KPMG

# İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2012

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

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

5 April 2013

This report contains the ''Independent Auditors' Report'' comprising 2 pages and the ''Consolidated Financial Statements and their explanatory notes'' comprising 84 pages.

**Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.**
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# Convenience Translation of the Independent Auditors' Report As at 31 December 2012 Originally Prepared and Issued in Turkish (See Note 2.1)

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

We have audited the accompanying consolidated statement of financial position of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. and its subsidiaries (together "Group") as at 31 December 2012, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Group Management's Responsibility for the Financial Statements*

The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards promulgated by Capital Markets Board of Turkey. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Independent Auditing Standards promulgated by Capital Markets Board of Turkey. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated 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 Group'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 consolidated financial statements.

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

*Opinion*

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2012, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards promulgated by Capital Markets Board of Turkey (Note 2).

Istanbul, 5 April 2013

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

Funda Aslanoğlu
*Partner*

**Additional paragraph for convenience translation to English:**
As explained in Note 2.1, the accompanying financial statements are not intended to present the financial position ad results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

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**İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARIES**

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

(In Turkish Lira ("TL"))

| | Notes | Audited 31 December 2012 | Audited 31 December 2011 |
|---|---|---|---|
| **ASSET** | | | |
| **Current Assets** | | **249,244,220** | **125,020,730** |
| Cash and Cash Equivalents | 4 | 40,802,761 | 40,159,085 |
| Investment Securities | 5 | 101,216,342 | 75,586,568 |
| Trade Receivables | 7 | 55,194,978 | 7,772,978 |
| *- Due From Related Parties* | | *7,080* | *69,171* |
| *- Other Trade Receivables* | | *55,187,898* | *7,703,807* |
| Other Receivables | 8 | 689,910 | 913 |
| Inventories | 9 | 41,242,332 | 260,478 |
| Other Assets | 16 | 10,097,897 | 1,240,708 |
| | | | |
| **Non-current Assets** | | **123,289,607** | **51,389,301** |
| Other Receivables | 8 | 83,205 | 26,853 |
| Investments in Equity Accounted Investees | 10 | 23,565,589 | 51,135,382 |
| Property and Equipment | 12 | 11,218,825 | 184,913 |
| Intangible Assets | 13 | 29,409,963 | 42,153 |
| Goodwill | 11 | 58,432,639 | - |
| Deferred Tax Asset | 24 | 320,604 | - |
| Other Assets | 16 | 258,782 | - |
| **TOTAL ASSETS** | | **372,533,827** | **176,410,031** |

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

(In Turkish Lira ("TL"))

| **LIABILITIES** | **Notes** | **Audited 31 December 2012** | **Audited 31 December 2011** |
|---|---|---|---|
| **Short Term Liabilities** | | **91,189,086** | **4,148,324** |
| Financial Liabilities | 6 | 50,829,321 | 1,791,055 |
| Trade Payables | 7 | 31,705,458 | 663,720 |
| *- Due to Related Parties* | | *123,955* | *2,472* |
| *- Other Trade Payables* | | *31,581,503* | *661,248* |
| Other Payables | 8 | 1,929,877 | 422,890 |
| Tax Liabilities | 24 | 416,040 | - |
| Employee Benefits | 15 | 2,732,405 | 1,175,651 |
| Other Short Term Liabilities | 16 | 3,575,985 | 95,008 |
| | | | |
| **Long Term Liabilities** | | **30,493,906** | **712,343** |
| Financial Liabilities | 6 | 20,828,670 | 118,763 |
| Trade Payables | 7 | 2,798,531 | 82,554 |
| *- Due to related parties* | | *1,000,009* | - |
| *- Other trade payables* | | *1,798,522* | 82,554 |
| Other Payables | 8 | 16,299 | - |
| Employee Benefits | 15 | 2,575,584 | 511,026 |
| Other Liabilities | 16 | 122,038 | - |
| Deffered Tax Liability | 24 | 4,152,784 | - |
| | | | |
| **EQUITY** | 17 | **250,850,835** | **171,549,364** |
| **Equity Attributable to Owners of the Company** | | **228,609,491** | **170,420,085** |
| Share Capital | | 57,960,000 | 50,400,000 |
| Inflation Adjustment to Share Capital | | 21,606,400 | 21,606,400 |
| Share Premium | | 7,000,000 | 7,000,000 |
| Hedging Reserve | | - | (116,655) |
| Other Reserves | | 19,921,245 | 249,702 |
| Foreign Currency Translation Differences | | (257,148) | (1,172,533) |
| Legal Reserves | | 9,496,886 | 6,778,897 |
| Retained Earnings | | 62,796,285 | 43,651,570 |
| Profit for the Period | | 50,085,823 | 42,022,704 |
| **Non-controlling Interests** | | **22,241,344** | **1,129,279** |
| **TOTAL LIABILITIES** | | **372,533,827** | **176,410,031** |

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARY

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

(In Turkish Lira ("TL"))

| | Notes | Audited 1 January- 31 December 2012 | Restated(*) Audited 1 January- 31 December 2011 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| Sales Revenue | 18 | 105,247,053 | 75,959,996 |
| Cost of Sales | 18 | (55,382,976) | (18,916,003) |
| **GROSS PROFIT** | | **49,864,077** | **57,043,993** |
| Marketing, Sales and Distribution Expenses | 19-20 | (7,519,010) | (2,702,839) |
| Administrative Expenses | 19-20 | (19,118,165) | (9,521,736) |
| Research and Development Expenses | 19-20 | (3,083,465) | (2,315,752) |
| Other Operating Income | 21 | 8,636,949 | 67,003 |
| Other Operating Expenses | 21 | (3,728,511) | (2,622,058) |
| **OPERATING PROFIT** | | **25,051,875** | **39,948,611** |
| Share of Profit/(Loss) of Equity Accounted Investees | 10 | 5,357,953 | (2,833,365) |
| Finance Income | 22 | 24,519,257 | 12,621,873 |
| Finance Costs | 23 | (7,930,328) | (6,061,961) |
| **PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX** | | **46,998,757** | **43,675,158** |
| Continuing Operations Tax Income/(Expense) | | 84,020 | (124,314) |
| Current Tax Expense | 24 | (22,840) | (124,314) |
| Deferred Tax Expense | 24 | 106,860 | - |
| **PROFIT FROM CONTINUING OPERATIONS** | | **47,082,777** | **43,550,844** |
| **PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS** | 29 | **4,202,485** | **(1,317,377)** |
| **PROFIT FOR THE YEAR** | | **51,285,262** | **42,233,467** |
| **Other Comprehensive Income** | | | |
| Change in Foreign Currency Translation Differences | | 944,526 | (1,180,234) |
| Change in Revaluation Surplus | | - | (19,896) |
| Change in Cash Flow Hedge Reserve | | 116,655 | (126,150) |
| Income Tax on other Comprehensive Income | | - | 25,230 |
| **Other Comprehensive Income for the Year, Net of Tax** | 23 | **1,061,181** | **(1,301,050)** |
| **TOTAL COMPREHENSIVE INCOME** | | **52,346,443** | **40,932,417** |
| **Profit Attributable to** | | | |
| Non-Controlling Interests | | 1,199,439 | 210,763 |
| Owners of the Company | | 50,085,823 | 42,022,704 |
| | | **51,285,262** | **42,233,467** |
| **Total Comprehensive Income Attributable to** | | | |
| Non-Controlling Interests | 17 | 1,228,580 | 150,809 |
| Owners of the Company | | 51,117,863 | 40,781,608 |
| | | **52,346,443** | **40,932,417** |
| **Basic and Diluted Earnings per Share (TL 1 nominal value)** | 25 | 0,864145 | 0,725029 |
| **Basic and Diluted Earnings per Share Continued Operation (TL 1 nominal value)** | 25 | 0,840580 | 0,732416 |

(*) See Note 2.

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

## İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARIES

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 31 DECEMBER 2012

(In Turkish Lira ("TL"))

| | Notes | Share capital | Inflation adj. to share capital | Share premium | Revaluation surplus | Hedging reserve | Other reserves | Legal reserves | Translation reserves | Profit (Loss) for the year | Retained earnings | Total Before Non-Controlling Interest | Non-Controlling Interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2011** | | **50,400,000** | **21,606,400** | **7,000,000** | **19,896** | **(15,735)** | **249,702** | **5,959,360** | **(52,253)** | **11,665,565** | **40,345,542** | **137,178,477** | **978,470** | **138,156,947** |
| **Total comprehensive income** | | | | | | | | | | | | | | |
| Profit for the year | | - | - | - | - | - | - | - | - | 42,022,704 | - | 42,022,704 | 210,763 | 42,233,467 |
| <u>Other comprehensive income</u> | | | | | | | | | | | | | | |
| Change in fair value of financial assets,net of tax | | - | - | - | (19,896) | - | - | - | - | - | - | (19,896) | - | (19,896) |
| Change in cash flow hedging reserve,net of tax | | - | - | - | - | (100,920) | - | - | - | - | - | (100,920) | - | (100,920) |
| Change in translation reserve | | - | - | - | - | - | - | - | (1,120,280) | - | - | (1,120,280) | (59,954) | **(1,180,234)** |
| **Total other comprehensive income** | | **-** | **-** | **-** | **(19,896)** | **(100,920)** | **-** | **-** | **(1,120,280)** | **-** | **-** | **(1,241,096)** | **(59,954)** | **(1,301,050)** |
| **Total comprehensive income** | | **-** | **-** | **-** | **(19,896)** | **(100,920)** | **-** | **-** | **(1,120,280)** | **42,022,704** | **-** | **40,781,608** | **150,809** | **40,932,417** |
| Transfers | | - | - | - | - | - | - | 819,537 | - | (11,665,565) | 10,846,028 | - | - | - |
| Dividend payment | 17 | - | - | - | - | - | - | - | - | - | (7,540,000) | (7,540,000) | - | (7,540,000) |
| **Balance at 31 December 2011** | 17 | **50,400,000** | **21,606,400** | **7,000,000** | **-** | **(116,655)** | **249,702** | **6,778,897** | **(1,172,533)** | **42,022,704** | **43,651,570** | **170,420,085** | **1,129,279** | **171,549,364** |

| | Notes | Share capital | Inflation Adj. to share capital | Share premium | Revaluation surplus | Hedging reserve | Other reserves | Legal reserves | Translation reserves | Profit (Loss) for the year | Retained earnings | Total Before Non-Controlling Interest | Non-Controlling Interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2012** | | **50,400,000** | **21,606,400** | **7,000,000** | **-** | **(116,655)** | **249,702** | **6,778,897** | **(1,172,533)** | **42,022,704** | **43,651,570** | **170,420,085** | **1,129,279** | **171,549,364** |
| **Total comprehensive income** | | | | | | | | | | | | | | |
| Profit for the year | | - | - | - | - | - | - | - | - | 50,085,823 | - | 50,085,823 | 1,199,439 | **51,285,262** |
| <u>Other comprehensive income</u> | | | | | | | | | | | | | | |
| Change in cash flow hedging reserve,net of tax | | - | - | - | - | 116,655 | - | - | - | - | - | 116,655 | - | 116,655 |
| Change in translation reserve | | - | - | - | - | - | - | - | 915,385 | - | - | 915,385 | 29,141 | 944,526 |
| **Total other comprehensive income** | | **-** | **-** | **-** | **-** | **116,655** | **-** | **-** | **915,385** | **-** | **-** | **1,032,040** | **29,141** | **1,061,181** |
| **Total comprehensive income** | | **-** | **-** | **-** | **-** | **116,655** | **-** | **-** | **915,385** | **50,085,823** | **-** | **51,117,863** | **1,228,580** | **52,346,443** |
| Transfers | | - | - | - | - | - | - | 2,717,989 | - | (42,022,704) | 39,304,715 | - | - | - |
| Business combinations | 11,17 | - | - | - | - | - | 19,671,543 | - | - | - | - | 19,671,543 | 19,883,485 | 39,555,028 |
| Share issuance | 17 | 7,560,000 | - | - | - | - | - | - | - | - | (7,560,000) | - | - | - |
| Dividend paid | 17 | - | - | - | - | - | - | - | - | - | (12,600,000) | (12,600,000) | - | (12,600,000) |
| **Balance at 31 December2012** | 17 | **57,960,000** | **21,606,400** | **7,000,000** | **-** | **-** | **19,921,245** | **9,496,886** | **(257,148)** | **50,085,823** | **62,796,285** | **228,609,491** | **22,241,344** | **250,850,835** |

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

# İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. and ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012
(In Turkish Lira ("TL"))

| | Notes | Audited 1 January-31 December 2012 | Restated(*) Audited 1 January-31 December 2011 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit for the year | | 51,285,263 | 42,233,467 |
| | | | |
| Finance costs | 23 | 2,762,560 | 125,300 |
| Finance income | 22 | (4,588,116) | (1,777,314) |
| Gain on sales of investment | 18 | (25,165,701) | (46,495,247) |
| Profit from business combination | 21,11 | (6,516,626) | - |
| Loss on goodwill impairment | | 1,375,909 | - |
| Change in investments in equity accounted investees (net) | 10 | (5,357,953) | 4,150,742 |
| Gain on sales discontinued operations, net of tax | 29 | (4,200,013) | - |
| Dividend received from equity investments | 22 | (830,543) | (830,543) |
| Foreign currency translation on statement of financial position | | (944,526) | (1,301,050) |
| Depreciation of tangible assets | 12 | 1,693,718 | 89,106 |
| Amortization of intangible assets | 13 | 647,466 | 95,800 |
| Profit from sales of intangible assets | 21 | (461,700) | - |
| Change in fair value of investment securities (net) | | (6,470,926) | (1,270,528) |
| Allowance for doubtful receivables (net) | 7 | 741,703 | 1,340,089 |
| Provision for impairment on inventories | 9 | 615,186 | - |
| Deferred tax income | 24 | (368,216) | - |
| Increase in provision for employee bonuses | 15 | 832,047 | 1,077,352 |
| Increase in vacation pay liability | 15 | 113,632 | 77,195 |
| Increase in severance pay liability | 15 | 920,214 | 5,692 |
| Increase in accrued expenses | 16 | 300,770 | 60,094 |
| Increase in accrued income | 16 | (3,992,903) | - |
| | | | |
| Interest received | | 4,369,098 | 2,273,971 |
| Increase in trade receivables | | 11,139,190 | (2,128,997) |
| Decrease/(increase) in inventories | | 88,765 | (84,736) |
| (Increase)/decrease in other receivables and current assets | | (56,120) | 439,139 |
| Increase/(decrease) in trade payables | | (9,531,177) | 214,134 |
| Increase/(decrease) in other payables | | (13,200,118) | 257,553 |
| Employee severance payments | 15 | (196,825) | - |
| Employee vacation pay liability payments | 15 | (25,442) | - |
| Employee bonus payments | 15 | (653,739) | (320,064) |
| | | | |
| **Net cash used in operating activities** | | **(5,675,123)** | **(1,768,845)** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Net cash flows from discontinued operations | 29 | (477,677) | - |
| (Increase)/decrease in investment securities | | (19,158,848) | (11,242,443) |
| Proceeds from sale of associates | 18 | 53,923,995 | 61,715,350 |
| Subsidiaries acquired | 11 | (48,945,603) | (17,500,000) |
| Dividend received from equity investments | 22 | 830,543 | 830,543 |
| Acquisition of property and equipment | 12 | (2,834,115) | (140,129) |
| Acquisition of intangible assets | 13 | (13,705) | (14,063) |
| Proceeds from sale of property and equipment | | 1,134,218 | - |
| | | | |
| **Net cash from / (used in) investing activities** | | **(15,541,192)** | **33,649,258** |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| | | | |
| Borrowed funds | | 66,585,744 | 1,185,674 |
| Repayment of financial liabilities | | (68,710,131) | (79,192) |
| Finance costs paid | 23 | (2,762,560) | (125,300) |
| Acquisition of non-controlling interest of a subsidiary | 17 | 39,555,028 | - |
| Dividend paid | 17 | (12,600,000) | (7,540,000) |
| | | | |
| **Net cash from / (used in) financing activities** | | **22,068,081** | **(6,558,818)** |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **851,766** | **25,321,595** |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | | **39,662,428** | **14,340,833** |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR** | 4 | **40,514,194** | **39,662,428** |

(*) See Note 2.

