for the Year		1,060,292	772,649
<b>TOTAL EQUITY</b>		<b>256,160,998</b>	<b>255,106,341</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>258,805,403</b>	<b>258,934,247</b>

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

**İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Amounts are expressed in Turkish Lira (“TL”))

	Notes	Audited 1 January-31 December 2016	Audited 1 January-31 December 2015
<b>CONTINUING OPERATIONS</b>			
Revenue	18	11,348,450	12,407,484
Cost of Sales (-)	18	-	(1,850,400)
<b>GROSS PROFIT</b>		<b>11,348,450</b>	<b>10,557,084</b>
Administrative Expenses (-)	19	(10,343,935)	(9,740,823)
Other Operating Income	20	172,424	33,659
Other Operating Expenses (-)	20	(116,647)	(77,271)
<b>OPERATING PROFIT</b>		<b>1,060,292</b>	<b>772,649</b>
<b>PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS</b>		<b>1,060,292</b>	<b>772,649</b>
Income tax from continuing operations	21	-	-
<b>PROFIT FOR THE YEAR</b>		<b>1,060,292</b>	<b>772,649</b>
<b>OTHER COMPREHENSIVE INCOME Items That Will Never be Reclassified to Profit or Loss</b>		<b>(5,635)</b>	<b>-</b>
Remeasurement of Defined Benefits Plans	13	(5,635)	-
<b>OTHER COMPREHENSIVE INCOME TOTAL COMPREHENSIVE INCOME</b>		<b>1,054,657</b>	<b>772,649</b>
<b>Basic and Diluted Earnings per Share</b>	22	<b>0.01420</b>	<b>0.01035</b>

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

# İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in Turkish Lira ("TL"))

Notes	Share Capital	Adjustments To Share Capital	Other Comprehensive Income/Expense that may be Reclassified to Profit or Loss		Retained Earnings			Total
			Remeasurements of Defined Benefit Plan	Share Premium	Legal Reserves	Retained Earnings	Profit For the Year	
<b>Balance at 1 January 2015</b>	74,652,480	21,606,400	-	7,000,000	19,185,249	127,370,080	14,597,568	264,411,777
Transfers	-	-	-	-	1,303,027	13,294,541	(14,597,568)	-
Total comprehensive income	-	-	-	-	-	-	772,649	772,649
Dividends paid	-	-	-	-	-	(10,078,085)	-	(10,078,085)
<b>Balance at 31 December 2015</b>	<b>74,652,480</b>	<b>21,606,400</b>	<b>-</b>	<b>7,000,000</b>	<b>20,488,276</b>	<b>130,586,536</b>	<b>772,649</b>	<b>255,106,341</b>

Notes	Share Capital	Adjustments To Share Capital	Other Comprehensive Income/Expense that may be Reclassified to Profit or Loss		Retained Earnings			Total
			Remeasurements of Defined Benefit Plan	Share Premium	Legal Reserves	Retained Earnings	Profit For the Year	
<b>Balance at 1 January 2016</b>	74,652,480	21,606,400	-	7,000,000	20,488,276	130,586,536	772,649	255,106,341
Transfers	-	-	-	-	212,030	560,619	(772,649)	-
Total comprehensive income	-	-	(5,635)	-	-	-	1,060,292	1,054,657
<b>Balance at 31 December 2016</b>	<b>74,652,480</b>	<b>21,606,400</b>	<b>(5,635)</b>	<b>7,000,000</b>	<b>20,700,306</b>	<b>131,147,155</b>	<b>1,060,292</b>	<b>256,160,998</b>

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

**İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Amounts are expressed in Turkish Lira (“TL”))

	Notes	Audited 1 January-31 December 2016	Audited 1 January-31 December 2015
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit for the year</b>		<b>1,060,292</b>	<b>772,649</b>
<b>Adjustments to reconcile net profit</b>			
Adjustments for depreciation and amortisation	9,10	206,609	205,868
Adjustments for provisions for employee benefits	13	766,565	405,229
Adjustments for other provisions		60,235	326,569
Adjustments for interest income	18	(3,149,655)	(2,559,564)
Adjustments for the fair value gains of financial instruments	18	203,830	3,179,959
Adjustments for disposal of tangible assets	20	(1,695)	-
Profit from disposal of financial investments		-	(755,925)
<b>Changes in working capital</b>			
(Increase)/decrease in financial investments		33,998,930	(7,959,511)
Decrease in other receivables		1,180	
(Increase)/decrease in prepaid expenses		(48,817)	(194,940)
Increase/(decrease) in due to related parties		18,134	(499,351)
Increase in employee benefits		8,372	4,267
Increase in other payables to third parties		48	520
(Increase)/decrease in other assets		(73,393)	230,910
Increase/(decrease) in other liabilities		(497,661)	431,868
<b>Net cash from/(used in) operating activities</b>			
Interest received		3,136,586	2,786,078
Payments for the provisions of employee benefits	13	(1,544,829)	(1,553,896)
<b>Net cash used in operating activities</b>		<b>34,144,731</b>	<b>(5,179,270)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of tangible assets		1,695	-
Acquisition of tangible assets	9	(26,343)	(29,022)
Acquisition of intangible assets	10	-	(11,210)
<b>Net cash from investing activities</b>		<b>(24,648)</b>	<b>(40,232)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	17	-	(10,078,085)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(10,078,085)</b>
<b>INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)</b>		<b>34,120,083</b>	<b>(15,297,587)</b>
<b>D. EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH EQUIVALENTS (A+B+C+D)</b>		<b>34,120,083</b>	<b>(15,297,587)</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>11,586,247</b>	<b>26,883,834</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>	5	<b>45,706,330</b>	<b>11,586,247</b>

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

# İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in Turkish Lira (“TL”))

## 1. ORGANIZATION OF THE COMPANY AND NATURE OF OPERATIONS

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (“the Company” or “İş Girişim Sermayesi”), was established in İstanbul, Turkey. The registered address of the Company is İş Kuleleri Kule 2, Kat: 2, Levent, İstanbul. Türkiye İş Bankası A.Ş. is the ultimate shareholder of the Company. The Company’s shares are traded in the İstanbul Stock Exchange since 2004.

The Company operates in private equity business.

Private equity: Investing in venture capital companies which are established or will be established in Turkey and has potential to grow and need resources

As at 31 December 2016, the Company has 18 employees (31 December 2015: 19 employees).

## 2. BASIS OF PRESENTATION

### 2.1 Basis of Presentation

#### a) Approval of the Financial Statements

The Company's financial statements as at and for the year ended 31 December 2016 were approved by the Board of Directors and authorization for issue is given for publishing on 27 January 2017. The General Assembly and/or statutory authorities have power to amend the financial statements after their issue.

#### b) Preparation of Financial Statements and Statement of Compliance to TAS

The Company maintains its books of account and prepares its statutory financial statements in accordance with accounting principles of the Turkish Commercial Code (“TCC”) and tax legislation.

The accompanying financial statements are prepared in accordance with the Communiqué numbered II-14.1 “Basis for Financial Reporting in Capital Markets” (“the Communiqué”) published in the Official Gazette numbered 28676 on 13 June 2013. According to the Communiqué, financial statements are prepared in accordance with Turkish Accounting Standards (“TAS”) which is published by Public Oversight Accounting and Auditing Standards Authority (“POA”). TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The accompanying financial statements as at 31 December 2016 have been prepared in accordance with the communiqué numbered 20/670 “Announcement on Financial Statements and Footnote Formats” published by Capital Markets Board (“CMB”) dated 7 June 2013.

#### c) Basis of Measurement

The financial statements have been prepared based on the historical cost, except for the investment securities which are measured at fair value.

The methods used to measure fair value are disclosed separately in Note 26.

# İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in Turkish Lira (“TL”))

## 2. BASIS OF PRESENTATION (continued)

### 2.1 Basis of Presentation (continued)

#### d) Functional and Presentation Currency

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). Functional currency and presentation currency of the Company is Turkish Lira (“TL”).

The foreign exchange rates used by the Company as at 31 December 2016 and 31 December 2015 are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
US Dollar	3.5192	2.9076
Euro	3.7099	3.1776

#### e) Comparative Information

The Company’s financial statements are prepared including comparative information in order to enable readers to understand the trends in the financial position and performance of the Company. The change in presentation or reclassification of the financial statement items is applied retrospectively and the reclassifications made in the prior year financial information are disclosed in the notes to the financial statements.

#### f) Consolidation Exemptions

According to TFRS 10 Consolidated Financial Statements, investment entity:

- (a) Obtains funds from one or more investors for the purpose of providing investment management services,
- (b) Its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (c) Measures and evaluates the performance of its investments on a fair value basis.

While the entity evaluates whether it meets the above mentioned definition, it also considers whether it has the significant features of the investment entities mentioned below:

- (a) Has more than one investment,
- (b) Has more than one investor,
- (c) Has investors who are not related parties, and
- (d) Has partnership shares in the form of equity and suchlike shares.

Since the Company meets the above requirements, it does not consolidate its subsidiaries. Instead, it measures investments in its subsidiaries and associates according to TFRS 10 by recognizing the changes in the fair value to the profit or loss.

### 2.2 Changes in Accounting Policies

Accounting policies used to prepare 31 December 2016 financial statements were applied consistent with the financial statements prepared as at 31 December 2015.

### 2.3 Changes in the Accounting Estimates and Errors

Effect of changes in accounting estimates, if it is only related to one period, is recognized in the period that the change is made, if it is related with the future periods, is recognized in the current period and also in future periods, prospectively. There is not any significant change in Company’s accounting estimates in the current period.

# İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in Turkish Lira (“TL”))

## 2. BASIS OF PRESENTATION (continued)

### 2.4 Changes in the Accounting Estimates and Errors (continued)

Material accounting errors are corrected retrospectively and the prior period financial statements are restated accordingly.

### 2.4 Summary of Significant Accounting Policies

#### Revenue

##### Private equity

Revenues are comprised of sale of subsidiary and/or associate, income from consultancy services provided to associates.