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

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("the Company" or "İş Girişim Sermayesi"), was established in İstanbul. 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 Group. The Company's shares are traded in the Istanbul Stock Exchange since 2004.

The Company and its subsidiary ("Group") have operations in five business segments: Private equity, IT, audio and communication systems, production and trading of orthopedics, medical, surgical equipments, wholesale and retail sales of sports wearing equipments, and restaurant management. The operating segments explained below are also the basis of segment reporting of the Group. The Company also has associates operating in various sectors, which are explained below.

The Group's core business activities are as follows:

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

IT, audio and communication systems: Providing project consultancy, research and development of computer hardware and software, audio technologies and telecommunication systems in domestic and foreign market; and exporting, importing, distributorship, agency, installation, maintenance, after sale services, training and management, marketing of these systems and acting as the agent.

Production and trading of orthopedics, medical, surgical equipments: Purchasing-selling, marketing, producing, exporting, importing of orthopedics, medical, surgical equipments.

Wholesale and retail sales of sports wearing equipments: All kinds of weaving, sports utility, sports wearing buying and selling, marketing, export and import transactions and selling by e-commerce methods.

Restaurant management: restaurant management of food and beverage and also entertainment service areas.

Group's segment reporting in basis of operating fields is disclosed in Note 3.

As at 31 December 2012, the Company has 15 employees and the Group has 764 employees (31 December 2011: Company: 13 employees and Group: 64 employees).

## 1. ORGANIZATION OF THE GROUP AND THE NATURE OF OPERTIONS (continued)

The details of subsidiary and associates of the Company are as follows:

Subsidiaries:

| | Stock markets in which their shares are traded | Nature of operations | Main Business Area |
|---|---|---|---|
| Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş. ("Nevotek") | None | Service | Providing project consultancy, research and development of computer hardware and, audio technologies and telecommunication systems in domestic and foreign market. Exporting, importing, distributorship, agency, installation, maintenance, after sale services, training and management, marketing of these systems and acting as the agent. |
| Nevotek Middle East FZ LLC | None | Service | Audio technologies and telecommunication systems |
| Nevotek Intercorporation | None | Service | Audio technologies and telecommunication systems |
| Convera Systems FZ LLC | None | Service | Software product sale and service |
| OrtoproTıbbi AletlerSanayi ve TicaretA.Ş. ("Ortopro") | None | Production / Commerce | Purchasing-selling, marketing, producing, exporting, importing of orthopedics, medical, surgical instruments and performing the others written in main contract. |
| Covision Medikal Technologies Limited | None | Commerce | Medical instrument and equipment commerce |
| Toksöz Spor Malzemeleri Ticaret AŞ ("Toksöz Spor") | None | Commerce | Wholesale and retail sales of sports wearing equipments |
| Ons Spor Malzemeleri Ticaret AŞ ("Ons Spor") | None | Commerce | Wholesale and retail sales of sports wearing equipments |
| Arena Su Sporları ve Tekstil Sanayi Ticaret Anonim Şirketi ("Arena") | None | Commerce | Wholesale and retail sales of sports wearing equipments |
| Sportive Spor Malzemeleri Ticaret Anonim Şirketi("Sportive") | None | Commerce | Wholesale and retail sales of sports wearing equipments |
| Tajmahal Spor Malzemeleri Ticaret Anonim Şirketi ("Tajmahal") | None | Commerce | Wholesale and retail sales of sports wearing equipments |
| Numnum Yiyecek ve İçecek AŞ ("Numnum") | None | Service | Restaurant management |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 1. ORGANIZATION OF THE GROUP AND THE NATURE OF OPERATIONS (continued)

Associates:

| Company Title | Stock markets in which their shares are traded | Nature of operations | Main Business Area |
|---|---|---|---|
| Türkmed Diyaliz ve Böbrek Sağlığı Kurumları A.Ş. ("Türkmed") | None | Service | Investing in companies operating in dialysis sector, supplying personnel to these companies and other activities written in its main agreement. |

Joint Venture

| | | | |
|---|---|---|---|
| Aras Kargo Yurt İçi Yurt Dışı Taşımacılık A.Ş. ("Aras Kargo") | None | Service | Local, global and transit transaction of individual and commercial property. |

Approval of Financial Statements:

The consolidated financial statements of the Group as at 31 December 2012 are approved by the Board of Directors and authorized for issue on 5 April 2013. General Assembly has the power to amend the financial statements after their issue.

## 2. BASIS OF PRESENTATION

### 2.1 Basis of Presentation

Basis of Preparation of Financial Statements

The Company and its subsidiary located in Turkey maintain their books of account and prepare their statutory financial statements in accordance with accounting principles of the Turkish Commercial Code ("TCC") and tax legislation. The entities controlled by the subsidiary operating in foreign countries maintain their books of account and prepare their statutory financial statements in the functional currency of the country, which they are operating in and in compliance with the related country's regulations.

The accompanying consolidated financial statements of the Group is prepared in accordance with the communiqué Serial: XI, No:29 "Communiqué on Financial Reporting Standards in Capital Markets" ("Communiqué XI-29") promulgated by Capital Markets Board of Turkey ("CMB), which is published at 9 April 2008 in the Official Gazette numbered 26842. In accordance with the communiqué Serial: XI, No: 29 the entities are required to apply "International Financial Reporting Standards ("IAS/IFRS") as adopted by European Union ("EU").

However, for implementation of the 5$^{th}$ substance of the communiqué until the differences between the IAS/IFRSs as adopted by EU and IAS/IFRSs as issued by IASB are declared by the Turkish Accounting Standards Board (TASB) in accordance with provisional article 2 of the communiqué, IAS/IFRSs will be applied. (On 2 November 2011, the establishment article of TASB stated in the 2499 numbered law with an additional article number one has been superseded and the Council of Ministers decided to establish Public Oversight Accounting and Auditing Standards Agency.) In this respect the Turkish Accounting/Financial Reporting Standards ("TAS/TFRS") promulgated by TASB, which are compatible with the applied standards will be adopted. As according with these consolidated financial statements are prepared as of 31 December 2012, in compatible with TAS/TFRS.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 2. BASIS OF PRESENTATION (continued)

### 2.1 Basis of Presentation (continued)

The consolidated financial statements are prepared on the historical basis except for the financial assets and liabilities, which are measured at their fair values. Fair value of the amount paid to acquire assets is the basis used to determine the historical cost.

Additional paragraph for convenience translation to English:

The differences between the accounting principles promulgated by the CMB, accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") may have influence on the accompanying financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

Functional and Presentation Currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements. Functional currency of Ortopro, Nevotek, Toksöz and Numnum, the subsidiaries of the Company, is TL.

The foreign exchange rates used by the Group as at 31 December 2012 and 31 December 2011 are as follows:

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| US Dollar | 1.7826 | 1.8889 |
| Euro | 2.3517 | 2.4438 |

Preparation of Financial Statements in Hyperinflationary Periods

CMB, with its resolution dated 17 March 2005 declared that companies operating in Turkey, which prepare their financial statements in accordance with CMB Financial Reporting Standards (including those applying IAS/IFRS), effective from 1 January 2005, will not be subject to the application of inflation accounting. Consequently, in the accompanying consolidated financial statements IAS/TAS 29 "Financial Reporting in Hyperinflationary Economies" was not applied.

Comparative Information

The Group's consolidated financial statements are prepared including comparative information in order to enable readers to understand the trends in the financial position and performance of the Group. 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 consolidated financial statements.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 2. BASIS OF PRESENTATION (continued)

### 2.1 Basis of Presentation (continued)

Restatement of prior period financial statements

As explained in Note 29 subsidiary of the Group Ortopro has sold Orsem Ortopedik Aletler ve Medikal Cihazlar Sanayi ve Ticaret A.Ş. ("Orsem") at 30 March 2012 and classified operations related to three month period as discontinued operation in the statement of comprehensive income. The comparative statement of comparative income is re-presented as if the operation had been discontinued from the start of the comparative year. In this context, the Group has classified the shares amounting to TL 1,317,377 from operations arising from the subsidiary of Ortopro named as Orsem from "Share of profit / (loss) of equity accounted investees" to "Loss from discontinued operation" as of 31 December 2011.

Basis of Consolidation

The details of the Group's subsidiaries as at 31 December 2012 and 31 December 2011 are as follows:

| | | | Shareholding Interest (%) | | | |
|---|---|---|---|---|---|---|
| Subsidiary | Acquisiton date | Founding and operating location | 31 December 2012 | 31 December 2011 | Voting power | Main business area |
| Nevotek | 30 September 2003 | Turkey | 81.24[(1)] | 85.24 | 81.24 | IT, audio and communication systems |
| Ortopro | 10 December 2007 | Turkey | 32.50[(2)] | 31.00 | 52.50 | Purchasing-selling, marketing, producing, exporting, importing of orthopedics, medical, surgical instruments |
| Toksöz Spor | 13 November 2012 | Turkey | 58.50[(3)] | - | 58.50 | Wholesale and retail sales of sports wearing equipments |
| Num Num | 5 December 2012 | Turkey | 61.66[(4)] | - | 61.66 | Restaurant management |

(1) Nevotek has transferred 4% of paid in capital that is equivalent of 169.68 number of shares to the other shareholders' of Nevotek within the protocol of premium and dividend tied to performance signed between the Company and Nevotek, subsidiary of the Group at 20 March 2012. After the transfer İş Girişim's rate of owned shares has decreased from 85.24% to 81.24%.

(2) The Company took over 1.5% bonus shares and İş Girişim's share owned in Ortopro increased to 32.5% based on Subscription and Stakeholders Engagement signed at 4 December 2007 with Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. As of 5 March 2012 Erol Frik has become shareholder with holding 20% of the shares through transferring USD 4.5 million to Ortopro through capital increase by limiting existing shareholders' stock warrant. During this capital increase İş Girişim's owned shares in Ortopro have been remained at the rate of 32.5%. İş Girişim's member of Board of Directors increased from 1 to 2. The Group started to control more than half of shares of Group B.

## 2. BASIS OF PRESENTATION (continued)

### 2.1 Basis of Presentation (continued)

Basis of Consolidation (continued)

Therefore as of 31 December 2012 the Group, has included Ortopro in financial statements through using full consolidation method instead of recognizing as associate and was accounted through using equity method in prior periods.

(3) On 27 June 2012, the Company signed a Subscription, Share Transfer and Stakeholders Engagement ("the Engagement") with Toksöz Spor's existing shareholders and Zafer Parlar for partnership of Toksöz Spor. Within the framework of the contract, the Engagement was determined as 58.5% in return for TL 23,900,000 and acquisition was completed on 13 November 2012.

(4) The Company signed a Subscription, Share Transfer and Stakeholders Engagement ("the Engagement") with Num Num's existing shareholders for partnership of Num Num. In accordance with the Engagement, the Company acquired 61.66% of Num Num in return for TL 27,000,000 and the acquisition occurred on 5 December 2012.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

The gains and losses results from the sale of non- controlling interests, without a change in control, for the subsidiaries acquired or sold during the period are recognized in equity.

Where necessary, adjustments are made to the financial statements of subsidiaries to make their accounting policies in line with those applied by the Group.

All intra group transactions, balances, income and expenses are eliminated for consolidation purposes.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately in the equity of the Group. Non-controlling interests comprised the sum of the shareholding amount at the date of the initial business combinations and the minority's share in the changes of equity subsequent to the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the shareholding interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

*Associates and joint ventures*

Associates are the entities on which the Group has significant influence apart from subsidiaries. Significant influence is the participation power to govern the financial and operating policies of an entity without having individually or jointly control power. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. The details of Group's associates as at 31 December 2012 and 31 December 2011 are as follows:

(Amounts are expressed in Turkish Lira (“TL”), unless otherwise stated)

## 2. BASIS OF PRESENTATION (continued)

### 2.1 Basis of Presentation (continued)

*Associates and joint ventures (continued)*

| | | | Shareholding interest (%) | | | |
|---|---|---|---|---|---|---|
| Associates | Acquisition date | Founding and operating location | 31 December 2012 | 31 December 2011 | Voting power | Main business area |
| Türkmed | 17 December 2007 | Turkey | 25.78 | 25.78 | (1) | Service |
| Ode | 9 June 2007 | Turkey | - | 17.24 | (2) | Production |
| Havaş | 24 March 2010 | Turkey | - | 6.67 | (3) | Service |

| Joint Venture | Acquisition date | Founding and operating location | 31 December 2012 | 31 December 2011 | Voting power | Main business area |
|---|---|---|---|---|---|---|
| Aras Kargo | 15 November 2011 | Turkey | 20.00 | 20.00 | (4) | Service |

(1) Total number of Türkmed’ Board of Directors members is 4 and 1 member represents İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. Besides, İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. has power to veto some decisions.

(2) The Group has sold all shares at the rate of 17.24% owned in Ode to Ode İzolasyon Sanayi Satış ve Pazarlama A.Ş. at 26 March 2012 for USD 10,500,000 (TL 18,813,900).

(3) The Group has sold all shares at the rate of 6.67% owned in Havaş to TAV Havalimanı Holding AŞ at 3 October 2012 for EUR 15,238,095 (TL 35,110,095).

(4) Aras Kargo is Group’s joint venture. Total number of Aras Kargo’s Board of Directors members is 6 and 3 members represent İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. Important Board of Directors decisions are taken by affirmative votes of all members (2 people) nominated by Group B shareholders in which İş Girişim is included. Based on the arrangements of the contracts signed by Aras Kargo’s shareholders, İş Girişim has power to select and change 50% of total number of Board of Directors, rights to buy and transfer shares.

Investments in associates and joint ventures are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group’s share of losses exceeds its interest in an equity-accounted investees, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discounted except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Goodwill represents the excess amount of the acquisition cost over the fair value of the associate’s the identifiable assets, liabilities and contingent liabilities at the date of the acquisition. The carrying amount of goodwill is included in the carrying amount of the investment and is tested for impairment as a part of the investment. If, after reassessment, the Group’s interest in the net fair value of the acquirer’s identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combinations, the excess is recognized immediately in profit or loss.

## 2. BASIS OF PRESENTATION (continued)

### 2.2 Changes in Accounting Policies

There is no change in the Group's accounting policies as of 1 January 2012.

### 2.3 Changes in 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 Group's accounting estimates in the current period.

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

### 2.4 New Standards and Interpretations as of 31 December 2012

Some new standards, amendments and interpretations to standards as at 31 December 2012 is not effective yet and was not applied in preparing these consolidated financial statements. The following new standards are expected to impact the Group's consolidated financial statements:

IAS 1 *Presentation of Items of Other Comprehensive Income* require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments are effective for annual periods beginning on or after 1 July 2012.

IFRS 10 *Consolidated Financial Statements* is replaced with IAS 27(2007) and IAS Comment 12 Consolidated – special purpose entities and become effective for annual periods beginning on or after 1 January 2013.

IFRS 11 *Joint venture* is replaced with IAS 31 and IAS 12 Consolidated – special purpose entities and become effective for annual periods beginning on or after 1 January 2013.

IFRS 12 *Disclosure of Interests in Other Entities* contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities and becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 *Fair Value Measurement* replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 *Separate Financial Statements* (2011) supersedes IAS 27 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (2011) supersedes IAS 28 (2008) and becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 9 Financial Instruments could change the classification and measurement of financial assets and becomes effective for annual periods beginning on or after 1 January 2015.

IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. However, the Group may need to assess the impact of the change in measurement principles of expected return on plan assets. IAS 19 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

Group has not determined the effects of the implementation of these standards yet.

## 2. BASIS OF PRESENTATION (continued)

### 2.5 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.

*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.

*IT, audio and communication systems*

Revenue is recognized on an accrual basis by the amount of excess of the fair value if it is probable that the future economic benefits of the revenue will flow to the Company.

Group recognizes revenue when Group has available contracts with clients, product or service is delivered, amount of revenue measured reliably, and it is probable that the Group will be receiving economical benefit.

Group recognizes revenue for license and software solutions after the software is delivered and the service is started to be used by considering the conditions mentioned in the first paragraph.

*Sector of Orthopedics and medical equipments*

Revenues are calculated by received payments or fair value of payments which will be received. Estimated refunds, discounts, and provisions are deducted from the mentioned amount.

*Goods Sold*

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received and receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of the ownership have been transferred to customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

## 2. BASIS OF PRESENTATION (continued)

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

**Revenue (continued)**

*Food and beverage services revenue*

Revenue is measured at fair values of the consideration received or receivable. Estimated discount is recognized as a reduction of revenue as the sales are granted.

Food and beverage revenues are recognized as the services are rendered. Revenues that are generated from main operating activities are measured at fair values of the consideration received or receivable and after sale discounts and deductions.

Revenue is recognized when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with goods, and the amount of revenue can be measured reliably.

*Sponsorship revenue*

Sponsorship revenues are earned as cash and non-cash benefits from sales of food suppliers and other suppliers' in respect of their marketing activities. Sponsorship revenues are recognized as the services are rendered related to sponsorship activities performed. Sponsorship revenue related with uncollected part of long term agreements are deferred until services are rendered. There are no deferred costs related to these revenues.

*Commission revenues*

Commission revenues are generated from franchising agreements that were made in order to lease registered trademarks and also restaurants' operating rights to third parties. Commission revenues include both franchise entrance fees and sale commission fees which is computed over the specified rate. Franchise entrance fees are recognized as revenue as a restaurant which is mentioned on the agreement start to operate. Sale commission fees are recognized as revenue when recovery of the consideration is probable and if the company believes that the payment amount is collectible and there is enough evidence that the amount of revenue can be measured reliably.

**Inventories**

Inventories are measured at the lower of cost and net realizable value. Costs involved in inventories are comprised of direct material, direct labor used for bringing inventories to their existing condition if applicable and production overheads. Weighted average cost method is used in calculating cost of inventories. Net realizable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## 2. BASIS OF PRESENTATION (continued)

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

**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 or valuation of assets, other than land and properties under construction, 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, plant 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:

| | Useful Life |
|---|---|
| Machinery and equipment | 3-7 years |
| Inventories | 2-15 years |
| Vehicles | 4-5 years |
| Leasehold interest | 5-10 years |

**Intangible Assets**

*Goodwill*

Goodwill represents the excess amount of the acquisition cost over the fair value of the associate's identifiable assets, liabilities and contingent liabilities at the date of the acquisition. The carrying amount of goodwill is included in the carrying amount of the investment and is tested for impairment as a part of the investment. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combinations in which the goodwill arose.

*Acquired intangible assets*

Intangible assets that are acquired by the Group are carried at their cost less accumulated amortization and accumulated impairment losses. Amortization is calculated on a straight-line basis over their estimated useful lives. The estimated useful lives and amortization method are reviewed at each financial year end and the effect of the changes in estimates accounted prospectively.

## 2. BASIS OF PRESENTATION (continued)

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

**Intangible Assets (continued)**

*Computer software*

Acquired computer 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. Costs associated with developing or maintaining computer software are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives.

Useful life for computer software is 5 years.

*Intangible assets acquired through business combinations*

Intangible assets acquired through business combinations are defined and accounted separately from goodwill if the fair value of intangible is measured properly and meets definition of intangible asset. The cost of such kind of an intangible asset is equal to its fair value as at the acquisition date.

Subsequent to initial recognition, the intangible assets acquired through business combinations are carried at cost less accumulated depreciation and impairment losses as the same as if intangible assets acquired separately.

Trade mark and leasing contracts are recognized intangible assets within IFRS 3 that are explained in Notes 11 for the acquisitions of Num Num. Leasing contracts are valuations as intangible asset for the differences between fair value and carrying value that not to exceed for fair value. The useful life of these intangible assets is 6-10 years.

Trade mark, exclusivity agreement and leasing are intangible assets recognized related to the acquisition of Toksöz within IFRS 3 that are explained in Note 11. The useful life of these intangible assets is 2-10 years.

As distribution network and licences are explained in Note 11, recognized as intangible assets in the content of IFRS 3 for the reason of changing in controlling interest of the Group owned in Ortopro. The useful life of these intangible assets is 3-5 years.

*Internally-generated intangible assets – research and development expenditure*

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

## 2. BASIS OF PRESENTATION (continued)

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

**Intangible Assets (continued)**

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred

*Internally-generated intangible assets – research and development expenditure (continued)*

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

*Derecognition of intangible assets*

If an intangible asset disposed of, or there isn't any future economic benefit expectation from the usage or sale, will be excluded from the statement of financial position. The intangible asset is derecognized and the resulting gain or loss is the difference between any proceeds received and the carrying amount of intangible asset. When this difference is derecognized the statement of financial position of the related asset, it will be recognized in profit or loss.

**Finance Leases**

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases, the other leases except finance lease is classified as operational lease.

On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Liability against lessor is presented as financial lease liability in statement of financial position. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability through principal payment and provide interest calculation with fixed rate on the rest of principal after payment. Within the Group's borrowing policy financial expenses except capitalized part is recognized in profit/loss.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

**Impairment of Non- Financial Assets**

Assets that have infinite useful lives, such as goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting period.

## 2. BASIS OF PRESENTATION (continued)

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

**Assets Held for Sale**

Assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale or distribution. These assets can be an operating unit, sales groups or a separate tangible asset. Assets held for sale are expected to be sold in twelve months following the reporting period. The assets held for sale are measured at the lower of their carrying amount and fair value. In the condition that the carrying amount exceeds the fair value, the impairment is recognized as a loss in the related period's profit or loss.

**Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. The capitalization of the borrowing costs ceased when all the operations are done for the preparation and the qualifying asset is ready to use. All other borrowing costs are recognized in profit or loss in the period in which they are incurred. The Group does not have any capitalized borrowing costs.

**Financial Instruments**

*Financial Assets*

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' (FVTPL), 'held-to-maturity investments', 'available-for-sale' ("AFS") 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 FVTPL.

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. 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.

Held-to-maturity investments

Investments in debt securities with fixed or determinable payments and fixed maturity dates that the Group 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.

The Group does not have any held-to-maturity investments at the end of the reporting period.

## 2. BASIS OF PRESENTATION (continued)

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

**Financial Instruments (continued)**

Available-for-sale financial assets

Quoted equity investments and quoted certain debt securities held by the Group that are traded in an active market are classified as being available-for-sale financial assets and are measured at fair value. Gains and losses arising from changes in fair value, other than impairment losses, interest income calculated using effective interest method and foreign exchange gain/losses which are recognized, are recognized in other comprehensive income and accumulated under fair value reserve.

When the investment is disposed or impaired, the cumulative gain or loss previously recognized in fair value reserve is recognized in profit or loss.

Dividends related to equity instruments held for sale are recognized in profit or loss when the Group has right to receive dividend.

Fair value of available for sale financial assets in foreign currency is determined in the currency it is denominated and converted by the foreign exchange rate at end of the reporting date. Foreign exchange gains/losses recognized in profit of loss statement is determined at amortized cost of monetary assets. Other foreign exchange gains/losses are recognized in the other comprehensive income.

The Group does not have any available-for-sale financial assets at the end of the reporting period.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable repayments that are not 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.

Impairment of financial assets

Financial assets, other than those at FVTPL, 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 with effective interest method, 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.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

## 2. BASIS OF PRESENTATION (continued)

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

**Financial Instruments (continued)**

Trade receivables and doubtful receivable allowances

Trade receivables is impaired if the objective evidence indicates that a loss event occurred after the initial recognition of receivable, and that the loss event had a negative effect on the estimated future cash flows of that receivable that can be estimated reliably. An impairment loss in respect of a trade receivable measured at amortised cost is calculated as the difference between carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss reversed through 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 and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit and loss ("FVTPL")

Financial liabilities at FVTPL are carried at fair value, with any resultant gain or loss recognized in profit or loss and reassessed at each reporting date. The net gain or loss recognized in profit or loss comprises any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, 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.

## 2. BASIS OF PRESENTATION (continued)

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

**Business Combinations**

The acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combinations. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business combinations" are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations", which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, defined as the excess of the cost of the business combinations over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. If, after reassessment, the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree exceeds the cost of the business combinations the excess amount is recognized in profit or loss immediately.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling's proportion of the fair value of the assets, liabilities and contingent liabilities recognized.

Only if the fair value of acquired identifiable assets, liabilities and contingent liabilities or cost of the business combination is determined temporarily, if the merger has to be done temporarily at the end of the acquisition period, provisional acquisition accounting is applied by the Company In accordance with IFRS 3 "Business combinations", the provisional acquisition accounting process must be completed within 12 months from the date of transaction.

For business combinations the excess of the cost of acquisition over the fair value of net identifiable assets, liabilities and contingent liabilities of the acquiree is recognized as goodwill. In the bargain purchase, excess of the fair value of net identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognized immediately in profit or loss.

The transaction causing the change in controlling interest in (Num Num and Toksöz) Ortopro is mentioned in Note 11 with details, recognised in accordance with IFRS 3 "Business combinations".

**Foreign Currency Transactions**

The Group's businesses' financial statements are presented in currency that is valid around basic economical environment (functional currency) where they are operating in Turkish Lira ("TL"), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

When preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates at the end of the reporting periods. Non-monetary assets and liabilities denominated in foreign currencies are translated to TL with the exchange rates at the dates on which their fair values are determined. Foreign currency non-monetary items measured at historic cost are not subject to translation again.

## 2. BASIS OF PRESENTATION (continued)

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

**Foreign Currency Transactions (continued)**

Foreign currency translation differences, except for the cases below, are recognized as profit or loss in related period:

- Foreign exchange gains or losses included in cost of assets and adjustment in interest cost in liabilities denominated in foreign currency and also related with assets under constructions for future usage,
- Foreign exchange gains or losses from settlement of transactions to have financial protection against foreign currency risks (accounting policies provide financial protection against risks are disclosed below).
- Foreign exchange gains or losses from monetary payables and receivables of foreign operations that are part of net investment accounted in translation reserves and related to gain or loss from sale of net investment that are not intended or possible to be paid.

Group's monetary assets and liabilities denominated in foreign currencies in foreign operations have been translated into TL at the exchange rates prevailing at the end of the reporting periods. Income and expense items are translated to TL at the exchange rates from average rate of the period if there is not significant fluctuation in exchange rate. (If so, income and expense items are translated to TL at the exchange rates at the dates of the transactions are done).

Translation difference is classified to equity and transferred to Group's foreign currency translation reserve. Those translation differences are recognized in profit or loss after the disposal of foreign operation.

Goodwill stems from acquisition of foreign operations and fair value adjustments are considered as assets and liabilities of foreign operations and translated by the foreign exchange rates at the end of the reporting period.

**Earnings per Share**

Earnings per share disclosed in the consolidated statement of comprehensive income are calculated by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustments on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retrospective effect for the year in which they were issued and each earlier year.

**Cash Flow Hedges**

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

## 2. BASIS OF PRESENTATION (continued)

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

**Cash Flow Hedges (continued)**

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognized. In other cases, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

**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.

The Group adjusts its consolidated 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 consolidated financial statements.

**Provisions, Contingent Assets and Liabilities**

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made about the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the provision is measured by using the estimated cash flows to meet the present liability, carrying amount of the concerned provision is equal to present value of related cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**Related Parties**

In the financial statements, top management of the Company, shareholders and board of directors, their families and their companies or affiliates, joint ventures and subsidiaries are regarded as related parties. Top management includes general manager and vice general managers.

**Segment Reporting**

The Group has five operating segments. Each segment's information is used for the evaluation and allocation of the resources separately by the management. Since these segments are affected from different economic conditions, they are managed separately (Note 3). According to internal reporting, reporting is made based on IFRS figures in five different segments named as Private equity, IT, audio and communication systems and orthopedics and medical equipments, wholesale and retail sales of sports wearing equipments, restaurant management and in two geographical field as Turkey and England.

**Income Taxes**

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

Income tax expense is comprised of current tax and deferred tax expense.

## 2. BASIS OF PRESENTATION (continued)

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

**Income Taxes (continued)**

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 earning from portfolio management withholding rate is determined as %0.

Subsidiaries of the Group, Ortopro, Toksöz Spor and Numnum, are subject to income tax and corporate tax that are effective in Turkey.

The Company's subsidiary, Nevotek, is an income and corporate taxpayer in Turkey. Nevotek is a corporate taxpayer operating in Technology Development Area with the Article No. 4691/2 of Technology Development Area and the Article No.5035. Nevotek's income from R&D activities and software in this area is exempt from income and corporate tax until 31 December 2013. With the decision of amendment to Technology Development Area Law No 6170 at 12 March 2011, this exemption period is extended until 31 December 2023.