Revenues of the sale of non-controlling interests of the subsidiary without a change in control and/or associate are recognized when the sales are realized. Consultancy services given to associates are recognized at the date of the service rendered.

As the Company is an investment entity, fair value remeasurements of subsidiaries and associates are presented under revenues.

##### Dividend and interest income

Interest income is accrued by remaining principal in proportion as effective interest rate that reduces expected cash flows obtained from financial asset during its expected useful life to its carrying value in the related period.

Dividend income from equity investments and associates are recognized when shareholders have the right to receive the dividend.

Income stems from the sale of security portfolio and coupon payment and amortization income are recognized when the transaction is realized. The period end valuation income is recognized in the related accounts as at the period end.

#### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged to write off the cost over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed every year, with the effect of any changes in estimates accounted prospectively.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Regular repair and maintenance costs of tangible assets are recognized as expense as incurred.

Leased assets are depreciated over the shorter of the lease term and their useful life as if property and equipment.

The estimated useful lives for the current and comparative periods are as follows:

	<u>Useful life</u>
Furniture and fixtures	3-10 years
Leasehold improvements	5 years

# İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in Turkish Lira (“TL”))

## 2. BASIS OF PRESENTATION (continued)

### 2.4 Summary of Significant Accounting Policies (continued)

#### **Intangible Assets**

Intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. These assets are amortized using the straight-line method based on their useful lives. The estimated useful lives and amortization method are reviewed every year, with the effect of any changes in estimates accounted prospectively.

#### Computer software

Acquired software is recognized with their acquisition costs and the costs incurred in the period until the software is ready to use. These costs are amortized over their estimated useful lives.

Useful life for software is 3 years.

#### **Financial instruments**

Financial assets, except for the financial assets classified as at fair value through profit or loss and initially measured with fair value, are recognized with total of fair values and transaction costs related with acquisition. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment under a contract whose terms require delivery of the investment within the time frame established by the market concerned.

Financial assets are classified into the following categories: “financial assets at fair value through profit or loss”, “held-to-maturity investments”, financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the initial recognition.

#### Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts to present value through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at financial assets at fair value through profit or loss.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and although they are not initially acquired for the purpose of trading, recognized in this category at the initial recognition and subsidiaries and associate meets consolidation exemption criteria in Note 2.1(f). A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets at fair value through profit or loss unless they are designated as hedging instrument. The Company uses the best buying price, if not available the last transaction price, to determine the fair value of financial assets that are traded on a stock exchange.

The methods used to determine the fair values of subsidiaries and associate that meets the consolidation exemption criteria are explained in Note 2.5.

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS  
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in Turkish Lira (“TL”))

### 2. BASIS OF PRESENTATION (continued)

#### Financial instruments (continued)

##### Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method, less impairment and the associated revenues are measured using the effective interest method.

##### Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable repayments that are quoted in an active market are classified as “loans and receivables”. Loans and receivables are measured at amortized cost using the effective interest method less any impairment losses.

##### Trade receivables

Trade receivables are receivables arising from private equity investments.

##### Impairment of financial assets

Financial assets, other than those assets measured at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets measured at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, receivable from reverse repo and other short-term highly liquid investments which have maturities of three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

##### Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of a financial liability.

The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as or other financial liabilities.

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS  
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### 2. BASIS OF PRESENTATION (continued)

#### Financial instruments (continued)

##### Other financial liabilities

Other financial liabilities are initially recognized at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments to net present value through the expected life of the financial liability, or, where appropriate, a shorter period.

##### Trade payables

Trade payables are payables arising from private equity investments and payables to third party suppliers.

#### Foreign Currency Transactions

When preparing the financial statements of the Company, transactions in foreign currencies (currencies other than TL) are recorded at the rates of exchange at the dates of the transactions. Monetary assets and liabilities in the statement of financial position denominated in foreign currencies have been translated into TL at the exchange rates at the end of the reporting periods. Foreign currency translation differences, except for the cases below, are recognized as profit or loss in related period.

#### Earnings per Share

Earnings per share disclosed in the statement of profit or loss and other comprehensive income are calculated by dividing net earnings by the weighted average number of shares that have been outstanding during the related period. The weighted average number of shares is the number calculated by multiplying and aggregating the number of ordinary shares outstanding at the beginning of the period and the number of shares withdrawn or issued during the period by a time-weighting factor. A time-weighting factor is the rate of the number of the days for which a specific number of shares have been outstanding to the total number of days in the period.

#### Events After the Reporting Period

Events after the reporting period are those events, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.

As required by *TAS 10 Events after the Reporting Period*, the Company adjusts its financial statements to reflect adjusting events after the reporting period and discloses the material non-adjusting events after the reporting period in the notes to the financial statements.

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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### 2. BASIS OF PRESENTATION (continued)

#### 2.4 Summary of Significant Accounting Policies (continued)

##### **Related Parties**

TAS 24 “Related Party Disclosures” defines the persons who have direct or indirect control or significant influence over other persons through shareholding, contractual rights, family relationships or the like as related parties. The definition also includes shareholders and the Company management as related parties. Related party transactions is the transfer of resources and obligations between related parties regardless of whether a price is charged. With regard to accompanying financial statements, the Company’s shareholders, the Group entities with indirect equity relationship, and members of the Board of Directors and the top management of the Company is defined as related parties.

Top management of the Company includes general manager and senior directors and directors.

##### **Segment Reporting**

The Company operates only in the private equity business. For this reason, segment reporting is not prepared.

##### **Income Tax**

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş is exempt from Corporate Tax in accordance with the 5th /d-3 article.

Besides, income from private equity is not subject to advance tax application and according to the 15th /3 article of the Turkish Corporation Tax Law, earning from portfolio management withholding rate is determined at 0% (zero).

##### **Employee Benefits**

###### Employee severance pay liability

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per TAS 19 “Employee Benefits” (“TAS 19”).

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligations. The actuarial gains and losses are recognized in other comprehensive income would never be reclassified to the profit or loss.

###### Employee bonuses

The Company makes provision if there is a contractual obligation or constructive obligation caused by previous applications.

###### Other short-term employee benefits

Other short-term employee benefits include vacation pay liability. In Turkey, according to the legislation, the employer has to make payments for unused vacation days when the personnel leave the company. Vacation pay liability is the undiscounted amount calculated over the unused vacation days of the employee.

###### Post-employment plans

The Company does not have any retirement or post-employment benefit plans.

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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(Amounts are expressed in Turkish Lira (“TL”))

### 2. BASIS OF PRESENTATION (continued)

#### 2.4 Summary of Significant Accounting Policies (continued)

##### Statement of Cash Flows

In the statement of cash flows, cash flows are classified as operating, investing and financing activities.

Cash flows from operating activities represent the cash flows provided from the Company’s private equity business.

Cash flows from investing activities represent the Company’s cash flows used in/provided from investing activities (fixed asset investments, financial investments and private equity investments).

Cash flows from financing activities represent the Company’s funds used in and repayment of the funds during the year.

##### Share Capital and Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are deducted from retained earnings and classified as dividend payable in the period that the dividend distribution decision is taken.

#### 2.5 Significant Accounting Estimates and Judgments

The preparation of financial statements in conformity with TAS requires making judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The estimates are used particularly in the following notes:

Note 6 Determination of fair value of the subsidiaries and the associates

Note 13 Employee benefits

Shares of the subsidiaries and the associates are not publicly traded. When determining the fair values of the subsidiaries and the associates, Discounted Cash Flows (“DCF”) method of the income approach has been used. Discount and growth rates used are as follows:

<u>Name of subsidiary and associate</u>	<u>Discount rates</u>	<u>Ongoing growth rates</u>
Toksöz Spor Malzemeleri Ticaret AŞ (“Toksöz”)	17.4%-18.4%	5.0%-6.0%
Numnum Yiyecek ve İçecek A.Ş. (“Numnum”)	16.9%-17.9%	5.0%-6.0%
Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş. (“Nevotek”)	11.5%-12.5%	1.3%-2.3%
Radore Veri Hizmetleri Anonim Şirketi (“Radore”)	15.0%-16.0%	5.0%-6.0%
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. (“Ortopro”)	17.0%-18.2%	5.0%-6.0%
Mika Tur Seyahat Acenteliği ve Turizm A.Ş. (“Tatil Budur”)	19.1%-20.1%	5.0%-6.0%

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in Turkish Lira (“TL”))

## 2. BASIS OF PRESENTATION (continued)

### 2.6 Comparative information and correction of the previous year financial statement

The Company’s financial statements as at 31 December 2016 have been presented in comparison with the prior period, in order to be able to determine financial position and performance. The Company has prepared its statement of financial position as at 31 December 2016 in comparison with that as at 31 December 2015, its statement profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the period ended 31 December 2016 in comparison with the period ended 31 December 2015.

Due to the changes in the format of the statement of cash flows of Public Disclosure Platform (PDP) as at 30 June 2016, cash inflows of TL 10,565,836 from increase in financial investments which has been presented under the cash flows from investing activities and cash inflows of TL 2,606,325 from the sales of financial investments in the Company’s statement of cash flows for the year ended 31 December 2015 have been reclassified as the cash flows from operating activities in the statement of cash flows for the year ended 31 December 2016.

### 2.7 Standards and interpretations issued but not yet effective

#### *Standards issued but not yet effective and not early adopted*

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

#### **TFRS 9 - Financial Instruments – Classification and measurement**

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

#### **TFRS 15 Revenue from Contracts with Customers**

As issued in September 2016, the new standard replaces existing TFRS guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under TFRS. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

#### *The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA*

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TFRS by the POA, thus they do not constitute part of TFRS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Company will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS  
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### 2. BASIS OF PRESENTATION (continued)

#### 2.7 Standards and interpretations issued but not yet effective (continued)

*The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (continued)*

#### **IFRS 9 Financial Instruments – Hedge Accounting and amendments to TFRS 9, TFRS 7 and TAS 39 - IFRS 9 (2013)**

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

#### **IFRS 9 Financial Instruments (2014)**

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from TAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

#### **IFRS 16 Leases**

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

#### **Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative**

IAS 7 Statement of Cash Flows has been amended as part of the IASB’s broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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### 2. BASIS OF PRESENTATION (continued)

#### 2.7 Standards and interpretations issued but not yet effective (continued)

*The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA (continued)*

##### **IFRIC 22 – Foreign Currency Transactions and Advance Consideration**

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

##### **Amendments to IAS 12 Income Taxes– Recognition of Deferred Tax Assets for Unrealized Losses**

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

##### **Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions**

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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### 2. BASIS OF PRESENTATION (continued)

#### 2.7 Standards and interpretations issued but not yet effective (continued)

##### IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management’s intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

#### 2.8 Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

##### *Annual Improvements to IFRSs 2014-2016 Cycle*

###### *IFRS 1 “First Time Adoption of International Financial Reporting Standards”*

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

###### *IFRS 12 “Disclosure of Interests in Other Entities”*

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

###### *IAS 28 “Investments in Associates and Joint Ventures”*

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

#### 2.9 Control of compliance with restrictions on the investment portfolio, financial loans and total expenses

The information contained in the additional note related to Control of Compliance With Restrictions on the Investment Portfolio, Financial Loans and Total Expenses, is summary information derived from the financial statements according to "Communiqué on Financial Reporting in Capital Market" of CMB and this information has been prepared in accordance with the control of portfolio, financial loans and total expenses limits compliance, of CMB’s "Communiqué on Principles Regarding Real Estate Investment Trusts", numbered III-48.3 published in the Official Gazette on 9 October 2013.

# İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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## 3. SEGMENT REPORTING

The Company operates only in private equity business. The Company management monitors its financial investments according to their fair value. Information regarding to those financial investments is disclosed in Note 6.

## 4. RELATED PARTIES

The ultimate shareholder of the Company is Türkiye İş Bankası A.Ş.

Benefits provided to key management during the period is as follows:

	31 December 2016	31 December 2015
Wage and other benefits	4,929,017	3,564,890
	<b>4,929,017</b>	<b>3,564,890</b>

Key management compensation includes wage, bonus, insurance and similar benefits.

The details of the transactions between the Company and other related parties are as follows:

Financial investments	31 December 2016	31 December 2015
Investment funds		
İş Portföy Hedef Hedge Fund	10,297,554	3,119,641
İş Portföy Second Stock Fund	3,463,030	3,733,619
İş Portföy İş Bank Subsidiary Index Share Fund	2,801,341	-
İş Portföy Private Sector Debt Fund	4,664,206	-
	<b>21,226,131</b>	<b>6,853,260</b>

Financial investments	31 December 2016	31 December 2015
Private sector bonds		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	7,681,050	2,604,160
İş Yatırım Menkul Değerler A.Ş.	974,020	973,770
İş Finansal Kiralama A.Ş.	-	12,103,517
İş Faktoring A.Ş.	-	3,436,178
	<b>8,655,070</b>	<b>19,117,625</b>

Financial investments	31 December 2016	31 December 2015
Shares quoted to stock exchange		
İş Yatırım Ortaklığı A.Ş.	4,983,255	4,723,711
	<b>4,983,255</b>	<b>4,723,711</b>

Cash and cash equivalents	31 December 2016	31 December 2015
Türkiye İş Bankası A.Ş. Time Deposit	45,028,024	10,299,700
Türkiye İş Bankası A.Ş. Demand Deposit	2,215	44
	<b>45,030,239</b>	<b>10,299,744</b>

**İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.**NOTES TO THE FINANCIAL STATEMENTS  
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(Amounts are expressed in Turkish Lira (“TL”))

**4 RELATED PARTIES (continued)**

Balances with related parties	31 December 2016			
	Receivables Current		Payables Current	
	Trade	Other	Trade	Other
Anadolu Anonim Türk Sigorta Şirketi	-	-	(2,262)	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	(3,676)	-
Numnum Yiyecek ve İçecek AŞ	-	-	(91)	-
İş Yatırım Menkul Değerler A.Ş.	-	-	(15,750)	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	-	(118)	-
	-	-	<b>(21,897)</b>	-

Balances with related parties	31 December 2015			
	Receivables Current		Payables Current	
	Trade	Other	Trade	Other
Anadolu Anonim Türk Sigorta Şirketi	-	-	(2,682)	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	(1,081)	-
	-	-	<b>(3,763)</b>	-

Balances with related parties	31 December 2016			
	Receivables Non-current		Payables Non-current	
	Trade	Other	Trade	Other
Other	-	150	-	-
	-	<b>150</b>	-	-

Balances with related parties	31 December 2015			
	Receivables Non-current		Payables Non-current	
	Trade	Other	Trade	Other
Other	-	150	-	-
	-	<b>150</b>	-	-

# İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in Turkish Lira (“TL”))

### 4. RELATED PARTIES (continued)

1 January – 31 December 2016							
Transactions with related parties	Interest received	Service expenses	Insurance expenses	Transaction and advisory commission expenses	Rent expenses	Dividend income	Other expenses
Numnum Yiyecek ve İçecek A.Ş.	-	-	-	-	-	-	(6,228)
Türkiye İş Bankası A.Ş.	2,764,421	(58,806)	-	(4,145)	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	(516,106)	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	(129,006)	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	(163,221)
Anadolu Anonim Türk Sigorta Şirketi	-	-	(94,379)	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	(12,964)	-	-	-	-	-
İş Yatırım Ortaklığı A.Ş.	-	-	-	-	-	648,861	-
	<b>2,764,421</b>	<b>(71,770)</b>	<b>(94,379)</b>	<b>(133,151)</b>	<b>(516,106)</b>	<b>648,861</b>	<b>(169,449)</b>

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in Turkish Lira (“TL”))

### 4. RELATED PARTIES (continued)

1 January – 31 December 2015							
Transactions with related parties	Interest received	Service expenses	Insurance expenses	Transaction and advisory commission expenses	Rent expenses	Dividend income	Other expenses
Numnum Yiyecek ve İçecek A.Ş.	-	-	-	-	-	-	(13,563)
Türkiye İş Bankası A.Ş.	1,037,470	(44,855)	-	(2,234)	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	(481,173)	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	(309,578)	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	(147,841)
Anadolu Anonim Türk Sigorta Şirketi	-	-	(91,432)	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	(11,808)	-	-	-	-	-
İş Yatırım Ortaklığı A.Ş.	-	-	-	-	-	970,697	-
	<b>1,037,470</b>	<b>(56,663)</b>	<b>(91,432)</b>	<b>(311,812)</b>	<b>(481,173)</b>	<b>970,697</b>	<b>(161,404)</b>

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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### 5. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as at 31 December 2016 and 31 December 2015 are as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Cash on hand	192	352
Cash at banks	45,032,161	10,300,695
<i>Demand deposit</i>	4,137	995
<i>Time deposits with maturities less than 3 months</i>	45,028,024	10,299,700
Receivables from Takasbank money market transactions	702,389	1,300,543
	<b>45,734,742</b>	<b>11,601,590</b>

Reconciliation between the elements comprising cash and cash equivalents in the statement of financial position and statement of cash flows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Cash and cash equivalents	45,734,742	11,601,590
Less: Accrued interest	(28,412)	(15,343)
	<b>45,706,330</b>	<b>11,586,247</b>

As at 31 December 2016, the Company has no restricted deposits (31 December 2015: None).

As at 31 December 2016 and 31 December 2015 interest and maturity details of the bank deposits are as follows:

	<b>31 December 2016</b>			<b>Amount</b>
	<b>Interest Rate</b>	<b>Maturity</b>	<b>Currency</b>	<b>TL</b>
	<b>%</b>			
TL Time Deposit	11.50	31 January 2017	TL	25,015,751
TL Time Deposit	11.20	24 February 2017	TL	20,012,273
				<b>45,028,024</b>

	<b>31 December 2015</b>			<b>Amount</b>
	<b>Interest Rate</b>	<b>Maturity</b>	<b>Currency</b>	<b>TL</b>
	<b>%</b>			
TL Time Deposit	13.50	29 January 2016	TL	10,024,774
TL Time Deposit	3.50	4 January 2016	TL	274,926
				<b>10,299,700</b>

# İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

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### 5. CASH AND CASH EQUIVALENTS (continued)

Foreign currency risks, interest rate risks and sensitivity analysis for Company’s financial asset and liabilities are explained in Note 25.

As at 31 December 2016, gross interest rate on Takasbank money market transactions is 10.10% (31 December 2015:15.25%).

### 6. FINANCIAL INVESTMENTS

#### 6.1 Current financial investments

	<b>31 December 2016</b>	<b>31 December 2015</b>
Financial assets designated at fair value through profit or loss	72,854,247	104,500,617
	<b>72,854,247</b>	<b>104,500,617</b>
	<b>31 December 2016</b>	
	<b>Nominal (*)</b>	<b>Fair value</b>
Private sector bonds	23,170,000	23,607,019
Government bonds	14,000,000	22,464,820
Investment funds	692,364,277	21,799,153
Shares quoted to stock exchange	5,190,891	4,983,255
		<b>72,854,247</b>
	<b>31 December 2015</b>	
	<b>Nominal (*)</b>	<b>Fair value</b>
Private sector bonds	49,070,000	49,457,905
Government bonds	18,200,000	27,601,326
Investment funds	1,071,835,029	22,717,675
Shares quoted to stock exchange	5,190,891	4,723,711
		<b>104,500,617</b>

(\*) Nominal values of investment funds and securities quoted in an active market are presented in units, government bonds and private sector bonds are presented in TL.

As at 31 December 2016, interest rates of private sector bonds and government bonds held for trading are between the rates 8.96% and 15.11% per annum (31 December 2015: between 9.49% and 15.01% per annum).

# İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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## 6. FINANCIAL INVESTMENTS

### 6.2 Non-current financial investments

As at 31 December 2016 and 31 December 2015, details of private equity investments are as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Investments held-to-maturity	-	10,011,350
Financial investments designated at fair value through profit or loss	139,314,730	131,859,770
	<b>139,314,730</b>	<b>141,871,120</b>

#### Investments held-to-maturity

As at 31 December 2016 there are no investments held-to-maturity. As at 31 December 2015 details of investments held-to-maturity are as follows:

<u>Company name</u>	<u>Nominal</u>	<u>31 December 2015</u>
Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. Bond	10,000,000	10,011,350
	<b>10,000,000</b>	<b>10,011,350</b>

As disposal of this investment are not planned in the short term, they are classified as non-current investments and on 26 December 2016, this investment is amortized.

#### Financial investments designated at fair value through profit or loss

As at 31 December 2016 and 31 December 2015, fair vale details of the subsidiaries and the associate are as follows:

<u>Name of subsidiary/associate</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Toksöz Spor	31,617,850	35,542,100
Ortopro	23,512,701	33,457,905
Numnum	36,189,989	23,447,736
Radore	18,301,605	15,960,450
Nevotek	15,980,785	13,101,579
Tatil Budur	13,711,800	10,350,000
	<b>139,314,730</b>	<b>131,859,770</b>

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### 6. FINANCIAL INVESTMENTS (continued)

#### 6.2 Non-current financial investments (continued)

As at 31 December 2016 and 31 December 2015, details of the Company’s subsidiaries and associates are as follows:

Subsidiaries and associate	Acquisition date	Place of establishment and operation	Share of capital (%)		Voting power
			31 December 2016	31 December 2015	
Nevotek	30 September 2003	Turkey	81.24	81.24	81.24
Ortopro	10 December 2007	Turkey	83.64	83.64	83.64
Toksöz Spor	13 November 2012	Turkey	55.00	55.00	55.00
NumNum (*)	5 December 2012	Turkey	83.57	61.66	83.57
Radore	1 December 2014	Turkey	25.50	25.50	25.50
Tatil Budur(**)	6 November 2015	Turkey	20.00	20.00	20.00

(\*) The Company has participated in the paid-in capital increase of its subsidiary Numnum Yiyecek ve İçecek A.Ş. ("Numnum") whose paid-in capital was TL 2.702.500 formerly, by the rate of 133,33 % and by the nominal amount of TL 3,603,333 on 26 December 2016. Paid-in capital increase has been conducted through restricting the right of priority of the shareholders except the Company. On 22 December 2016, TL 10,000,000 has been paid to Numnum against this transactions. The Company’s share in Numnum has increased to 83.57%.

(\*\*) The Company has acquired the shares representing 20% of the paid-in capital of Tatil Budur from its shareholders Ahmet Kara, Beşir Kara, Çetin Yılmaz, Timuçin Kuş, Gencer Öztürk and Derya Bülent Kuş on 6 November 2015 in return for a purchase price which is to be determined by share price adjustment mechanisms stated on the purchase contract. Transfer of the shares correspond to 20% (TL 10,350,000) of Tatil Budur has been made on 6 November 2015 and outstanding balance amounting to TL 938,195 to the final purchase price amount to total TL 11,288,195 has been paid on 22 September 2016 which arisen depending upon the adjusting value correction mechanism applied within the framework of agreement terms.

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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### 6. FINANCIAL INVESTMENTS (continued)

#### 6.2 Long term financial investments (continued)

##### Financial investments designated at fair value through profit or loss (continued)

Discounted cash flow method is used to determine fair values. Valuation model considers the present value of the expected payment, discounted using a risk adjusted discounted rate. The expected payment is determined by considering the possible scenarios of forecast earnings before interest tax depreciation and amortization (“EBITDA”), the amount to be paid under each scenario and the probability of each scenario. Subsidiaries’ estimated annual revenue growth rate is between 1.3% with 6% estimated EBITDA ratio is between 1.9% with 37.1%, estimated risk adjusted discount rates are between 11.5% and 20.10%.

Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin and net profit.

For the fair values of subsidiaries and associate of the Company, reasonably possible changes at 31 December 2016 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

Sensitivity analysis 31 December 2016	Profit or (loss)	
	Increase	Decrease
Annual revenue growth rate (0.5% change)	4,901,903	(4,500,511)
EBITDA growth rate (0.5% change)	7,598,757	(7,629,421)
Risk adjusted discount rate (0.5% change)	8,894,057	(8,164,488)

There is no contractual restriction on the ability of the subsidiaries and the associates to transfer funds to the Company in the form of dividends or repayment of loans and advances given.

As at 31 December 2016, the Company has pledged Group A shares belongs to Tolga Yalçınkaya, a shareholder of Ortopro, amounting to TL 2,526,595. The share of this shareholder capital is 11.5% in total.

The Company does not have any commitments or intentions to provide financial support to the subsidiaries and the associates, including those that aims to assist the subsidiaries and the associates to obtain financial support.

The Company does not have any contractual agreements which may require it, its subsidiaries and associates to provide financial support to a non-consolidated, controlled, restructured entity, including events and conditions that may expose it to losses.

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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### 7. TRADE PAYABLES

As at 31 December 2016 and 31 December 2015, the details of the Company’s trade payables are as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Short term trade payables		
Due to related parties	21,897	3,763
	<b>21,897</b>	<b>3,763</b>

### 8. OTHER RECEIVABLES AND PAYABLES

#### a) Other Receivables:

As at 31 December 2016 and 31 December 2015, the details of the Company’s other receivables are as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Other Short Term Receivables		
Other receivables		1,180
		<b>1,180</b>

	<b>31 December 2016</b>	<b>31 December 2015</b>
Other Long Term Receivables		
Deposits and guarantees given	150	150
	<b>150</b>	<b>150</b>

#### b) Other Payables:

As at 31 December 2016 and 31 December 2015, the details of the Company’s other payables are as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Other Short Term Payables		
Other miscellaneous payables	798	750
	<b>798</b>	<b>750</b>

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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### 9. TANGIBLE ASSETS

For the years ended 31 December 2016 and 31 December 2015, the details of the Company’s tangible assets are as follows:

	<b>Furniture and Fixtures</b>	<b>Leasehold Improvements</b>	<b>Total</b>
<b><u>Cost</u></b>			
Opening balances at 1 January 2016	459,084	1,056,400	1,515,484
Acquisitions	26,343	-	26,343
Disposals	(16,440)	-	(16,440)
<b>Net carrying amount at 31 December 2016</b>	<b>468,987</b>	<b>1,056,400</b>	<b>1,525,387</b>
<b><u>Accumulated depreciation</u></b>			
Opening balances at 1 January 2016	(370,070)	(909,279)	(1,279,349)
Charge for the year	(52,407)	(128,467)	(180,874)
Disposals	16,440	-	16,440
<b>Net carrying amount at 31 December 2016</b>	<b>(406,037)</b>	<b>(1,037,746)</b>	<b>(1,443,783)</b>
<b>Net carrying amount at 31 December 2016</b>	<b>62,950</b>	<b>18,654</b>	<b>81,604</b>
<b>Net carrying amount at 1 January 2016</b>	<b>89,014</b>	<b>147,121</b>	<b>236,135</b>
Total current year depreciation expenses amounting to TL 180,874 is included in administrative expenses (31 December 2015: TL 182,423).			
<b><u>Cost</u></b>			
Opening balances at 1 January 2015	430,062	1,056,400	1,486,462
Acquisitions	29,022	-	29,022
<b>Net carrying amount at 31 December 2015</b>	<b>459,084</b>	<b>1,056,400</b>	<b>1,515,484</b>
<b><u>Accumulated depreciation</u></b>			
Opening balances at 1 January 2015	(315,865)	(781,061)	(1,096,926)
Charge for the year	(54,205)	(128,218)	(182,423)
<b>Net carrying amount at 31 December 2015</b>	<b>(370,070)</b>	<b>(909,279)</b>	<b>(1,279,349)</b>
<b>Net carrying amount at 31 December 2015</b>	<b>89,014</b>	<b>147,121</b>	<b>236,135</b>
<b>Net carrying amount at 1 January 2015</b>	<b>114,197</b>	<b>275,339</b>	<b>389,536</b>

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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### 10. INTANGIBLE ASSETS

For the years ended 31 December 2016 and 31 December 2015, the details of the Company’s intangible assets are as follows:

<u>Cost</u>	<u>Computer software</u>	<u>Total</u>
Opening balance at 1 January 2016	75,054	75,054
Acquisitions	-	-
<b>Net carrying amount at 31 December 2016</b>	<b>75,054</b>	<b>75,054</b>
<b><u>Accumulated amortization</u></b>		
Opening balance at 1 January 2016	(45,022)	(45,022)
Charge for the year	(25,735)	(25,735)
<b>Net carrying amount at 31 December 2016</b>	<b>(70,757)</b>	<b>(70,757)</b>
<b>Net carrying amount at 31 December 2016</b>	<b>4,297</b>	<b>4,297</b>
<b>Net carrying amount at 1 January 2016</b>	<b>30,032</b>	<b>30,032</b>

Total current year amortization expenses amounting to TL 25,735 is included in administrative expenses (31 December 2015: TL 23,445).

<u>Cost</u>	<u>Computer software</u>	<u>Total</u>
Opening balances at 1 January 2015	63,844	63,844
Acquisitions	11,210	11,210
<b>Net carrying amount at 31 December 2015</b>	<b>75,054</b>	<b>75,054</b>
<b><u>Accumulated amortization</u></b>		
Opening balances at 1 January 2015	(21,577)	(21,577)
Charge for the year	(23,445)	(23,445)
<b>Net carrying amount at 31 December 2015</b>	<b>(45,022)</b>	<b>(45,022)</b>
<b>Net carrying amount at 31 December 2015</b>	<b>30,032</b>	<b>30,032</b>
<b>Net carrying amount at 1 January 2015</b>	<b>42,267</b>	<b>42,267</b>

For the years ended 31 December 2016 and 31 December 2015, the Company does not have any internally generated intangible assets.