The Groups subsidiaries' income in United Arab Emirates is not exposed to corporate tax. The subsidiary's income in California in United States of America is exposed to both federal and state income tax. The federal tax rate is gradual and between 15%- 35%, the state tax rate is 8.84%.

*Current Tax*

Current tax liability is calculated on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's current tax liability is calculated using tax rates that have been enacted or substantively enacted at the end of the reporting period.

*Deferred tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combinations) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 2. BASIS OF PRESENTATION (continued)

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

**Income Taxes (continued)**

*Current and deferred tax for the period*

Current and deferred tax are recognized as expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combinations. In the case of a business combinations, the tax effect is taken into consideration in calculating goodwill or determining the excess cost of the acquirer's interest over fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

**Employee Benefits**

*Employee Severance Pay Liability*

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per IAS 19 "Employee Benefits" ("IAS 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 profit or loss.

*Employee bonuses*

Group 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 Group does not have any retirement or post employment benefit plans.

**Statements 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 Group's private equity and IT, audio and communication systems.

Cash flows from investing activities represent the group's cash flows used in/provided from investing activities (fixed investments and financial investments)

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

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 2. BASIS OF PRESENTATION (continued)

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

**Discontinued Operations**

Discontinued operations have stated as disposal of the main business line or the geographical branch of operations of the entity. Discontinued operations are part of the sale of separate main business line or geographical branch within the framework of separately coordinated plan or subsidiary acquired for sale. The net assets relevant to discontinued operations are measured at fair value less cost to sell and pre-tax profit or loss and post-tax profit or loss are reflected to financial statements in course of disposal of the assets and group of assets that discontinued operations are constituted, are disclosed and the analysis of pre-tax profit/loss is succeed in concurrence with income/expense. Besides cash flows from each of operating, investing and financing activities related to discontinued operations are disclosed. The group of assets is classified as held for sale in case of the assets are planned to be recovered as a consequence sale instead of planning to be used. Liabilities, directly attributable to these assets, are grouped similar as the assets. The group of assets is measured at the lower of carrying amount less directly attributable liabilities and fair value less costs to sell. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative 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.

**Accounting Estimates**

The preparation of consolidated financial statements in accordance with Communiqué XI-29 requires management to make 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:

| | |
|---|---|
| Not 10 | Investments in equity accounted investees (*) |
| Not 11 | Goodwill (*) |
| Not 12-13 | Useful lives of tangible and intangible assets |
| Not 14 | Provisions, Contingent Assets and Liabilities |
| Not 15 | Employee benefits |
| Not 24 | Tax assets |

(*) <u>Impairment of goodwill</u>

Group performs impairment test annually according to the accounting policy explained in Note 2.5. Recoverable amount of cash generating units are determined with the applicable measurement techniques. These computations require the use of estimates.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 3. SEGMENT REPORTING

For the year ended 31 December 2012:

*In accordance with operating segments:*

| | Private equity | IT, audio and communication systems | Orthopedics, medical and surgical equipments | Wholesale and retail sales of sports wearing equipments | Total continuing operations |
|---|---|---|---|---|---|
| | 1 January-31 December 2012 | 1 January-31 December 2012 | 1 January-31 December 2012 | 1 January-31 December 2012 | 1 January-31 December 2012 |
| **Revenue** | | | | | |
| Sales revenue | 54,166,635 | 16,152,391 | 19,954,105 | 14,973,922 | 105,247,053 |
| Cost of sales | (28,758,294) | (4,613,563) | (12,358,248) | (9,652,871) | (55,382,976) |
| Marketing, sales and distribution expenses | - | (2,200,511) | (3,182,462) | (2,136,037) | (7,519,010) |
| Administrative expenses | (7,671,933) | (3,309,347) | (4,747,792) | (3,389,093) | (19,118,165) |
| Research and development expenses | - | (2,833,616) | (249,849) | - | (3,083,465) |
| Other operating income | 6,757,981 | 149,359 | 357,007 | 1,372,602 | 8,636,949 |
| Other operating expenses | (1,617,483) | (833,839) | (495,798) | (781,391) | (3,728,511) |
| Share of profit / (loss) of equity accounted investees | 5,357,953 | - | - | - | 5,357,953 |
| Finance income | 20,770,885 | 1,757,445 | 2,019,923 | (28,996) | 24,519,257 |
| Finance costs | (606,684) | (2,187,150) | (4,073,910) | (1,062,584) | (7,930,328) |
| Profit before tax | 48,399,060 | 2,081,169 | (2,777,024) | (704,448) | 46,998,757 |
| Current tax income/ expense | - | - | - | (22,840) | (22,840) |
| Deferred tax asset/ liability | - | - | (3,022) | 109,882 | 106,860 |
| Profit/ (Loss) from continuing operations | 48,399,060 | 2,081,169 | (2,780,046) | (617,406) | 47,082,777 |
| Profit from discontinued operations | - | - | 4,202,485 | - | 4,202,485 |
| Profit for the period | 48,399,060 | 2,081,169 | 1,422,439 | (617,406) | 51,285,262 |
| Non-controlling interests | | | | | 1,199,439 |
| Owners of the Company | | | | | 50,085,823 |
| | | | | | 51,285,262 |

*Other information:*

| Total continuing operations | Private equity | IT, audio and communication systems | Orthopedics, medical and surgical equipments | Wholesale and retail sales of sports wearing equipments | Restaurant management | Total continuing operations |
|---|---|---|---|---|---|---|
| | 1 January-31 December 2012 | 1 January-31 December 2012 | 1 January-31 December 2012 | 1 January-31 December 2012 | 1 January-31 December 2012 | 1 January-31 December 2012 |
| Capital increase | 7,560,000 | - | - | - | - | 7,560,000 |
| Amortization and depreciation expenses | (146,277) | (106,280) | (1,790,920) | (149,857) | - | (2,193,334) |
| Acquisition of property and equipment and intangible assets | 722,656 | 85,729 | 1,997,824 | 41,611 | - | 2,847,820 |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 3. SEGMENT REPORTING (continued)

| As at 31 December 2012 | Private equity | IT, audio and communication systems | Orthopedics, medical and surgical equipments | Wholesale and retail sales of sports wearing equipments | Restaurant management | Consolidation adjustments | Total continuing operations |
|---|---|---|---|---|---|---|---|
| Statement of financial position | | | | | | | |
| Segment assets | 202,794,182 | 12,901,774 | 33,641,933 | 75,727,032 | 20,811,548 | 26,657,358 | 372,533,827 |
| Segment liabilities | (3,029,975) | (4,060,826) | (22,645,454) | (78,518,737) | (9,275,216) | (4,152,784) | (121,682,992) |

*In accordance with geographical area:*

**31 December 2012**

| | Turkey | England | Elimination(*) | Total |
|---|---|---|---|---|
| Sales | 111,636,397 | 5,001,552 | (11,390,896) | 105,247,053 |
| Total assets | 380,776,935 | 3,069,672 | (11,312,780) | 372,533,827 |
| Acquisition of property and equipment and intangible assets (**) | 2,847,820 | - | - | 2,847,820 |

(*) In the extent of consolidation, the elimination arising from the transaction and payables/receivables between the Group firms is expressed.

(**) Acquisition of property and equipment through leasing is included.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 3. SEGMENT REPORTING (continued)

For the period ended 31 December 2011:

*In accordance with operation segment:*

| | Private equity | IT, audio and communication systems | Total continuing operations |
|---|---|---|---|
| | 1 January-31December 2011 | 1 January-31December 2011 | 1 January-31December 2011 |
| **Revenue** | | | |
| Sales revenue | 61,963,803 | 13,996,193 | 75,959,996 |
| Cost of sales | (15,220,104) | (3,695,899) | (18,916,003) |
| Marketing, sales and distribution expenses | - | (2,702,839) | (2,702,839) |
| Administrative expenses | (6,458,867) | (3,062,869) | (9,521,736) |
| Research and development expenses | - | (2,315,752) | (2,315,752) |
| Other operating income | 50,412 | 16,591 | 67,003 |
| Other operating expenses | (12) | (2,622,046) | (2,622,058) |
| Share of profit / (loss) of equity accounted investees | (2,833,365) | - | (2,833,365) |
| Finance income | 8,860,931 | 3,760,942 | 12,621,873 |
| Finance costs | (4,240,198) | (1,821,763) | (6,061,961) |
| Profit/ (Loss) before tax | 42,122,600 | 1,552,558 | 43,675,158 |
| Tax expense | - | (124,314) | (124,314) |
| Profit/ (Loss) from continuing operations | 42,122,600 | 1,428,244 | 43,550,844 |
| Profit from discontinued operations | (1,317,377) | - | (1,317,377) |
| Profit for the period | 40,805,223 | 1,428,244 | 42,233,467 |
| Non-controlling interests | | | 210,763 |
| Owners of the Company | | | 42,022,704 |
| | | | 42,233,467 |

*Other information:*

| | Private equity | IT, audio and communication systems | Consolidation adjustments | Total |
|---|---|---|---|---|
| | 1 January-31December 2011 | 1 January-31December 2011 | 1 January-31December 2011 | 1 January-31December 2011 |
| Amortization and depreciation expenses | (24,559) | (160,348) | - | (184,907) |
| Acquisition of property and equipment and intangible assets | 58,272 | 95,920 | - | 154,192 |

| As at 31 December 2011: | Private equity | IT, audio and communication systems | Consolidation adjustments | Total |
|---|---|---|---|---|
| Statement of Financial Position | | | | |
| Segment assets | 169,554,499 | 10,787,657 | (3,932,125) | 176,410,031 |
| Segment liabilities | (1,725,433) | (3,135,234) | - | (4,860,667) |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 4. CASH AND CASH EQUIVALENTS

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Cash on hand | 141,861 | 1,578 |
| Cash at banks (Note 26) | 35,588,840 | 34,311,545 |
| *Demand deposit* | 8,372,653 | 1,862,353 |
| *Time deposits with maturities less than 3 months* | 27,216,187 | 32,449,192 |
| B type liquid fund (Note 26) | 4,381,139 | 5,845,962 |
| Receivables from reverse repo | 613,214 | - |
| Other liquid assets | 77,707 | - |
| | 40,802,761 | 40,159,085 |

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

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Cash and cash equivalents | 40,802,761 | 40,159,085 |
| Less: Accrued interest | (219,017) | (496,657) |
| Less: Blocked amount | (69,550) | - |
| | 40,514,194 | 39,662,428 |

As at 31 December 2012, blocked deposits consist of deposits due to payment of cheques by bank amounting to TL 69,550 (31 December 2011: None).

As at 31 December 2012 and 31 December 2011 interest and maturity details of the bank deposits are as follows:

| | 31 December 2012 | | | |
|---|---|---|---|---|
| | Interest Rate % | Maturity | Currency | Amount TL |
| TL Time Deposit | 5.25-5.50 | 2 January 2013 | TL | 5,046,399 |
| TL Time Deposit | 8.00-8.05 | 14 January 2013 | TL | 12,076,455 |
| TL Time Deposit | 8.25 | 25 January 2013 | TL | 10,018,333 |
| TL Time Deposit | 5.00 | 2 February 2013 | TL | 75,000 |
| | | | | 27,216,187 |

| | 31 December 2011 | | | |
|---|---|---|---|---|
| | Interest Rate % | Maturity | Currency | Amount TL |
| TL Time Deposit | 11.00 | 9 January 2012 | TL | 21,627,533 |
| TL Time Deposit | 12.20 | 27 January 2012 | TL | 10,821,659 |
| | | | | 32,449,192 |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 4. CASH AND CASH EQUIVALENTS (continued)

The details of B Type liquid funds classified as cash and cash equivalents are as follows:

| | 31 December 2012 | |
|---|---|---|
| | Nominal (*) | Fair Value |
| B type liquid fund | 219,754,345 | 4,381,139 |
| | | 4,381,139 |

| | 31 December 2011 | |
|---|---|---|
| | Nominal (*) | Fair Value |
| B type liquid fund | 319,081,252 | 5,845,962 |
| | | 5,845,962 |

(*) Investment fund is presented in units.

The currency, interest rate and sensitivity analyses are disclosed in Note 27.

As at 31 December 2012 there is blockage based on the existence of letters of credit on the time deposit of the Group, invested in İş Bankası, amounted to TL 69,550 (31 December 2011: None).

As of 31 December 2012, maturity of due from reverse repo is 2 days and interest rate is 4.25%. (31 December 2011: None).

## 5. INVESTMENT SECURITIES

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Financial assets designated at fair value through profit or loss | 101,216,342 | 75,586,568 |
| | 101,216,342 | 75,586,568 |

| | 31 December 2012 | |
|---|---|---|
| | Nominal(*) | Fair Value |
| Government bonds | 46,000,000 | 51,829,690 |
| Investment funds (Note 26) | 321,865,255 | 8,559,583 |
| Private sector bonds and notes (Note 26) | 34,931,167 | 34,857,543 |
| Shares quoted to stock exchange (Note 26) | 5,190,891 | 5,969,526 |
| | | 101,216,342 |

| | 31 December 2011 | |
|---|---|---|
| | Nominal(*) | Fair Value |
| Government bonds | 6,900,000 | 8,012,531 |
| Investment funds (Note 26) | 1,664,957,950 | 41,532,782 |
| Eurobond (private sector) | 1,500,000 | 2,659,218 |
| Private sector bonds and notes | 18,726,500 | 18,658,326 |
| Shares quoted to stock exchange (Note 26) | 5,190,891 | 4,723,711 |
| | | 75,586,568 |

(*) Investment funds and securities quoted in an active market are presented in units, government bonds and private sector bonds are presented in Turkish Liras and Eurobond is presented in foreign currency nominal value.

As at 31 December 2012, interest rates of private sector bonds and government bonds held for trading are between the rates 4.48% and 10.19 % per annum (31 December 2011: 3.15%-14.86%).

As of 31 December 2012 there is no Eurobond and coupon payment assets by US Dollars published by private sector (31 December 2011: coupon interest rate is 9.25%).

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 6. FINANCIAL LIABILITIES

| Financial Liabilities | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Short term bank loans | 47,076,747 | 1,555,780 |
| Short term finance lease liabilities | 2,104,134 | - |
| Short term factoring payables | 1,648,440 | 235,275 |
| Total short term financial liabilities | 50,829,321 | 1,791,055 |
| | | |
| Long term bank loans | 18,046,539 | 118,763 |
| Long term finance lease liabilities | 2,782,131 | - |
| Total long term financial liabilities | 20,828,670 | 118,763 |
| Total | 71,657,991 | 1,909,818 |

Bank and other borrowings:

| | 31 December 2012 | | |
|---|---|---|---|
| Currency | Interest rate (%) | Short term | Long term |
| Secured US Dollar | - (*) | 115,261 | 74,718 |
| Unsecured US Dollar | 4.90-7.20 | 1,477,838 | 504,996 |
| Unsecured TL | 8.00-14.00 | 19,084,754 | 369,694 |
| Unsecured EUR | 4.50 | 20,486 | - |
| Secured TL | 8.00-14.50 | 26,378,407 | 17,097,130 |
| Leasing payables | 8.05-26.20 | 2,104,134 | 2,782,132 |
| Factoring payables | 13.00-18.50 | 1,648,440 | - |
| | | 50,829,321 | 20,828,670 |

| | 31 December 2011 | | |
|---|---|---|---|
| Currency | Interest rate (%) | Short term | Long term |
| Secured US Dollar | - (*) | 79,175 | 118,763 |
| Unsecured TL | 16.00 | 1,476,605 | - |
| Factoring payables | 17.00 | 235,275 | - |
| | | 1,791,055 | 118,763 |

(*) Group has an interest free borrowing taken from Technology Development Foundation of Turkey on project basis.