### 11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The shares of İş Girişim Sermayesi in Ortopro have been pledged in order to obtain a 5-year maturity loan for Ortopro from Yapı Kredi Bankası A.Ş. amounting to maximum of TL 20,000,000 (twenty million Turkish Lira) for the purpose of restructuring Ortopro’s short-term loans.

### 12. COMMITMENTS

None (31 December 2015: None).

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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### 13. EMPLOYEE BENEFITS

As at 31 December 2016 and 31 December 2015, the details of the Company’s employee benefits are as follows:

	31 December 2016	31 December 2015
<b>Short Term</b>		
Provision for employee bonuses	1,136,179	1,375,899
Vacation pay liability	575,802	502,915
	<b>1,711,981</b>	<b>1,878,814</b>
<b>Long Term</b>		
Provision for employee bonuses	-	586,179
Reserve for employee severance payments	114,231	133,848
	<b>114,231</b>	<b>720,027</b>

Under Turkish Labour Law, the Company is required to pay employment termination benefits to each employee whose employment is terminated by gaining the right to receive the termination benefits. In addition, based on the amended 60<sup>th</sup> article of the current Social Insurance Law’s numbered 506 together with amendments dated 6 March 1981, numbered 2422, dated 25 August 1999 and numbered 4447, the Company is obliged to pay termination benefits to the employees who are quitted by gaining right to receive their termination benefits. Some provisions for the pre-retirement service conditions are abolished from the law with amendment on 23 May 2002.

The reserve for severance pay liability as at 31 December 2016 is based on the monthly ceiling amounting to TL 4,297.21 (31 December 2015: TL 3,828.37).

The reserve has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the actuarial assumptions explained in the following paragraph were used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying statement of financial position as at 31 December 2016, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The provision at the end of the reporting period has been calculated assuming an annual inflation rate of 6.15% (31 December 2015: 6.15%) and a discount rate of 10.80% resulting in a net discount rate of approximately 4.38%. The anticipated rate of forfeitures is also considered.

The movement of reserve for employee severance payments:

	1 January- 31 December 2016	1 January- 31 December 2015
Provision as at 1 January	133,848	106,477
Cost of services	22,995	35,137
Interest cost	14,498	9,849
Severance indemnity paid	(62,745)	(17,615)
Actuarial loss	5,635	-
Provision as at 31 December	<b>114,231</b>	<b>133,848</b>

Actuarial differences are accounted for in comprehensive income.

# İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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## 13. EMPLOYEE BENEFITS (continued)

The movement of provision for employee bonuses:

	<b>1 January- 31 December 2016</b>	<b>1 January - 31 December 2015</b>
Provision as at 1 January	1,962,078	3,167,939
Charge for the year	550,000	299,850
Employee bonuses paid	(1,375,899)	(1,505,711)
Provision as at 31 December	<b>1,136,179</b>	<b>1,962,078</b>

The movement of vacation pay liability:

	<b>1 January- 31 December 2016</b>	<b>1 January- 31 December 2015</b>
Provision as at 1 January	502,915	473,092
Vacation liability paid	(106,185)	(30,570)
Charge for the year	179,072	60,393
Provision as at 31 December	<b>575,802</b>	<b>502,915</b>

## 14. PREPAID EXPENSES

As at 31 December 2016 and 31 December 2015, the details of the Company’s prepaid expenses are as follows:

<u>Current</u>	<b>31 December 2016</b>	<b>31 December 2015</b>
Prepaid expenses	289,514	234,835
Job advances	6,229	12,091
	<b>295,743</b>	<b>246,926</b>

There is not any long term prepaid expense (31 December 2015: None).

## 15. OTHER ASSETS AND LIABILITIES

As at 31 December 2016 and 31 December 2015, the details of the Company’s other assets and liabilities are as follows:

<u>Other Current Assets</u>	<b>31 December 2016</b>	<b>31 December 2015</b>
Prepaid taxes and funds	519,890	446,497
	<b>519,890</b>	<b>446,497</b>

<u>Other Short-Term Liabilities</u>	<b>31 December 2016</b>	<b>31 December 2015</b>
Accrued expenses	565,045	504,810
Taxes and funds payable	185,169	682,830
	<b>750,214</b>	<b>1,187,640</b>

There is not any long term liability (31 December 2015: None).

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### 16. EMPLOYEE BENEFIT PAYABLES

As at 31 December 2016 and 31 December 2015, the details of the Company’s liabilities related to employee benefits are as follows:

	31 December 2016	31 December 2015
Social security contributions payable	45,284	36,912
	<b>45,284</b>	<b>36,912</b>

### 17. CAPITAL AND RESERVES

#### a) Share Capital

As at 31 December 2016 and 31 December 2015, the capital structure of the Company is as follows:

Shareholder	Company	%	31 December 2016	%	31 December 2015
İş Yatırım Menkul Değerler A.Ş.	A	8.9	6,635,776	8.9	6,635,776
İş Yatırım Menkul Değerler A.Ş.(*)	B	20.5	15,300,180	20.1	15,018,515
Türkiye Sınai Kalkınma Bankası A.Ş.	B	16.7	12,442,079	16.7	12,442,079
Türkiye Teknoloji Geliştirme Vakfı	B	11.1	8,294,719	11.1	8,294,719
Other	B	12.0	8,958,298	12.0	8,958,298
Publicly held(*)	B	30.8	23,021,428	31.2	23,303,093
Nominal capital			<b>74,652,480</b>		<b>74,652,480</b>

(\*) Based on the resolution of the Board of Directors of the Company dated 27 June 2016, a contract has been signed on 28 June 2016 with İş Yatırım Menkul Değerler A.Ş. in order for it to engage in the market-making activities over the shares of the Company quoted in İstanbul Stock Exchange. With regard to the contract, İş Yatırım Menkul Değerler A.Ş. has started the market-making activities on 29 June 2016. As at 31 December 2016, İş Yatırım Menkul Değerler A.Ş. has purchased publicly traded shares of the Company with a nominal amount of TL 281,665.

As at 31 December 2016 the Company's share capital consists of 7,465,248,000 unit shares (31 December 2015: 7,465,248,000 shares). The par value of each share is TL 0.01 (31 December 2015: TL 0.01 per share).

The nominal share capital of the Company amounting to TL 74,652,480 comprised of Group A and Group B shares, amounting to TL 6,635,776 and TL 68,016,704, respectively. Group A shareholders have the privilege during the BOD election to nominate four members of the total seven members. In addition, one of the members of the Board representing Group B, is elected among the candidates nominated by Türkiye Teknoloji Geliştirme Vakfı unless their share in issued capital is below TL 2,000,000.

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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### 17. CAPITAL AND RESERVES (continued)

#### a) Share Capital (continued)

During the capital increase, in exchange for Group A shares Group A, in exchange for Group B shares Group B shares is issued. During the capital increase through the restriction of pre-emption rights, only the Group B shares can be issued.

No preferred shares can be issued, except for the preferred shares giving the right to suggest candidate while electing the two thirds of the BOD members or giving dividend right. The fractional number is rounded when calculating the two thirds of the BOD members. After going to public, no preferences can be created including the preference to suggest candidate to the BOD membership and preference for taking dividend.

#### b) Inflation Adjustment to Share Capital

As at 31 December 2016, the Company has inflation adjustment to share capital amounting TL 21,606,400 arising from the inflation accounting application until 31 December 2004 (31 December 2015: TL 21,606,400).

#### c) Share Premium

Excess amount between selling price and nominal value for each share was recorded as share premium in equity.

#### d) Legal reserves

In accordance with Turkish Commercial Code, legal reserves consist of first and second legal reserves. First legal reserves are generated by annual appropriations amounting to 5% of income disclosed in the Company’s statutory accounts until it reaches 20% of historical based paid-in share capital (not adjusted for the effects of inflation). Second legal reserve is generated by 10% over the total of cash dividend distribution after the first legal reserves and dividend distributions. The Company has performed transfer to legal reserves amounting to TL 212,030 in year 2016 (31 December 2015: TL 1,303,027). As at 31 December 2016, the Company has legal reserves amounting to TL 20,700,306 (31 December 2015: TL 20,488,276).

#### e) Retained Earnings

As at 31 December 2016, the Company has retained earnings amounting to TL 131,147,155 (31 December 2015: TL 130,586,536).

#### *Dividend distribution:*

Publicly held companies distribute dividends based on the Capital Market Board (“CMB”) regulations explained below:

According to CMB’s decision on 27 January 2010 numbered 02/51, corporations traded on the stock exchange market are not obliged to distribute a specified amount of dividends derived from the profits of 2009. For corporations that will distribute dividends, in relation to the resolutions in their general assembly meeting the dividends may be in cash, may be free by adding the profit into equity, or may be partially from both, it is also permitted not to distribute determined first party dividends falling below 5 percent of the paid-in capital of the company but, corporations that increased capital before distributing the previous year’s dividends and as a result their shares are separated as “old” and “new” are obliged to distribute 1st party dividends in cash.

# İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

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## 17. CAPITAL AND RESERVES (continued)

### *Dividend distribution (continued):*

The Company distributes dividend in accordance with requirements in Turkish Commercial Code and Capital Market Regulations.

In accordance with the resolutions dated 16 March 2016 in the General Assembly of the Company, it has been decided not to distribute dividends and TL 560,619 in retained earning has been reclassified to extraordinary reserves after deducting legal reserves (31 December 2015: TL 10,078,085 dividend distributed in cash).

## 18. REVENUE AND COST OF SALES

For the years ended 31 December 2016 and 31 December 2015 the details of the Company’s revenue and cost of sales are as follows:

	1 January – 31 December 2016	1 January – 31 December 2015
<b>a) Revenue</b>		
Interest income from treasury bonds and private sector bonds	6,620,919	9,156,880
Investment security fair value gains (net)	3,279,405	1,525,680
Interest income on bank deposits	3,149,655	2,559,564
Investment security trading income (net)	832,682	7,532
Dividend income	648,861	970,697
Reverse repo and Takasbank interest income	300,163	286,446
Decrease in fair value of subsidiaries and associates (net)	(3,483,235)	(4,705,640)
Domestic sales (*)	-	2,606,325
<i>Disposal of associate</i>	-	2,606,325
	<b>11,348,450</b>	<b>12,407,484</b>
<b>b) Cost of sales</b>		
Disposal of associate (*)	-	(1,850,400)
	-	<b>(1,850,400)</b>

(\*) The Company has disposed its 3% shareholding in Radore which has a carrying amount of TL 1,850,400 on 29 July 2015 in return for TL 2,606,325. A gain of TL 755,925 has been recognized as a result this transaction.

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## 19. ADMINISTRATIVE EXPENSES

For the years ended 31 December 2016 and 31 December 2015, the details of the Company’s administrative expenses are as follows:

	<b>1 January- 31.Dec.16</b>	<b>1 January- 31.Dec.15</b>
Personnel expenses	(5,113,750)	(4,452,978)
Audit and consultancy expenses	(893,520)	(1,142,443)
Rent expenses	(622,088)	(562,040)
Outsourcing expenses	(618,570)	(571,024)
Tax and Dues	(606,609)	(1,064,271)
Salaries of Board of Directors	(599,550)	(546,000)
Increase in provision for bonus expenses	(550,000)	(299,850)
Executive insurance	(294,466)	(282,710)
Depreciation and amortization expenses	(206,609)	(205,868)
Increase in unused vacation provision expenses	(179,072)	(60,393)
Communication, electricity and stationary expenses	(172,033)	(170,047)
Representation Expenses	(94,201)	(113,507)
Increase in provision for employee termination benefits	(37,493)	(44,986)
Other	(355,974)	(224,706)
	<b>(10,343,935)</b>	<b>(9,740,823)</b>

## 20. OTHER OPERATING INCOME AND EXPENSES

For the years ended 31 December 2016 and 31 December 2015, the details of the Company’s other operating income and expenses are as follows:

	<b>1 January-31 December 2016</b>	<b>1 January-31 December 2015</b>
Other operating income		
Foreign exchange gains	244	32,168
Fixed asset sales	1,695	-
Other income and profits	170,485	1,491
	<b>172,424</b>	<b>33,659</b>

	<b>1 January- 31 December 2016</b>	<b>1 January-31 December 2015</b>
Other operating expenses		
Commissions paid	(115,467)	(77,232)
Foreign exchange losses	-	(39)
Other expenses and losses	(1,180)	-
	<b>(116,647)</b>	<b>(77,271)</b>

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### 21. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

İş Girişim Sermayesi Yatırım Ortaklığı AŞ is exempt from corporate taxes in accordance with 5<sup>th</sup>/d-3 article of Corporate Tax Law. In addition, income from venture capital activities is not subject to advance corporate tax.

With 3 sub paragraph of 15th article of Corporate Tax Law and with the decree of the Council of Ministers, the income arises from venture capital investment company will be subject to 0% withholding tax.

There are not any deferred tax assets or liabilities (31 December 2015: None).

### 22. EARNINGS PER SHARE

	<b>1 January- 31 December 2016</b>	<b>1 January- 31 December 2015</b>
<b>Earnings per share</b>		
Weighted average number of shares available during the period (full amount)	74,652,480	74,652,480
<b>Total</b>	<b>74,652,480</b>	<b>74,652,480</b>
<b>Net profit for the year</b>	<b>1,060,292</b>	<b>772,649</b>
Basic and diluted earnings per share (TL 1 nominal value)	0.01420	0.01035

### 23. EFFECTS OF FOREIGN EXCHANGE RATE CHANGES

The analysis of the effects of changes in foreign exchange in 31 December 2016 and 31 December 2015 is disclosed in Note 25.

### 24. REPORTING IN HYPERINFLATIONARY ECONOMIES

In accordance with the CMB’s resolution No: 11/367 issued on 17 March 2005, companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards (Including the application of IFRS) are not subject to inflation accounting effective from 1 January 2005. Therefore, as of 1 January 2005, TAS 29 “Financial Reporting in Hyperinflationary Economies” is not applied in the accompanying financial statements.

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### 25. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

#### Capital risk management

The Company manages its capital to ensure that the operations will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

99% of total liabilities of the Company are comprised of shareholders equity. There is not any other significant financing resources other than share capital.

#### Financial risk factors

The risks of the Company, resulted from operations, include market risk (including currency risk, fair value interest rate risk, and price risk), credit risk and liquidity risk. The Company’s risk management program generally focuses on minimizing the effects of uncertainty in financial market on financial performance of the Company.

#### Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss of the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

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### 25. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

#### Credit risk management (continued)

	Receivables				Cash and Cash Equivalents (**)	Financial Investments (***)
	Trade Receivables		Other Receivables			
31 December 2016	Related Parties	Third Parties	Related Parties	Third Parties		
Maximum credit risk exposure as at report date (*)	-	-	150	-	45,734,550	67,870,992
-The part of maximum risk under guarantee with collateral etc.						
A. Net book value of financial assets that are neither past due nor impaired	-	-	150	-	45,734,550	67,870,992
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired -the part under guarantee with collateral etc.	-	-	-	-	-	-
D. Net book value of impaired assets						
- Past due (gross carrying amount)						
- Impairment (-)						
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Elements including credit risk on off statement of financial position						

(\*) Deposits and guarantees and collaterals are excluded since they are not financial assets.

(\*\*) Cash on hand is excluded.

(\*\*\*) Shares quoted to stock exchange are excluded.

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### 25. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

#### Credit risk management (continued)

	Receivables				Cash and Cash Equivalents (**)	Financial Investments (***)
	Trade Receivables		Other Receivables			
31 December 2015	Related Parties	Third Parties	Related Parties	Third Parties		
Maximum credit risk exposure as at report date (*)	-	-	150	1,180	11,601,238	109,788,256
-The part of maximum risk under guarantee with collateral etc.						
A. Net book value of financial assets that are neither past due nor impaired	-	-	150	1,180	11,601,238	109,788,256
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired -the part under guarantee with collateral etc.	-	-	-	-	-	-
D. Net book value of impaired assets						
- Past due (gross carrying amount)						
- Impairment (-)						
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Elements including credit risk on off statement of financial position						

(\*) Deposits and guarantees and collaterals are excluded since they are not financial assets.

(\*\*) Cash on hand is excluded.

(\*\*\*) Shares quoted to stock exchange are excluded.

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## NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in Turkish Lira (“TL”))

### 25. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

#### Liquidity risk management

Liquidity risk management responsibility mainly belongs to the top management. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities. The Company does not have any loans and uses only its shareholders equity. Investments in equity companies are financed through security portfolio or funds in time deposit. Securities in portfolio have secondary market and have high liquidity and maturity is arranged according to liquidity requirements.

The table below shows the maturity profile of Company’s non-derivative financial liabilities. The non-derivative financial instruments is presented on an undiscounted cash flow basis and according to the earliest date of the payments required to be done.

#### 31 December 2016

Contractual maturity	Carrying Value	Contractual cash flows (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Trade payables	21,897	21,897	21,897	-	-	-
Other payables (*)	565,843	565,843	565,843	-	-	-
<b>Total liabilities</b>	<b>587,740</b>	<b>587,740</b>	<b>587,740</b>	-	-	-

(\*)Taxes and other duties payables are excluded from other short term payables.

#### 31 December 2015

Contractual maturities	Carrying Value	Contractual cash flows (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Trade payables	3,763	3,763	3,763	-	-	-
Other payables (*)	505,560	505,560	505,560	-	-	-
<b>Total liabilities</b>	<b>509,323</b>	<b>509,323</b>	<b>509,323</b>	-	-	-

(\*)Taxes and other duties payables are excluded from other short term payables.

#### Market risk management

The Company is exposed to financial risks related to foreign currency changes based on its operations.

The Company’s exposure to market risks is measured in accordance with sensitivity analysis.

There has been no change in the Company’s exposure to market risks or the manner which it manages and measures the risk compared to previous year.

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## NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

(Amounts are expressed in Turkish Lira (“TL”))

### 25. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)

#### Foreign currency risk management

Transactions denominated in foreign currencies cause foreign currency fluctuations to arise.

The foreign currency denominated assets and liabilities of monetary and non-monetary items as at 31 December 2016 and 31 December 2015 are as follows:

	TL (Functional currency)	US Dollar	Euro	Other
<b>31 December 2016</b>				
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets	-	-	-	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
<b>4. CURRENT ASSETS</b>	-	-	-	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
<b>8. NON-CURRENT ASSETS</b>	-	-	-	-
<b>9. TOTAL ASSETS</b>	-	-	-	-
10. Trade Payables	-	-	-	-
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	(253,806)	(65,044)	(1,838)	(4,188)
12b. Other Non-Monetary Liabilities	-	-	-	-
<b>13. SHORT TERM LIABILITIES</b>	(253,806)	(65,044)	(1,838)	(4,188)
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
<b>17. LONG TERM LIABILITIES</b>	-	-	-	-
<b>18. TOTAL LIABILITIES</b>	(253,806)	(65,044)	(1,838)	(4,188)
19. Off balance sheet derivatives net asset/liability position (19a-19b)	-	-	-	-
19a. Active off balance sheet derivative(foreign currency)	-	-	-	-
19b. Passive off balance sheet derivative(foreign currency)	-	-	-	-
20. Net foreign currency asset liability position	(253,806)	(65,044)	(1,838)	(4,188)
21. Net foreign currency asset / (liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a))	(253,806)	(65,044)	(1,838)	(4,188)
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23. Hedged portion of foreign currency assets	-	-	-	-
24. Hedged portion of foreign currency liabilities	-	-	-	-
23. Export	-	-	-	-
24. Import	-	-	-	-

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**25. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)**

*Foreign currency risk management (continued)*

<b>31 December 2015</b>	TL (Functional currency)	US Dollar	Euro	Other
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets	-	-	-	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	-	-	-	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	-	-	-	-
10. Trade Payables	-	-	-	-
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	(495,098)	(126,095)	(40,425)	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. SHORT TERM LIABILITIES	(495,098)	(126,095)	(40,425)	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. LONG TERM LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	(495,098)	(126,095)	(40,425)	-
19. Off balance sheet derivatives net asset/liability position (19a-19b)	-	-	-	-
19a. Active off balance sheet derivative(foreign currency)	-	-	-	-
19b. Passive off balance sheet derivative(foreign currency)	-	-	-	-
20. Net foreign currency asset liability position	(495,098)	(126,095)	(40,425)	-
21. Net foreign currency asset / (liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a))	(495,098)	(126,095)	(40,425)	-
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23. Hedged portion of foreign currency assets	-	-	-	-
24. Hedged portion of foreign currency liabilities	-	-	-	-
23. Export	-	-	-	-
24. Import	-	-	-	-

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**25. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)**

*Foreign currency risk management (continued)*

Foreign currency risk sensitivity analysis

The Company is mainly exposed to foreign currency risks in US Dollar and Euro.