## 6. FINANCIAL LIABILITIES (continued)

The repayment plans of bank borrowings and factoring payables are as follows:

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| 0-1 year | 48,725,187 | 1,791,055 |
| 1-2 years | 4,157,099 | 79,175 |
| 2-5 years | 8,420,106 | 39,588 |
| 5-10 years | 5,469,334 | - |
| | 66,771,726 | 1,909,818 |

Financial lease liabilities are payable as follows:

| | 31 December 2012 | |
|---|---|---|
| | Future minimum lease payments | Present value of minimum lease payments |
| 0-1 year | 2,497,084 | 2,104,134 |
| 1-2 years | 2,089,421 | 1,617,838 |
| 2-5 years | 1,553,617 | 1,164,294 |
| Future financial expenses | (1,253,856) | - |
| Present value of lease liability | 4,886,266 | 4,886, 266 |
| Debts payable within 12 months (presented in short term liabilities) | | (2,104,134) |
| Debts payable after 12 months | | 2,782,132 |

The Group has bought tool set and production machines through leasing for the sector of orthopedics medical and surgical

As at contract date the interest rate related to financial lease transactions is fastened for the whole leasing period.

Average yearly effective interest rate for contracts in Euro is 11.22%, for contracts in US Dollar is 8.05%, for contracts in TL is 14.50%-26.2%.

The finance lease liabilities to İş Finansal Kiralama A.Ş. is amounting to TL 1,936,527 and of which interest rate is between 8.05% and 14.5% (Note 26).

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 7. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

At the end of the reporting period, the details of trade receivables are as follows:

| Current trade receivables | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Trade receivables | 47,698,850 | 7,703,807 |
| Due from related parties (Note 26) | 7,080 | 69,171 |
| Notes receivable | 7,489,048 | - |
| Doubtful receivables | 3,149,477 | 1,394,980 |
| Provision for doubtful receivables (-) | (3,149,477) | (1,394,980) |
| | 55,194,978 | 7,772,978 |

As at 31 December 2012, the amount of Group's receivables that are highly probable to collect and not due is amounting to TL 46,360,597. (31 December 2011: TL 5,651,940). Average collection maturity of the Group's receivables from IT, audio and communication systems operations is 253 days. (31 December 2011: 210 days) Average collection maturity of the Group's receivables from orthopedics ,medical equipments is 150 days, restaurant management is 75 and wholesale and retail sales of sports wearing equipments is 84 days.

At the end of the reporting period, TL 8,834,381 of the Group's trade receivables is overdue but not impaired (31 December 2011: TL 2,121,038). Trade receivables consist of various customers, from which the Group has not faced any collection risk recently.

Aging of trade receivables, which are overdue but not impaired, is as follows:

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Up to 1 month | 2,728,764 | 168,639 |
| Up to 3 months | 1,277,156 | 329,908 |
| Between 3-12 months | 3,764,223 | 860,441 |
| More than 12 months | 1,064,238 | 762,050 |
| | 8,834,381 | 2,121,038 |

As at 31 December 2012, the Group has allowance for possible losses on trade receivables amounting to TL 3,149,477 (31 December 2011: TL 1,394,980). The movement of Group's allowance for doubtful receivables is as follows:

| Movements of provision for doubtful receivables | 1 January-31 2013 | 1 Ocak-31 Mart 2012 |
|---|---|---|
| Opening balance | (1,394,980) | (54,891) |
| Business combination (Note 11) | (3,520,031) | - |
| Disposal due to discontinued operations (Note 29) | 723,009 | - |
| Charge for the period | (741,703) | (1,340,089) |
| Receivables written-off | 1,394,980 | - |
| Collections | 359,354 | - |
| Reversals | 29,894 | - |
| Closing balance | (3,149,477) | (1,394,980) |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 7. TRADE RECEIBALES AND PAYABLES (continued)

b) Trade Payables:

As at the end of the reporting period, the details of trade payables are as follows:

| Short Term Trade Payables | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Trade payables | 18,676,655 | 462,148 |
| Notes payable | 10,819,809 | 199,100 |
| Due to related parties (Note 26) | 123,955 | 2,472 |
| Cheques given and payment orders | 2,085,039 | - |
| | 31,705,458 | 663,720 |

| Long Term Trade Payables | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Due to related parties (Note 26) | 1,000,009 | - |
| Notes payable | 1,798,522 | 82,554 |
| | 2,798,531 | 82,554 |

## 8. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

| Other Short Term Receivables | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Deposits and guarantees given | 411,758 | - |
| Other receivables | 278,152 | 913 |
| | 689,910 | 913 |

| Other Long Term Receivables | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Deposits and guarantees given | 83,205 | 26,853 |
| | 83,205 | 26,853 |

b) Other Payables:

| Other Short Term Payables | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Taxes and funds payable | 1,234,041 | 348,191 |
| Social security contributions payables | 559,218 | 61,082 |
| Other miscellaneous payables | 136,618 | 13,617 |
| | 1,929,877 | 422,890 |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 8. OTHER RECEIVABLES AND PAYABLES (continued)

| Other Long Term Payables | 31 December 2012 | 31 December 2011 |
|---|---|---|
| | 16,299 | - |
| Other payables (*) | 16,299 | - |

(*) Other payables are comprised of the long term debts arising from the restructured tax debts in accordance with law numbered 6111.

## 9. INVENTORIES

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Trading goods | 35,768,170 | 260,478 |
| Raw materials and supplies | 874,433 | - |
| Semi-finished goods | 4,872,070 | - |
| Finished goods | 1,600,574 | - |
| Other | 143,076 | - |
| Provision for impairment of inventories | (2,015,991) | - |
| | 41,242,332 | 260,478 |

| Movements of allowance for impairment of inventories | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Opening balance | - | - |
| Business combinations (Note 11) | (1,481,969) | - |
| Charge for the period | (615,186) | - |
| Disposal due to discontinued operations (Note 29) | 81,164 | - |
| Closing balance | (2,015,991) | - |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

As at 31 December 2012, the details of the Group's associates are as follows:

| | Shareholding interest (%) | | | |
|---|---|---|---|---|
| Associates | 31 December 2012 | 31 December 2011 | Voting Power | Main Business Area |
| Türkmed | 25.78 | 25.78 | (*) | Service |
| Aras Kargo | 20.00 | 20.00 | (*) | Service |
| Ode(**) | - | 17.24 | (*) | Production |
| Ortopro(****) | - | 31.00 | (*) | Production/Service |
| Havaş (***) | - | 6.67 | (*) | Service |

(*) Voting power is disclosed in Section 2 in Note 2.1.

(**) As of 26 March 2012 the Group has sold all shares owned in ODE to Ode İzolasyon Sanayi Satış ve Pazarlama A.Ş. amounting to USD 10,500,000 (TL 18,813,900). The Group recognized gain on this sale amounting to TL 13,217,194.

(***)All shares of the Company owned in associate Havaş was sold to TAV Havalimanları Holding A.Ş. amounting to Euro 15,238,095 (TL 35,110,095) at 3 October 2012. The Group recognized gain on this sale amounting to TL 11,948,507 as profit from these sales.

(****) Explained detail in Note 11.

Summary financial information of the Group's associates is as follows:

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Total assets | 273,894,810 | 1,044,553,858 |
| Total liabilities | (253,011,082) | (678,687,892) |
| Net assets | 20,883,728 | 365,865,966 |
| | | |
| Group's share in associates' net assets | 4,363,651 | 26,861,048 |
| Goodwill in equity accounted investees | 19,201,938 | 24,274,334 |
| Investments in equity accounted investees | 23,565,589 | 51,135,382 |

| | 1January- 31 December 2012 | 1 January- 31 December 2011 |
|---|---|---|
| Revenue | 846,601,821 | 1,160,509,217 |
| Profit for the year | 42,525,746 | 32,153,094 |
| | | |
| Group's share of profit /(loss) of associates | 5,357,953 | (2,833,365) |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 10. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES (continued)

| Associates | Goodwill | |
|---|---|---|
| | 31 December 2012 | 31 December 2011 |
| Türkmed | 1,616,818 | 1,616,818 |
| Allowance for impairment loss on Türkmed's goodwill | (1,616,818) | - |
| Ortopro (*) | - | 3,455,578 |
| Aras Kargo | 19,201,938 | 19,201,938 |
| | 19,201,938 | 24,274,334 |

(*)Explained in detail in Note 11.

Group has calculated recoverable amount by using discounted cash flow method and computed average value received with multiplier obtained by division of the value of companies that have similar business activities to net sales or to net profit before tax interest and amortization. The Group annually assesses to determine whether goodwill is impaired or not at the year ends. As of 31 December 2012, the Group has not concluded impairment on goodwill for Aras Kargo and recognised impairment for goodwill amounting to TL 1,616,818 for Türkmed.

## 11. GOODWILL

As of 31 December, goodwill details are as follow.

| Associates | Goodwill | |
|---|---|---|
| | 31 December 2012 | 31 December 2011 |
| Ortopro | 9,206,499 | - |
| Toksöz | 22,354,606 | - |
| Num Num | 26,871,534 | - |
| | 58,432,639 | - |

*Ortopro*

As of 5 March 2012 Erol Frik has become shareholder with holding 20% of the shares through transferring USD 4,5 million to Ortopro through capital increase by limiting existing shareholders' stock warrant. Simultaneous with capital increase, İş Girişim has purchased bonus share at the rate of 6.5% from Tolga Yalçınkaya, shareholder of Ortopro, and İş Girişim's owned shares in Ortopro have been maintained at the rate of 32.5%. İş Girişim's claim of appointment for Board of Director increased from 1 to 2 and İş Girişim has started to control more than half of the shares owned by Group B through capital increase. Therefore as of 31 December 2012, Ortopro has been included in financial statement with using full consolidation method and non-controlling interests are disclosed in the financial statements where as in the previous periods it was accounted as equity accounted investee. Transaction of obtaining control is recognised in accordance with IFRS 3 "Business combinations".

According to 'IFRS 3: Business combinations', the Company obtained a valuation report for the purpose of measuring the fair value of Ortopro's identifiable assets and liabilities and determining fair value of the equity interest from an independent valuation company as of controlling obtained. The valuation report has prepared through considering audited financial statements as of 31 December 2011 since the effects of the operations are insignificant between the date of transaction of obtaining control of Ortopro is recognized and 31 December 2011.

Hence, as of obtaining control date by the Group, fair value of the previously obtained equity interest is calculated. The difference between fair value and carrying value of the shares of the participation amounting to TL 6,516,626 is recognised as revenue arising from business combinations in "Other Operating Income" in the statement of comprehensive income and the difference between fair value of the net assets of Ortopro and fair value of the equity interest amounting to TL 9,206,499 is

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 11. GOODWILL (continued)

recognized as goodwill. Distribution network and licenses arising from acquisition are recognized at fair value determined by independent valuation experts.
As of obtaining control date, fair value of the identifiable assets and liabilities are presented as follows:

| | 31 December 2011 | |
|---|---|---|
| Ortopro | Carrying Value | Fair Value |
| Cash and cash equivalents | 1,675,829 | 1,675,829 |
| Trade and other receivables | 27,051,998 | 27,051,998 |
| Inventories | 12,420,333 | 12,420,333 |
| Other assets | 2,430,662 | 2,430,662 |
| Deferred tax asset | 1,290,717 | 716,117 |
| Property and equipment | 5,978,910 | 5,978,910 |
| Intangible assets | 232,425 | 3,105,425 |
| Financial liabilities | (21,193,465) | (21,193,465) |
| Trade payables | (26,921,832) | (26,921,832) |
| Other liabilities | (1,725,538) | (1,725,538) |
| Total net assets | 1,240,039 | 3,538,439 |

| | |
|---|---|
| Fair value of equity interest | 10,356,492 |
| Non-controlling interests | 2,388,446 |
| Identifiable total net assets | (3,538,439) |
| **Goodwill** | **9,206,499** |

| | |
|---|---|
| Fair value of equity interest | 10,356,492 |
| Carrying value of Ortopro as at 31 December 2011 | (3,839,866) |
| **Income from business combinations (Note 21)** | **6,516,626** |

*Toksöz*

The group owned the shares of Toksöz composed of 8.775.585 units, with a nominal amount of TL 8,775,585 which corresponds to 58.5% of the Toksöz's share capital, with a payment of TL 23,900,000 on 13 November 2012.

In accordance with provisions of IFRS 3 "Business combinations", Group received valuation for the determination of the fair value of Toksöz's assets and liabilities from an independent firm as of the date of acquisition. Between the acquisition date and 31 October 2012, due to immaterial impact of the operations, the valuation was based on the audited financial statements of Toksöz as at 31 October 2012.

As of acquisition date of Toksöz, the difference between the fair value of its net assets and consideration paid recognized as goodwill.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 11. GOODWILL (continued)

As of the acquisition date of Toksöz, the fair value of identifiable assets and assumed liabilities are as follows:

| | 13 November 2012 | |
|---|---|---|
| Toksöz | Carrying Value | Fair Value |
| Cash and cash equivalents | 954,397 | 954,397 |
| Trade and other receivables | 46,169,396 | 46,169,396 |
| Inventories | 31,404,368 | 31,404,368 |
| Other assets | 2,252,124 | 2,252,124 |
| Deferred tax asset | 812,739 | 812,739 |
| Property and equipment | 3,728,629 | 3,728,629 |
| Intangible assets (*) | 91,889 | 12,361,889 |
| Financial liabilities | (49,127,475) | (49,127,475) |
| Trade payables | (27,413,600) | (27,413,600) |
| Other liabilities | (16,046,768) | (16,046,768) |
| Deferred tax asset | - | (2,454,000) |
| Total net assets | (7,174,301) | 2,641,699 |

(*) TL 12,270,000 comprises the fair values of the trademark, exclusivity agreement and leasing agreements.

| | |
|---|---|
| Consideration paid | 23,900,000 |
| Identifiable total net assets | (2,641,699) |
| Non-controlling interests | 1,096,305 |
| **Goodwill** | **22,354,606** |

*Num Num*

The Group has purchased 59.459 shares with a nominal value of TL 59,459 from Mehmet Gürs representing 19.244 % of Num Num's pre- investment share capital amount of TL 308,975 by making a total payment of TL 4,000,000, of which TL 3,000,000 is paid in cash and TL 1,000,000 in installments. 246.881 shares of Num Num having the total nominal value of TL 246,881 has been acquired as a result of the General Assembly decision dated 5 December 2012 with regard to injection of the net fund amount of TL 973,926 to the share capital and accordingly distribution of 973,926 issued shares to Company shareholders without consideration in accordance with related laws and regulations. Through restricting Num Num's current shareholders pre-emptive rights for purchasing new shares in the meantime, 1.666.481 shares with the total nominal value of TL 1,666,481 and representing 61.66% of the post-investment share capital of TL 2,702,500 has been acquired in return of TL 23,000,000 thereof TL 1,419,599 and TL 21,580,401 were transferred to the share capital and share certificate issuance premium account, respectively.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 11. GOODWILL (continued)

In accordance with provisions of IFRS 3 "Business Combinations", Group received a valuation report for the determination of the fair value of Num Num's identifiable assets and assumed liabilities from an independent firm as of the acquisition date. Between the acquisition date and 31 December 2012, due to the immaterial impact of operations, the valuation was based on the audited financial statements of Num Num as at 31 December 2012.

As of acquisition date of Num Num, the difference between the fair value of net assets and consideration paid recognized as goodwill.

| | 5 December 2012 | |
|---|---|---|
| Numnum | Carrying Value | Fair Value |
| Trade and other receivables | 141,056 | 141,056 |
| Inventories | 536,728 | 536,728 |
| Other assets | 803,081 | 803,081 |
| Deferred tax asset | 296,595 | 296,595 |
| Property and equipment | 1,865,294 | 1,865,294 |
| Intangible assets | 71,805 | 14,661,805 |
| Financial liabilities | (8,884,941) | (8,884,941) |
| Trade payables | (3,580,524) | (3,580,524) |
| Other liabilities | (2,712,762) | (2,712,762) |
| Deferred tax asset | - | (2,918,000) |
| Total net assets | (11,463,668) | 208,332 |

(*) TL 14,590,000 TL comprises of the fair value of the trade mark and leasing agreements.

| | |
|---|---|
| Consideration paid in cash | 26,000,000 |
| Consideration payable to shareholders (Note 26) | 1,000,000 |
| Identifiable total net assets | (208,332) |
| Non-controlling interests | 79,866 |
| **Goodwill** | **26,871,534** |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 12. PROPERTY AND EQUIPMENT

| | Machinery and Equipment | Vehicles | Furniture and Fixtures | Leasehold Improvement | Other | Construction in Progress | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Opening balances at 1 January 2012 | 421,292 | - | 527,554 | 446,560 | - | - | 1,395,406 |
| Business combinations (Note 11) | 208,900 | 1,251,576 | 16,255,708 | 6,934,604 | 281,898 | 202,994 | 25,135,680 |
| Disposal due to discontinued operations (Note 29) | (8,595) | (132,575) | (2,981,878) | (96,780) | (73,257) | - | (3,293,085) |
| Additions | 131,853 | 120,974 | 1,931,315 | 649,973 | - | - | 2,834,115 |
| Disposal/sales | - | (727,179) | (432,747) | (28,145) | - | (202,994) | (1,391,065) |
| Closing balances at 31 December 2012 | 753,450 | 512,796 | 15,299,952 | 7,906,212 | 208,641 | - | 24,681,051 |
| Accumulated Depreciation | | | | | | | |
| Opening balances at 1 January 2012 | (321,411) | - | (447,084) | (441,998) | - | - | (1,210,493) |
| Business combinations (Note 11) | (84,744) | (552,518) | (9,249,183) | (3,394,699) | (281,703) | - | (13,562,847) |
| Disposal due to discontinued operations (Note 29) | 8,595 | 39,322 | 2,086,191 | 78,921 | 73,257 | - | 2,286,286 |
| Charge for the period | (127,027) | (30,823) | (1,222,400) | (313,412) | (56) | - | (1,693,718) |
| Disposal/Sales | - | 333,983 | 365,860 | 18,703 | - | - | 718,546 |
| Closing balances at 31 December 2012 | (524,587) | (210,036) | (8,466,616) | (4,052,485) | (208,502) | - | (13,462,226) |
| Net carrying value at 31 December 2012 | 228,863 | 302,760 | 6,833,336 | 3,853,727 | 139 | - | 11,218,825 |
| Net carrying value at 1 January 2012 | 99,881 | - | 80,470 | 4,562 | - | - | 184,913 |

Total current period depreciation expenses amounting to TL 434,619 is included in cost of sales, TL 670,043 is included in marketing, sales and distribution expenses, TL 458,715 is included administrative expenses (31 December 2011: TL 89,106). Amount of current period depreciation expense related to the discontinued operations is TL 130,341.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 12. PROPERTY AND EQUIPMENT (continued)

| | Machinery and Equipment | Furniture and Fixtures | Leasehold Improvement | Total |
|---|---|---|---|---|
| Cost | | | | |
| Opening balances at 1 January 2011 | 346,785 | 464,106 | 446,560 | 1,257,451 |
| Additions | 76,680 | 63,448 | - | 140,128 |
| Disposals | (2,172) | - | - | (2,172) |
| Closing balances at 31 December 2011 | 421,293 | 527,554 | 446,560 | 1,395,407 |
| | | | | |
| Accumulated Depreciation | | | | |
| Opening balances at 1 January 2011 | (269,198) | (415,848) | (438,514) | (1,123,560) |
| Charge for the period | (54,386) | (31,236) | (3,484) | (89,106) |
| Disposals | 2,172 | - | - | 2,172 |
| Closing balances at 31 December 2011 | (321,412) | (447,084) | (441,998) | (1,210,494) |
| Net carrying value at 31 December 2011 | 99,881 | 80,470 | 4,562 | 184,913 |
| | | | | |
| Net carrying value at 1 January 2011 | 77,587 | 48,258 | 8,046 | 133,891 |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 13. INTANGIBLE ASSETS

| Cost | Capitalized development expenses | Distribution network and licences | Rights | | Other | Total |
|---|---|---|---|---|---|---|
| Opening balances at 1 January 2012 | 2,503,665 | - | - | - | 161,495 | 2,665,160 |
| Business combinations (Note 11) | - | 29,733,000 | 219,022 | 651,543 | - | 30,603,565 |
| Disposal due to discontinued operations (Note 29) | - | - | (173,702) | (176,480) | - | (350,182) |
| Additions | - | - | - | 13,705 | - | 13,705 |
| Closing balances at 31 December 2012 | 2,503,665 | 29,733,000 | 45,320 | 488,768 | 161,495 | 32,932,248 |
| Accumulated amortization | | | | | | |
| Opening balances at 1 January 2012 | (2,478,197) | - | - | - | (144,810) | (2,623,007) |
| Business combinations (Note 11) | - | - | (122,290) | (352,156) | - | (474,446) |
| Disposal due to discontinued operations (Note 29) | - | - | 99,966 | 122,668 | - | 222,634 |
| Charge for the year | (25,468) | (574,600) | (7,014) | (33,546) | (6,838) | (647,466) |
| Closing balances at 31 December 2012 | (2,503,665) | (574,600) | (29,338) | (263,034) | (151,648) | (3,522,285) |
| Net carrying value at 31 December 2012 | - | 29,158,400 | 15,982 | 225,734 | 9,847 | 29,409,963 |
| Net carrying value at 1 January 2012 | 25,468 | - | - | - | 16,685 | 42,153 |

Total current year depreciation expenses amounting to TL 3,335 is included in cost of sales (31 December 2011: None), TL 25,468 is included in research and development expenses (31 December 2011: TL 85,195) and TL 601,154 is included in administration expenses (31 December 2011: TL 10,605). Depreciation expense amounting to TL 17,509 is related to discontinued operation.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 13. INTANGIBLE ASSETS (continued)

| Cost | Capitalized development expenses | Software | Total |
|---|---|---|---|
| Opening balances at 1 January 2011 | 2,503,665 | 147,430 | 2,651,095 |
| Additions | - | 14,064 | 14,064 |
| Closing balances at 31 December 2011 | 2,503,665 | 161,494 | 2,665,159 |
| Accumulated Amortization | | | |
| Opening balances at 1 January 2011 | (2,393,002) | (134,204) | (2,527,206) |
| Charge for the year | (85,195) | (10,605) | (95,800) |
| Closing balances at 31 December 2011 | (2,478,197) | (144,809) | (2,623,006) |
| Net carrying value at 31 December 2011 | 25,468 | 16,685 | 42,153 |
| Net carrying amount at 1 January 2011 | 110,663 | 13,227 | 123,890 |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 14. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

### Collateral / Pledge / Mortgage ("CPM")

As of 31 December 2012 and 31 December 2011 the Group's collateral, pledge and mortgage (CPM) position is disclosed in the following chart:

| | 31 December 2012 | | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|---|
| | | Original Amount | | | | Original Amount | |
| | Total TL Equivalent | TL Amount | USD Amount | EUR Amount | Total TL Equivalent | TL Amount | USD Amount |
| A. CPM given for companies own legal personality (*) | 3, 841,679 | 2,587,336 | 500,494 | 154,000 | 395,283 | 10,000 | 203,972 |
| B. CPM given in behalf of fully consolidated companies | 306,440 | 306,440 | - | | - | - | - |
| C. CPM given for continuation of its economic activities on behalf of third parties | 17,145,000 | 17,145,000 | - | | - | - | - |
| D. Total amount of other CPM's | - | - | - | | - | - | - |
| i. Total amount of CPM's given on behalf of majority shareholder | - | - | - | | - | - | - |
| ii. Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C (**) | - | - | - | | - | - | - |
| iii. Total amount of CPM's given on behalf of third parties which are not in scope of C | - | - | - | | - | - | - |
| **Total** | 21,293,119 | 20,038,776 | 500,494 | 154,000 | 395,283 | 10,000 | 203,972 |

(*)As of 31 December 2012, TL 149,439 is attributable to letter of guarantee which is given to Türkiye Teknoloji Geliştirme Vakfı project and TL 2,270,000 is attributable to letter of guarantee which is given for purchasing product from suppliers.

(**) As of 31 December 2012, TL 17,145,000 is comprised of warrant given by the Group for Orsem.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 15. EMPLOYEE BENEFITS

| | 31 December 2012 | 31 December 2011 |
|---|---|---|
| **Short term** | | |
| Provision for employee bonuses | 1,008,476 | 653,739 |
| Vacation pay liability | 954,913 | 354,269 |
| Employee salaries payable | 769,016 | 167,643 |
| | 2,732,405 | 1,175,651 |
| **Long term** | | |
| Reserve for employee severance payments | 2,285,059 | 87,413 |
| Provision for employee bonuses | 290,525 | 423,613 |
| | 2,575,584 | 511,026 |

Under Turkish Labor 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 60th 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 Group 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 2012 is based on the monthly ceiling amounting to TL 3,033.98 (31 December 2011: TL 2,731.85)

The reserve has been calculated by estimating the present value of the future probable obligation of the Group 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 to the change in inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2012, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the end of the reporting period is calculated assuming an annual inflation rate of 4.39% and a discount rate of 7.38 %, resulting in a net discount rate of approximately 2.86 % (31 December 2011: calculated assuming an annual inflation rate was 5% and discount rate 8.76% resulting in a net discount rate of approximately 4.48%). The probability of voluntarily leaves is also considered in the calculations.

The movement of reserve for employee severance payments:

| | 1 January-31 December 2012 | 1 January-31 December 2011 |
|---|---|---|
| Provision as at 1 January | 87,413 | 81,721 |
| Business combinations (Note 11) | 1,482,417 | - |
| Disposal due to discontinued operations (Note 29) | (8,160) | - |
| Cost of services | 421,364 | 14,330 |
| Interest cost | 23,162 | 7,112 |
| Paid severance indemnity | (196,825) | - |
| Actuarial difference (*) | 475,688 | (15,750) |
| Provision as at 31 December | 2,285,059 | 87,413 |

(*) The Group has recognized actuarial differences in profit/(loss) for the year.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 15. EMPLOYEE BENEFITS (continued)

The movement of provision for employee bonuses:

| | 1 January-<br>31 December<br>2012 | 1 January-<br>31 December<br>2011 |
|---|---|---|
| Provision as at 1 January | 1,077,352 | 320,064 |
| Business combinations (Note 11) | 43,341 | - |
| Charge for the year | 832,047 | 1,077,352 |
| Employee bonuses paid | (653,739) | (320,064) |
| Provision as at 31 December | 1,299,001 | 1,077,352 |

The movement of vacation pay liability:

| | 1 January-<br>31 December<br>2012 | 1 January-<br>31 December<br>2011 |
|---|---|---|
| Provision as at 1 January | 354,269 | 277,074 |
| Business combinations (Note 11) | 539,979 | - |
| Disposal due to discontinued operations (Note 29) | (27,525) | - |
| Vacation pay liability paid | (25,442) | - |
| Charge for the year | 113,632 | 77,195 |
| Provision as at 31 December | 954,913 | 354,269 |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 16. OTHER ASSETS AND LIABILITIES

| Other Current Assets | 31 December 2012 | 31 December 2011 |
|---|---|---|
| VAT receivables | 2,857,215 | 329,040 |
| Prepaid taxes and funds | 865,050 | 301,992 |
| Job advances | 382,381 | 247,762 |
| Advances given for inventories | 1,093,577 | 222,557 |
| Prepaid expenses | 573,322 | 139,357 |
| Accrued income | 3,992,903 | - |
| Prepaid rent | 255,415 | - |
| Advance given to personnel | 78,034 | - |
| | 10,097,897 | 1,240,708 |

| Other Non-current Assets | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Long term prepaid expenses | 134,923 | - |
| Prepaid rent | 123,859 | |
| | 258,782 | - |

| Other Short Term Liabilities | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Revenue collected in advance | 759,531 | - |
| Accrued expenses | 367,680 | 66,910 |
| Advances received | 1,853,156 | 28,098 |
| Other payables and liabilities | 595,618 | - |
| | 3,575,985 | 95,008 |

| Other Long Term Liabilities | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Revenue collected in advance | 122,038 | - |
| | 122,038 | - |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 17. CAPITAL AND RESERVES

### a) Share Capital

As at 31 December 2012 and 31 December 2011 the Company's share capital structure is as follows:

| Shareholders | Group | % | 31 December 2012 | % | 31 December 2011 |
|---|---|---|---|---|---|
| İş Yatırım Menkul Değerler A,Ş, | A | 8.9 | 5,152,000 | 8.9 | 4,480,000 |
| İş Yatırım Menkul Değerler A,Ş, | B | 20.1 | 11,660,337 | 20.1 | 10,139,423 |
| Türkiye Teknoloji Geliştirme Vakfı | B | 11.1 | 6,440,000 | 11.1 | 5,600,000 |
| Türkiye Sınai Kalkınma Bankası A,Ş, | B | 16.7 | 9,660,000 | 16.7 | 8,400,000 |
| Other | B | 12 | 6,955,200 | 12 | 6,048,000 |
| Publicly held | B | 31.2 | 18,092,463 | 31.2 | 15,732,577 |
| Nominal capital | | 100 | 57,960,000 | 100 | 50,400,000 |

As at 31 December 2012 the Company's share capital consists of 5.796.000.000 unit shares (31 December 2011: 5.040.000.000 shares). The par value of each share is TL 0.01 (31 December 2011: TL 0.01 per share). The Company has distributed bonus shares amounting to TL 7,560,000 in accordance with general assembly resolution dated 7 May 2012.