The following table shows the Company’s sensitivity to a 10% increase and decrease in US Dollar and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit / loss and other equity.

	<b>31 December 2016</b>			
	<u>Profit / Loss</u>		<u>Equity</u>	
	<u>The appreciation of foreign currency</u>	<u>The depreciation of foreign currency</u>	<u>The appreciation of foreign currency</u>	<u>The depreciation of foreign currency</u>
	10% appreciation / depreciation of TL against the U.S. Dollar			
1 - US Dollar net asset / liability	(22,890)	22,890	-	-
2- Portion secured from US Dollar (-)	-	-	-	-
<b>3- US Dollar net effect (1 +2)</b>	<b>(22,890)</b>	<b>22,890</b>	-	-
	10% appreciation / depreciation of TL against Euro			
4 - Euro net asset / liability	(682)	682	-	-
5 - Portion secured from Euro (-)	-	-	-	-
<b>6 - Euro net effect (4+5)</b>	<b>(682)</b>	<b>682</b>	-	-
	10% appreciation / depreciation of TL against other currencies			
7- Other foreign currency net asset / liability	(1,809)	1,809	-	-
8- Portion secured from other currency (-)	-	-	-	-
<b>9- Other currency net effect (7+8)</b>	<b>(1,809)</b>	<b>1,809</b>	-	-
<b>TOTAL (3 + 6 +9)</b>	<b>(25,381)</b>	<b>25,381</b>	-	-

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**25. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (continued)***Foreign currency risk management (continued)*Foreign currency risk sensitivity analysis

	<b>31 December 2015</b>			
	<u>Profit / Loss</u>		<u>Equity</u>	
	<u>The appreciation of foreign currency</u>	<u>The depreciation of foreign currency</u>	<u>The appreciation of foreign currency</u>	<u>The depreciation of foreign currency</u>
	10% appreciation / depreciation of TL against the U.S. Dollar			
1 - US Dollar net asset / liability	(36,665)	36,665	-	-
2- Portion secured from US Dollar (-)	-	-	-	-
<b>3- US Dollar net effect (1 +2)</b>	<b>(36,665)</b>	<b>36,665</b>	-	-
	10% appreciation / depreciation of TL against Euro			
4 - Euro net asset / liability	(12,845)	12,845	-	-
5 - Portion secured from Euro (-)	-	-	-	-
<b>6 - Euro net effect (4+5)</b>	<b>(12,845)</b>	<b>12,845</b>	-	-
	10% appreciation / depreciation of TL against other currencies			
7- Other foreign currency net asset / liability	-	-	-	-
8- Portion secured from other currency (-)	-	-	-	-
<b>9- Other currency net effect (7+8)</b>	-	-	-	-
<b>TOTAL (3 + 6 +9)</b>	<b>(49,510)</b>	<b>49,510</b>	-	-

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**25. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)*****Interest rate risk***

Changes in market interest rates causing fluctuations in the prices of financial instruments of the Company's interest rate risk leads to the necessity to deal with.

Interest positions at the end of the reporting period are as follows:

**Interest Position Table**

	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Fixed interest rate instruments</b>		
Financial assets		
Financial assets at fair value through profit or loss	29,601,800	47,479,668
Time deposits	45,028,024	10,299,700
Takasbank money market receivables	702,389	1,300,543
	<b>75,332,213</b>	<b>59,079,911</b>
<b>Floating interest rate instruments</b>		
Financial assets		
Financial assets at fair value through profit or loss	16,470,039	29,579,563
Financial assets held to maturity	-	10,011,350
	<b>16,470,039</b>	<b>39,590,913</b>

Fixed and variable income securities that are classified as designated at fair value through profit and loss in the Company's statement of financial position are exposed to price risk depending on interest rate changes. As at 31 December 2016 and 31 December 2015 according to the analysis that the Company calculated, effect on fixed and variable income securities' market value and the Company's net profit/loss, under the assumption that all other variables remain constant, in the case of 1% interest rate increase or decrease of TL denominated securities and Eurobonds, presented below:

<b>31 December 2016</b>			
Type of risk	Risk rate	Direction of risk	Effect on net profit
Interest rate risk	1%	Increase	(1,105,149)
		Decrease	1,149,665
<b>31 December 2015</b>			
Type of risk	Risk rate	Direction of risk	Effect on net profit
Interest rate risk	1%	Increase	(1,506,251)
		Decrease	1,710,992

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### 25. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (continued)

#### Other price risks

The Company’s portfolio in equities and mutual funds, which are publicly traded, is exposed to price risk.

According to the statement of financial position as at 31 December 2016, in case of 10% increase/decrease, if all the other variables remain constant, in the value of stock investment that are in the Company's portfolio, with the effect of equity investment designated at fair value through profit or loss and stock-indexed investment fund, net profit would be TL 498,326 (31 December 2015: TL 472,371) lower/higher.

According to the statement of financial position as at 31 December 2016, in case of 1% increase/decrease, if all the other variables remain constant, in the value of investment fund that are in the Company's portfolio, with the effect of investment funds designated at fair value through profit or loss, net profit would be TL 217,992 (31 December 2015: TL 227,177) lower/higher.

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NOTES TO THE FINANCIAL STATEMENTS

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**26. FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)**

31 December 2016	Financial assets measured with effective interest method	Loans and receivables	Financial assets and liabilities at fair value through profit or loss	Other financial liabilities measured with effective interest method	Carrying Amount	Fair Value	Note
<u>Financial assets</u>							
Cash and cash equivalents	45,734,742	-	-	-	45,734,742	45,734,742	5
Financial investments	-	-	212,168,977	-	212,168,977	212,168,977	6
<u>Financial liabilities</u>							
Trade payables	-	-	-	21,897	21,897	21,897	7
Other financial liabilities (*)	-	-	-	565,843	565,843	565,843	8-15
31 December 2015	Financial assets measured with effective interest method	Loans and receivables	Financial assets and liabilities at fair value through profit or loss	Other financial liabilities measured with effective interest method	Carrying Amount	Fair Value	Note
<u>Financial assets</u>							
Cash and cash equivalents	11,601,590	-	-	-	11,601,590	11,601,590	5
Financial investments	10,011,350	-	236,360,387	-	246,371,737	246,371,737	6
<u>Financial liabilities</u>							
Trade payables	-	-	-	3,763	3,763	3,763	7
Other financial liabilities (*)	-	-	-	505,560	505,560	505,560	8-15

(\*)Taxes and other duties payables are excluded from other liabilities.

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### 26. FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (continued)

Fair value of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that is observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Classification of fair values of financial assets and liabilities are as follows:

Financial assets	31 December 2016	Fair value hierarchy at the end of the reporting period		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial asset at fair value through profit or loss	212,168,977	72,854,247	-	139,314,730
Total	<b>212,168,977</b>	<b>72,854,247</b>	<b>-</b>	<b>139,314,730</b>

Financial assets	31 December 2015	Fair value hierarchy at the end of the reporting period		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial asset at fair value through profit or loss	236,360,387	104,500,617	-	131,859,770
Cash and cash equivalents (B type liquid funds)	1,300,543	1,300,543	-	-
Total	<b>237,660,930</b>	<b>105,801,160</b>	<b>-</b>	<b>131,859,770</b>

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### 26. FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES) (continued)

The movement of fair values in Level 3 are as follows:

<b>Subsidiaries and associates</b>	<b>2016</b>	<b>2015</b>
<b>Balance as of 1 January 2016</b>	<b>131,859,770</b>	<b>103,065,809</b>
Acquisitions(*)	938,195	10,350,000
Disposals	-	(1,850,400)
Capital increase	10,000,000	25,000,000
<b>Gain/(loss) included in revenue</b>		
- Changes in the fair value	(3,483,235)	(4,705,639)
<b>Balance as at 31 December 2016</b>	<b>139,314,730</b>	<b>131,859,770</b>

(\*) Acquisition of 20% of the shares of Tatil Budur as at 31 December 2016 and 31 December 2015 as explained Note 6.2.

Valuation methods of the fair values for Level 3 are presented in the Note 2.5 and 6.

### 27. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER MATTERS REQUIRED TO BE EXPLAINED FOR CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

The Company has participated in the paid-in capital increase of its subsidiary Numnum Yiyecek ve İçecek A.Ş. ("Numnum") whose paid-in capital was TL 2.702.500 formerly, by the rate of 133,33 % and by the nominal amount of TL 3,603,333 on 26 December 2016. Paid-in capital increase has been conducted through restricting the right of priority of the shareholders except the Company. On 22 December 2016, TL 10,000,000 has been paid to Numnum against this transactions.

### 28. EVENTS AFTER THE REPORTING PERIOD

There are no events after reporting period.

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**ADDITIONAL NOTE: CONTROL OF COMPLIANCE WITH RESTRICTIONS ON THE INVESTMENT PORTFOLIO  
BORROWINGS AND TOTAL EXPENSE**

	Financial Statement Captions	Regulations	31.12.2016 (TL)	31.12.2015 (TL)
<b>A</b>	Monetary and Capital Market Instruments	Article 20/1-(b)	118,588,989	116,102,207
<b>B</b>	Private Equity Investments	Article 20/1-(a)	1139,314,730	141,871,120
<b>C</b>	Subsidiaries in Portfolio Management and Advisory Companies	Article 20/1-(d) and (e)	-	-
<b>D</b>	Other Assets		901,684	960,920
<b>E</b>	Total Assets	Article 3/1-(a)	258,805,403	258,934,247
<b>F</b>	Financial Borrowings	Article 29	-	-
<b>G</b>	Provisions, Contingent Assets and Liabilities	Article 20/2-(a)	-	-
<b>H</b>	Equity		256,160,998	255,106,341
<b>I</b>	Other Liabilities		2,644,405	3,827,906
<b>E</b>	Total Liabilities and Equity	Article 3/1-(a)	258,805,403	258,934,247
	<b>Other Financial Information</b>	<b>Regulations</b>	<b>31.12.2016 (TL)</b>	<b>31.12.2015 (TL)</b>
	Investments in Financial Market Instruments	Article 20/1-(b)		
	1. Financial Market Instruments		73,556,635	105,801,160
	A- Government Bonds		22,464,820	27,601,326
	TRT010420T19		-	1,622,790
	TRT060121T16		22,464,820	25,978,536
	B- Private Sector Bonds		23,607,019	49,457,905
	Akfen Holding A.Ş.		666,666	675,987
	Aksa Enerji Üretim A.Ş.		2,541,825	2,549,200
	Bank Pozitif Kredi ve Kalkınma Bankası A.Ş.		-	2,000,000
	Creditwest Faktoring A.Ş.		2,027,560	8,464,018
	İş Faktoring A.Ş.		-	3,436,178
	İş Finansal Kiralama A.Ş.		-	12,103,517
	Deva Holding A.Ş.		1,522,098	-
	İş Gayrimenkul Yatırım Ortaklığı A.Ş.		7,681,050	2,604,160
	İş Yatırım Menkul Değerler A.Ş.		974,020	973,770
	Karsan Otomotiv San. ve Tic. A.Ş.		-	509,860
	Orfin Finansman A.Ş.		6,162,960	9,009,000
	Rönesans Holding A.Ş.		-	2,560,700
<b>A1</b>	Tiryaki Agro Gıda Sanayi ne Tic. A.Ş.		-	2,532,475
	Timur Gayrimenkul A.Ş.		2,030,840	2,039,040
	C- Reverse Repo		702,389	1,300,543
	D- Investment Funds		21,799,152	22,717,675
	IYD İş Portföy Second Stock Fund		3,463,030	3,733,619
	IAF İstanbul Portföy Ark I Hedge Fund		-	2,428,790
	IBG Azimut PYS First Hedge Fund		-	3,642,276
	IBR Azimut PYS Absolute-Return Targeted Hedge Fund		-	2,138,981
	TI3 İş Bankası Subsidiaries Indexed Stock Fund		2,801,341	-
	ILG Logos Portföy Private Sector Debt Instruments Fund		-	3,155,360
	IDD Logos Portföy Dynamic Distribution Hedge Fund		-	1,340,307
	GTF Azimut PYS First Debt Instruments Fund		-	2,790,494
	IYB Taaleri Portföy Variable Fund		573,021	368,205
	IYR İş Portföy Target Hedge Fund		10,297,554	3,119,641
	SUB Ünlü Portföy Second Variable Fund		-	-
	TBV İş Portföy Private Sector Debt Fund		4,664,206	-
	TIV İş Portföy Short-Term Debt Fund		-	-
	E- Stocks		4,983,255	4,723,711
	İş Yatırım Ortaklığı A.Ş.		4,983,255	4,723,711
<b>A2</b>	TL and FX Denominated Term-Demand Deposits / Private Current - Sharing Account	Article 20/1-(b)	45,032,352	10,301,047
<b>B1</b>	Collective Investment Institutions Established Abroad	Article 21/3-(c)	-	-
<b>B2</b>	Combination of Debt and Equity Financing	Article 21/3-(f)	-	-
<b>B3</b>	Non-Listed Shares of Publicly Traded Private Equity Companies	Article 21/3-(e)	-	-
<b>B4</b>	Special Purpose Company	Article 21/3-(g)	-	-
<b>C1</b>	Participation in Portfolio Management Company	Article 20/1-(e)	-	-
<b>C2</b>	Participation in Consulting Company	Article 20/1-(d)	-	-
<b>F1</b>	Short-Term Loans	Article 29/1	-	-
<b>F2</b>	Long-Term Loans	Article 29/1	-	-
<b>F3</b>	Short-Term Borrowing Instruments	Article 29/1	-	-
<b>F4</b>	Long-Term Borrowing Instruments	Article 29/1	-	-
<b>F5</b>	Other Short-Term Financial Borrowings	Article 29/1	-	-
<b>F6</b>	Other Long-Term Financial Borrowings	Article 29/1	-	-
<b>G1</b>	Pledged	Article 20/2-(a)	-	-
<b>G2</b>	Collateral	Article 20/2-(a)	-	-
<b>G3</b>	Mortgages	Article 20/1-(a)	-	-
<b>I</b>	Outsourced Services Expenses	Article 26/1	2,794,868	2,878,630

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	Portfolio Restrictions (*)	Regulations	31.12.2016	31.12.2015	Min. /Max. Rate
<b>1</b>	Monetary and Capital Market Instruments	Article 22/1- (b)	45.82	44.84	≤%65
	Financial Market Instruments	Article 22/1- (c)	28.42	40.86	
	A- Government Bonds		8.68	10.66	
	TRT010420T19		-	0.63	≤%10
	TRT060121T16		8.68	10.03	≤%10
	B- Private Sector Bonds		9.12	19.10	≤%10
	Akfen Holding A.Ş.		0.26	0.26	≤%10
	Aksa Enerji Üretim A.Ş.		0.98	0.98	≤%10
	Bank Pozitif Kredi ve Kalkınma Bankası A.Ş.		-	0.77	≤%10
	Creditwest Faktoring A.Ş.		0.78	3.27	≤%10
	İş Faktoring A.Ş.		-	1.33	≤%10
	İş Finansal Kiralama A.Ş.		-	4.67	≤%10
	Deva Holding A.Ş.		0.59	-	≤%10
	İş Gayrimenkul Yatırım Ortaklığı A.Ş.		2.97	1.01	≤%10
	İş Yatırım Menkul Değerler A.Ş.		0.38	0.38	≤%10
	Karsan Otomotiv San. ve Tic. A.Ş.		-	0.20	≤%10
	Orfin Finansman A.Ş.		2.38	3.48	≤%10
	Rönesans Holding A.Ş.		-	0.99	≤%10
	Tiryaki Agro Gıda Sanayi ne Tic. A.Ş.		-	0.98	≤%10
<b>2</b>	Timur Gayrimenkul A.Ş.		0.78	0.79	≤%10
	C- Reverse Repo		0.27	0.50	≤%10
	D- Investment Funds		8.42	8.77	
	IYD İş Portföy Second Stock Fund		1.34	1.44	≤%10
	IAF İstanbul Portföy Ark I Hedge Fund		-	0.94	≤%10
	IBG Azimut PYS First Hedge Fund		-	1.41	≤%10
	IBR Azimut PYS Absolute-Return Targeted Hedge Fund		-	0.83	≤%10
	Tİ3 İş Bankası Subsidiaries Indexed Stock Fund		1.08	-	≤%10
	ILG Logos Portföy Private Sector Debt Instruments Fund		-	1.22	≤%10
	IDD Logos Portföy Dynamic Distribution Hedge Fund		-	0.52	≤%10
	GTF Azimut PYS First Debt Instruments Fund		-	1.08	≤%10
	IYB Taaleri Portföy Variable Fund		0.22	0.14	≤%10
	IYR İş Portföy Target Hedge Fund		3.98	1.20	≤%10
	SUB Ünlü Portföy Second Variable Fund		-	-	≤%10
	TBV İş Portföy Private Sector Debt Fund		1.80	-	≤%10
	TIV İş Portföy Short-Term Debt Fund		-	-	≤%10
	E- Stocks		1.93	1.82	≤%10
	İş Yatırım Ortaklığı A.Ş.		1.93	1.82	≤%10
<b>3</b>	Private Equity Investments	Article 22/1- (b)/(ğ)	53.83	54.79	≥%35
<b>4</b>	Participation in Portfolio Management Company	Article 22/1- (ç)	-	-	≤%10
<b>5</b>	Collective Investment Institutions Established Abroad	Article 22/1-(e )	-	-	≤% 49
<b>6</b>	Combination of Debt and Equity Financing	Article 22/1- (h)	-	-	≤%25
<b>7</b>	Non-Listed Shares of Publicly Traded Private Equity Companies	Article 22/1- (f)	-	-	≤%25
<b>8</b>	TL and FX Denominated Term-Demand Deposits / Private Current - Sharing Account (*)	Article 22/1- (i)	17.40	3.98	≤%20
<b>9</b>	Face Values Of Short-Term Borrowings and Debt Instruments (*)	Article 29	-	-	≤%50
<b>10</b>	Face Values Of Long-Term Borrowings and Debt Instruments	Article 29	-	-	≤%200
<b>11</b>	Pledged, Collateral and Mortgages	Article 22/1- (d)	-	-	≤%10
<b>12</b>	Outsourced Services Expenses	Article 26/1	1.08	1.11	≤%2,5

\*According to 22(g). Clause of the Venture Capital Investment Trusts Basis Communiqué, since the amount of investments made to the venture companies that are suitable for small and medium size enterprises requirements exceeds the 5% of the total assets, 51% rated portfolio limitation is applied as 35% instead.