The nominal share capital of the Company amounting to TL 57,960,000 comprised of Group A and Group B shares, amounting to TL 5,152,000 and TL 52,808,000, respectively. Group A shareholders have the privilege during the BOD election to nominate 6 members of the total 10 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.

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 2012, 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 2011: TL 21,606,400).

### c) Share Premium

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

### d) Revaluation Surplus

The revaluation surplus comprises the cumulative net change in the fair value of non-current assets that are not recognized in profit or loss.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 17. CAPITAL AND RESERVES (continued)

### e) Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged forecast transaction that have not yet occurred. As of 31 December 2012 Group does not have any hedging reserve (31 December 2011: TL 116,655TL).

### f) Other Reserves

Other reserves comprised of profit or loss related with the sale of shares while retaining control and increase in share capital (non-reciprocal capital contributions made by a parent or NCI to non-wholly owned subsidiary) after obtained control of a subsidiary which changes its ownership interest in that subsidiary without losing control by buying shares from the non-controlling interest at the beginning of the period. The effects of these transactions on the non-controlling interests in the accompanying consolidated financial statements are allocated to proportionally to non-controlling interest and classified as 'non-controlling interests'.

| | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|---|---|---|
| Balance of beginning | 249,702 | 249,702 |
| Capital increase of subsidiary | 2,924,077 | - |
| Increase in share premium of subsidiaries | 16,747,466 | - |
| Ending balance | 19,921,245 | 249,702 |

### g) 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 Group has performed transfer to legal reserves amounting to TL 2,717,989 in 2012.

### h) Retained Earnings

As at 31 December 2012 the Group has retained earnings amounting to TL 62,796,285 (31 December 2011: TL 43,651,570).

***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.

In accordance with the resolution dated 7 May 2012 in General Assembly of the Group, total of TL 20,160,000 have been decided to be distributed as TL 12,600,000 in cash and through accruing dividend to capital amounting to TL 7,560,000 bonus share distribution has been performed. The distribution in cash has started on 11 May 2012, completed on 15 May 2012 (31 December 2011: TL 7,540,000 dividend in cash).

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 17. CAPITAL AND RESERVES (continued)

### i) Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations to TL.

### j) Non-controlling Interests

Shares of net assets of the subsidiary that are directly or indirectly not under control of the Equity holders of the Company is classified as "non-controlling interests" in the statement of financial position.

| | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|---|---|---|
| Beginning balance | 1,129,279 | 978,470 |
| Business combinations (Note 11) | 3,564,617 | - |
| Capital increase of subsidiary | 1,564,786 | - |
| Increase in share premium of subsidiaries | 14,754,082 | - |
| Profit for the year attributable portion of non-controlling interests | 1,199,439 | 210,763 |
| Translation reserve | 29,141 | (59,954) |
| Ending balance | 22,241,344 | 1,129,279 |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 18. SALES AND COST OF SALES

| a) Sales | 1 January-31 December 2012 | 1 January-31 December 2011 |
|---|---|---|
| Domestic sales | 83,286,599 | 62,837,720 |
| Sale of investments in equity accounted investees (*) | 53,923,995 | 61,715,350 |
| Other | 29,362,604 | 1,122,370 |
| Foreign sales | 23,951,901 | 12,317,096 |
| Other | 23,951,901 | 12,317,096 |
| Other sales income | 685,745 | 983,399 |
| Sales returns (-) | (1,570,599) | (154,083) |
| Sales reductions (-) | (1,106,593) | (24,136) |
| | 105,247,053 | 75,959,996 |

| b) Cost of sales | 1 January-31 December 2012 | 1 January-31 December 2011 |
|---|---|---|
| Cost of investments in equity accounted investees (*) | (28,758,294) | (15,220,104) |
| Cost of goods sold | (16,990,531) | (1,824,386) |
| Cost of merchandise sold | (6,853,106) | - |
| Personnel expenses | (1,766,731) | (1,320,545) |
| Depreciation and amortization expenses | (434,619) | - |
| Travelling expenses | (294,081) | (267,452) |
| Communication expenses | (138,912) | (142,750) |
| Rent expenses | (84,398) | (84,589) |
| Other expenses | (62,304) | (56,177) |
| | (55,382,976) | (18,916,003) |

(*)The Group sold all shares owned in Ode amounting to TL 5,596,706 to Ode İzolasyon Sanayi Satış ve Pazarlama A.Ş. for TL 18,813,900 (USD 10,500,000). Havaş, with a carrying value of TL 23,161,588 was sold to TAV Havalimanı Holding A.Ş for TL 35,110,095(€ 15,238,095) the Group. From these transactions profit was recognized as TL 13,217,194 and TL 11,948,507, respectively.

## 19. RESEARCH AND DEVELOPMENT EXPENSES, MARKETING SALES AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

| | 1 January-31 December 2012 | 1 January-31 December 2011 |
|---|---|---|
| Research and development expenses | (3,083,465) | (2,315,752) |
| Marketing, sales and distribution expenses | (7,519,010) | (2,702,839) |
| Administrative expenses | (19,118,165) | (9,521,736) |
| | (29,720,640) | (14,540,327) |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 20. EXPENSES BY NATURE

| a) The details of research and development expenses | 1 January-31 December 2012 | 1 January-31 December 2011 |
|---|---|---|
| Personnel expenses | (2,657,906) | (1,975,194) |
| Traveling expenses | (205,357) | (199,914) |
| Amortization expenses | (25,468) | (85,195) |
| Other expenses | (194,734) | (55,449) |
| | (3,083,465) | (2,315,752) |

| b) The details of marketing, sales and distribution expenses | 1 January-31 December 2012 | 1 January-31 December 2011 |
|---|---|---|
| Personnel expenses | (3,374,869) | (1,172,042) |
| Depreciation and amortization expenses | (673,378) | - |
| Advertising and marketing expenses | (848,214) | (1,055,239) |
| Commission expenses | (1,014,338) | - |
| Royalty expenses | (194,286) | - |
| Transportation expense | (154,052) | - |
| Traveling expenses | (536,164) | (292,014) |
| Other expenses | (723,709) | (183,544) |
| | (7,519,010) | (2,702,839) |

| c) The details of administrative expenses | 1 January-31 December 2012 | 1 January-31 December 2011 |
|---|---|---|
| Personnel expenses | (8,532,183) | (5,515,055) |
| Audit and consultancy expenses | (2,247,874) | (731,437) |
| Outsourced benefits and services | (1,149,281) | (638,279) |
| Increase in severance liability | (920,214) | (35,978) |
| Taxes | (666,755) | (500,356) |
| Salaries of board of director | (584,200) | (506,400) |
| Rent expenses | (1,536,185) | (455,530) |
| Travel expenses | (569,352) | (276,266) |
| Depreciation and amortization expenses | (1,059,869) | (99,711) |
| Other expenses | (1,852,252) | (762,724) |
| | (19,118,165) | (9,521,736) |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 21. OTHER OPERATING INCOME / EXPENSES

The details of other operating income and expenses for the period ended 31 December 2012 are as follows:

| Other Operating Income | 1 January-31 December 2012 | 1 January-31 December 2011 |
|---|---|---|
| Business combinations (Note 11) | 6,516,626 | - |
| Provision reversals | 29,894 | 30,289 |
| Fulfillment denial compensation (*) | 831,924 | - |
| Gain on sale of asset | 461,700 | - |
| Other | 796,805 | 36,714 |
| | 8,636,949 | 67,003 |

(*) The Group has collected fulfillment denial compensation amounting to TL 831,924 including its interest from one of its sponsoring companies with respect to court decision numbered 2011/34.

| Other Operating Expense | 1 January-31 December 2012 | 1 January-31 December 2011 |
|---|---|---|
| Goodwill impairment loss | (1,616,818) | - |
| Expenses on receivables written off | (785,215) | (1,245,459) |
| Doubtful receivable provision expenses | (741,703) | (1,340,089) |
| Other | (584,775) | (36,510) |
| | (3,728,511) | (2,622,058) |

## 22. FINANCE INCOME

| | 1 January-31 December 2012 | 1 January-31 December 2011 |
|---|---|---|
| Financial assets value increase | 6,744,571 | 1,960,450 |
| Interest income on: | 7,244,572 | 3,405,690 |
| Bank deposit | 4,171,160 | 1,699,515 |
| Reverse repurchase agreements | 416,955 | 77,799 |
| Financial assets designated at fair value through profit and loss | 2,656,457 | 1,628,376 |
| Dividend income | 830,543 | 830,543 |
| Foreign exchange gain | 4,022,996 | 6,254,949 |
| Trading income | 5,198,552 | 170,241 |
| Income accruals | 107,650 | - |
| Other | 370,373 | - |
| | 24,519,257 | 12,621,873 |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 23. FINANCE COSTS

| | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|---|---|---|
| Foreign exchange losses | (4,006,912) | (2,536,625) |
| Interest expenses on bank loans | (2,762,560) | (125,300) |
| Eliminated interest from the acquisitions | (281,222) | - |
| Rediscount interest expenses | (249,995) | - |
| Decrease in marketable securities | (69,942) | (3,206,772) |
| Loss on marketable securities sale | (31,253) | (192,470) |
| Other | (528,444) | (794) |
| | (7,930,328) | (6,061,961) |

For the years ended 31 December 2012 and 31 December 2011, the finance income/costs recognized in other comprehensive income are as follows:

| | 1 January- 31 December 2012 | 1 January- 31 December 2011 |
|---|---|---|
| Change in translation reserve | 944,526 | (1,180,234) |
| Change in cash flow hedging reserve | 116,655 | (126,150) |
| Tax income/expense on other comprehensive income | - | 25,230 |
| | 1,061,181 | (1,281,154) |

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(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 24. TAX ASSETS AND LIABILITIES

| *Current tax liability:* | 1 January-31 December 2012 |
|---|---|
| Current corporate tax provision | 1,695,480 |
| Less:Prepaid taxes | (1,279,440) |
| | 416,040 |

İş Girişim Sermayesi Yatırım Ortaklığı AŞ is exempt from corporate taxes in accordance with 5th/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.

The Company's subsidiary, Nevotek, is an income and corporate taxpayer in Turkey. However, according to Law No. 5035 and temporary 2nd article of Law No. 4691 of the Technology Development Zones, income and corporate taxpayers who are operating in Technology Development Zone, and software R&D activities in this area exclusively derived from the earnings are exempt from income and corporation tax until 31 December 2023. In addition, Researchers workers, software engineers and R&D personnel costs related with their activities in this area are exempt from all taxes until 31 December 2023.

Since there is no estimated tax liability, for Nevotek, the subsidiary of the Company, due to the other operating activities except from current period R&D and software was not allocated in the accompanying financial statements.

Corporate tax rate that accrued on taxable corporate income is calculated on remaining base after the addition of expenditures in the determination of profit that cannot be deducted from the tax base, deducting domestic dividends received from resident companies and investment incentives not subject to tax and investment income.

In Turkey, advance corporate tax returns are calculated as quarterly and accrued. Tax losses, can be carried forward up to five years in order to be deducted from possible future taxable income. Tax losses cannot be deducted retrospectively from the profits of the previous' years

In Turkey, there is no accurate and definite agreement procedure on tax assessment. Companies prepare their corporate tax return between 1-25 April subsequent to the closing of the related year. It is possible to examine the historical five years' records of the corporate tax return and can be changed by the tax office.

Ortopro as a subsidiary of the Group has income arising from Aegean Free Zone Branch located in Gaziemir / İzmir exempted from income and corporation tax in accordance with Free Zone Law No. 3218.

*Withholding tax*

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% between the dates 24 April 2003 and 23 July 2006. This rate was changed with the decision of Council of Ministers to 15% effective from 23 July 2006. Undistributed dividends added into the share capital are not subject to income withholding taxes.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 24. TAX ASSETS AND LIABILITIES (continued)

*Deferred Tax*

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for CMB purposes and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with CMB and tax legislation. The tax rate applied in the calculation of deferred tax assets and liabilities is 20% (31 December 2011: 20%).

As the entities cannot declare consolidated corporate tax, deferred tax assets of subsidiaries cannot be offset with deferred tax liabilities of other subsidiaries and presented separately.

| Deferred tax (assets)/liabilities: | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Severance pay liability | 12,815 | (8,239) |
| Rediscounts on receivables and payables | 9,268 | (51,967) |
| Vacation pay liability | 27,344 | (21,140) |
| Differences in depreciation of tangible and intangible assets | (5,417) | 10,457 |
| Tax losses carried forward | 71,425 | - |
| Income accrual | (798,581) | (268,018) |
| Other | - | (24,058) |
| Unrecognized tax asset (net) | (683,146) | (362,965) |

Deferred tax assets (TL 983,710) is not recognized in the accompanying consolidated financial statements, since Nevotek's income from software and R&D operations is exempt from corporate tax until 31 December 2023 in accordance with Turkish Law numbered as 5035 and Research and Technological Development Law numbered as 4691's 2nd article.

| Deferred tax (assets)/liabilities: | 31 December 2012 | |
|---|---|---|
| | Assets | Liabilities |
| Differences in depreciation of tangible and intangible assets | 114,920 | (6,310,745) |
| Rediscount income | 93,728 | - |
| Bad debt allowance | 439,945 | - |
| Vacation pay liability | 113,695 | - |
| Severance pay liability | 429,211 | - |
| Interest accrual expenses | 170,123 | - |
| Allowance for impairment on inventories | 819,272 | - |
| Tax losses carried forward | 204,995 | - |
| Other expense provision | 36,500 | - |
| Rediscount expense | - | (9,893) |
| Rediscount for debit/credit | - | (89,553) |
| Correction on sponsorship expense | - | (95,893) |
| Other | 155,933 | 95,582 |
| Total deferred tax asset / (liability) | 2,578,322 | (6,410,502) |
| Net-off | (2,257,718) | 2,257,718 |
| Net deferred tax asset / (liability) | 320,604 | (4,152,784) |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 24. TAX ASSETS AND LIABILITIES (continued)

*Deferred Tax (continued)*

As at 31 December 2012, movement of deferred tax (asset) / liabilities is as follows:

| Deferred tax (asset) / liability movement: | 1 January-<br>31 December<br>2012 |
|---|---|
| Opening balance at 1 January | 3,546,549 |
| Deferred tax (income) / expense | (368,216) |
| Discontinued operations (Note 29) | 653,847 |
| Closing balance at 31 December | 3,832,180 |

*Tax expense / (income) is as follows:*

| Tax expense/ (asset): | 1 January-<br>31 December<br>2012 | 1 January-<br>31 December<br>2011 |
|---|---|---|
| Current tax (income) /expense | (22,840) | (124,314) |
| Deferred tax (income) / expense | 368,216 | - |
| | 345,376 | (124,314) |

| Continuing operations | 1 January-<br>31 December<br>2012 | 1 January-<br>31 December<br>2011 |
|---|---|---|
| Current tax expense | (22,840) | (124,314) |
| Deferred tax income | 106,860 | - |
| | 84,020 | (124,314) |

| Discontinued operations | 1 January-<br>31 December<br>2012 | 1 January-<br>31 December<br>2011 |
|---|---|---|
| Current tax expense | - | |
| Deferred tax income (Note 29) | 261,356 | - |
| | 261,356 | - |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 24. TAX ASSETS AND LIABILITIES (continued)

*Reconciliation between tax income and profit for the year is as follows:*

| Reconciliation of tax provision: | 1 January - 31 December 2012 | 1 January - 31 December 2011 |
|---|---|---|
| Profit from continuing operations | 46,998,758 | 43,675,158 |
| Profit from discontinued operations | 3,941,129 | (1,138,521) |
| Pre-tax profit from operations | 50,939,887 | 42,536,637 |
| Income tax rate 20% | (10,187,977) | (8,507,327) |
| Tax effect: | | |
| - non-taxable income | 10,062,517 | 8,178,619 |
| - non-taxable free zone income | 263,633 | 204,394 |
| -non-tax-deductible expenses | (222,322) | - |
| - Write-offs of deferred tax assets | 1,019,978 | - |
| - non-taxable discontinued operations effect of sale profit | (768,356) | - |
| - other | 177,903 | - |
| Total tax income / (expense) | 345,376 | (124,314) |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 25. EARNINGS PER SHARE

| | 1 January-31 December 2012 | 1 January-31 December 2011 |
|---|---|---|
| **Earnings per share** | | |
| Weighted average number of shares available during the period (full amount) (*) | 57,960,000 | 57,960,000 |
| Total | 57,960,000 | 57,960,000 |
| Net profit/(loss) for the year ,attributable to the owners of the Company | 50,085,823 | 42,022,704 |
| Basic and diluted earnings per share (TL 1 nominal value) | 0.864145 | 0.725029 |

| **Earnings per share-Continuing Operations** | 1 January - 31 December 2012 | 1 January - 31 December 2011 |
|---|---|---|
| Average number of common stock for the period (full amount) (*) | 57,960,000 | 57,960,000 |
| Total | 57,960,000 | 57,960,000 |
| Net profit/(loss) for the year ,attributable to the owners of the Company | 48,720,016 | 42,450,852 |
| Basic and diluted earnings per share (TL 1 nominal value) | 0.840580 | 0.732416 |

(*) Increase in capital arising have been performed through internal resources and increase in number of shares is used in calculation of previous year earnings per share.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 26. RELATED PARTIES

The Company's ultimate shareholder is Türkiye İş Bankası A.Ş..

Since the transactions made between the Company and its subsidiary is eliminated during consolidation, they are not disclosed in this note.

Trade receivables from related parties generally stem from sales transactions and their maturities are approximately 2 months. Receivables are unsecured by their nature and free of interest.

Trade payables to related parties generally stem from purchase operations and their approximate maturities are 2 months. Payables are free of interest.

Key management compensation:

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

| | 1 January-31 December 2012 | 1 January-31 December 2011 |
|---|---|---|
| Wages and other benefits | 6,376,468 | 3,317,067 |
| | 6,376,468 | 3,317,067 |

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

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

| Investment fund | 31 December 2012 | 31 December 2011 |
|---|---|---|
| İş Yatırım Menkul Değerler AŞ A Type Fund | 3,897,495 | 2,636,239 |
| İş Yatırım Menkul Değerler AŞ Logos Dinamik Free Fund | 1,514,192 | - |
| İş Yatırım Menkul Değerler AŞ Ashmore B Type VariableMultistrategy Fund | 1,141,453 | - |
| İş Yatırım Menkul Değerler AŞ Ark Free Fund | 774,660 | - |
| İş Yatırım Menkul Değerler AŞ B Type Variable Fund | 673,720 | 15,420,379 |
| İş Yatırım Menkul Değerler AŞ Levereged Equity Free Fund | 341,949 | - |
| İş Yatırım Menkul Değerler AŞ Ashmore A Type Fund | 216,114 | - |
| İş Yatırım Menkul Değerler AŞ Arbitrage Free Fund | - | 22,690,538 |
| Türkiye İş Bankası AŞ Principal Hedged 22. Sub Fund | - | 785,625 |
| | 8,559,583 | 41,532,781 |

| Private Sector Bonds | 31 December 2012 | 31 December 2011 |
|---|---|---|
| T. İş Bankası AŞ | 8,118,989 | 3,570,783 |
| İş Yatırım Menkul Değerler AŞ | 4,403,313 | - |
| İş Finansal Kiralama AŞ | 1,000,000 | 1,451,862 |
| | 13,522,302 | 5,022,645 |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 26. RELATED PARTIES (continued)

| Shares quoted to stock exchange | 31 December 2012 | 31 December 2011 |
|---|---|---|
| İş Yatırım Ortaklığı AŞ | 5,969,525 | 4,723,711 |

| Cash and cash equivalents | 31 December 2012 | 31 December 2011 |
|---|---|---|
| Türkiye İş Bankası A.Ş. time deposit | 27,126,265 | 32,449,192 |
| Türkiye İş Bankası A.Ş. demand deposit | 7,258,215 | 592,477 |
| İş Yatırım Menkul Değerler A.Ş. B type short-term treasury-bond fund | 4,217,940 | 5,700,683 |
| Türkiye İş Bankası AŞ liquid fund | 163,199 | 145,278 |
| | 38,765,619 | 38,887,630 |

| | | | 31 December 2012 | |
|---|---|---|---|---|
| Bank borrowings and factoring payables to related parties | Original currency | Interest rate (%) | Short term | Long term |
| Türkiye İş Bankası A.Ş. | TL | %0-%13.50 | 6,202,334 | 369,694 |
| İş Finansal Kiralama AŞ | TL, Euro, USD Dollar | %8.05-%14.50 | 637,465 | 1,299,062 |
| Türkiye Teknoloji Geliştirme Vakfı | USD Dollar | - | 115,261 | 74,718 |
| | | | 6,955,060 | 1,743,474 |

| | | | 31 December 2011 | |
|---|---|---|---|---|
| Borrowings from related parties | Original currency | Interest rate (%) | Short term | Long term |
| Türkiye İş Bankası A.Ş. | TL | %0-12.30 | 369,009 | - |
| İş Faktoring Fin. Hizm. A.Ş. | TL | %17.00 | 235,275 | - |
| Türkiye Teknoloji Geliştirme Vakfı | USD Dollar | - | 79,175 | 118,763 |
| | | | 683,459 | 118,763 |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 26. RELATED PARTIES (continued)

| | 31 December 2012 | | | |
|---|---|---|---|---|
| | Receivables | | Payables | |
| Balances with related parties | Short term | | Short term | |
| | Trade | Other | Trade | Other |
| Türkmed | 7,080 | - | - | - |
| ATT Technology Management BV | - | - | (120,044) | - |
| İş Merkezleri Yönetim ve İşletim A.Ş. | - | - | (1,689) | - |
| Anadolu Anonim Türk Sigorta Şirketi | - | - | (2,222) | |
| | 7,080 | - | (123,955) | - |

| | 31 December 2011 | | | |
|---|---|---|---|---|
| | Receivables | | Payables | |
| Balances with related parties | Short term | | Short term | |
| | Trade | Other | Trade | Other |
| Ortopro | 49,701 | - | - | - |
| Ode | 12,390 | - | - | - |
| Türkmed | 7,080 | - | - | - |
| Anadolu Anonim Türk Sigorta Şirketi | - | - | (1,902) | - |
| İş Merkezleri Yönetim ve İşletim A.Ş. | - | - | (570) | - |
| | 69,171 | - | (2,472) | - |

| | 31 December 2012 | | | |
|---|---|---|---|---|
| | Receivables | | Payables | |
| Balances with related parties | Long term | | Long term | |
| | Trade | Other | Trade | Other |
| Mehmet Gürs (*) | - | - | (1,000,000) | - |
| Other | - | - | (9) | - |
| | - | - | (1,000,009) | - |

(*) The Group has purchased 59.459 shares with a nominal value of TL 59,459 from Mehmet Gürs representing 19.244 % of Num Num's pre- investment share capital amount of TL 308,975 by making a total payment of TL 4,000,000, of which TL 3,000,000 is paid in cash and TL 1,000,000 in installments.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 26. RELATED PARTIES (continued)

| | 1 January – 31 December 2012 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Transactions with related parties | Interest received | Interest paid | Service costs | Insurance costs | Transaction and advisory commission expenses | Rent expense | Other income | Other expenses |
| Türkmed | - | - | - | - | - | - | 24,000 | - |
| Aras Kargo Yurtiçi Yurtdışı Taşımacılık A.Ş. | - | - | (1,478) | - | - | - | 218,640 | - |
| T. İş Bankası A.Ş. | 2,137,624 | (135,329) | (16,538) | - | (3,963) | - | - | - |
| İş Faktoring Finansman Hizmetleri A.Ş. | - | (42,019) | - | - | - | - | - | - |
| İş Finansal Kiralama AŞ | - | - | - | - | - | - | | (356,978) |
| İş Gayrimenkul Yatırım Ortaklığı A.Ş. | - | - | - | - | - | (350,762) | - | |
| İş Yatırım Menkul Değerler A.Ş. | - | - | - | - | (587,357) | - | - | - |
| İş Merkezleri Yönetim ve İşletim A.Ş. | - | - | (135,194) | - | - | - | - | - |
| Anadolu Anonim Türk Sigorta Şirketi | - | - | - | (136,548) | - | - | - | - |
| ATT Technology Management BV | - | - | - | - | - | - | - | (362,744) |
| Meg Elektronik Bilgi ve İletişim Sistemleri | - | - | - | - | - | - | - | (13,870) |
| İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş. | - | - | (7,642) | - | - | - | - | - |
| | 2,137,624 | (177,348) | (160,852) | (136,548) | (591,320) | (350,762) | 242,640 | (733,592) |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 26 RELATED PARTIES (continued)

| | 1 January – 31 December 2011 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Transactions with related parties | Interest received | Interest paid | Service costs | Insurance costs | Transaction and advisory commission expenses | Rent expense | Other income | Other expenses |
| Ode | | - | - | - | - | - | 18,000 | - |
| Ortopro | - | - | - | - | - | - | 60,904 | - |
| Türkmed | - | - | - | - | - | - | 24,000 | - |
| Dr. F. Frik | - | - | - | - | - | - | 117,757 | - |
| T. İş Bankası A.Ş. | 1,601,847 | (42,406) | - | - | (2,108) | - | - | - |
| İş Faktoring Finansman Hizmetleri A.Ş. | - | (24,011) | - | - | - | - | - | - |
| İş Gayrimenkul Yatırım Ortaklığı A.Ş. | - | - | - | - | - | (185,373) | - | - |
| İş Yatırım Menkul Değerler A.Ş. | - | - | - | - | (301,611) | - | - | - |
| İş Merkezleri Yönetim ve İşletim A.Ş. | - | - | - | - | - | - | - | (71,119) |
| Anadolu Anonim Türk Sigorta Şirketi | - | - | - | (119,860) | - | - | - | - |
| ATT Technology Management BV | - | - | - | - | - | - | - | (80,595) |
| Meg Elektronik Bilgi ve İletişim Sistemleri | - | - | - | - | - | - | - | (451) |
| İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş. | - | - | (9,420) | - | - | - | - | - |
| Probil | - | - | - | - | (5,687) | - | - | - |
| | 1,601,847 | (66,417) | (9,420) | (119,860) | (309,406) | (185,373) | 220,661 | (152,165) |

## 27. FINANCIAL RISK MANAGEMENT

*Capital management*

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

Group's fund structure comprises of the liabilities with the loans disclosed in Note 6, cash and cash equivalents, issued capital, reserves and retained earnings.

Group aims to balance its overall capital structure through the payment of dividends and new share issues as well as the by using of new borrowings or by redemption of existing borrowing.

*Financial Risk Factors*

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

*Credit risk management*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss of the Group. The Group 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. The Group continuously monitors its credit risk exposure and its customers' credibility. Credit risk is controlled through the customer limits, which the Risk Management Board annually evaluates and approves.

Trade receivables comprise many customers that operate in various industries and locations. Credit risk evaluation is continuously performed for the trade receivables from customers and is insured if it is needed.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 27. FINANCIAL RISK MANAGEMENT (continued)

*Credit Risk Management (continued)*

| | Receivables | | | | | |
|---|---|---|---|---|---|---|
| | Trade Receivables | | Other Receivables | | | |
| **31 December 2012** | Related Parties | Other | Related Parties | Other | Cash and Cash Equivalents (**) | Investment Securities (***) |
| Maximum net credit risk at the end of the reporting period (*) | 7,080 | 55,187,898 | - | 773,117 | 40,660,899 | 95,246,817 |
| - The portion of maximum risk under guarantee with collateral, etc. | - | 415,000 | - | - | - | - |
| A. Net carrying value of financial assets that are neither past due nor impaired | 7,080 | 46,353,517 | - | 773,117 | 40,660,899 | 95,246,817 |
| B. Net carrying value of financial assets that are negotiated, if not that will be accepted as past due or impaired | - | - | - | - | - | - |
| C. Net carrying value of financial assets that are past due but not impaired | - | 8,834,381 | - | - | - | - |
| - under guarantee with collateral, etc. | | | | | | |
| D. Net carrying value of impaired assets | | | | | | |
| - Past due (gross carrying amount) | - | 3,149,477 | - | - | - | - |
| - Impairment (-) | | (3,149,477) | - | - | - | - |
| - The portion of net carrying value under guarantee with collateral, etc. | - | - | - | - | - | - |
| - Not past due (gross carrying amount) | - | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - | - |
| - The portion of net carrying value under guarantee with collateral, etc | - | - | - | - | - | - |
| E. Off-statement of financial position items with credit risk | | | | | | |

(*)Elements increasing credit enhancement like collateral is not considered while determining the amount.
(**) Cash on hand is excluded.
(***) Shares quoted to stock exchange are excluded.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 27. FINANCIAL RISK MANAGEMENT (continued)

*Credit Risk Management (continued)*

| | Receivables | | | | | |
|---|---|---|---|---|---|---|
| | Trade Receivables | | Other Receivables | | | |
| **31 December 2011** | Related Parties | Other | Related Parties | Other | Cash and Cash Equivalents (**) | Investment Securities (***) |
| Maximum net credit risk at the end of the reporting period (*) | 69,171 | 7,703,807 | - | 27,766 | 40,157,507 | 70,862,857 |
| - The portion of maximum risk under guarantee with collateral, etc. | | | - | | | |
| A. Net carrying value of financial assets that are neither past due nor impaired | 69,171 | 5,582,769 | - | 27,766 | 40,157,507 | 70,862,857 |
| B. Net carrying value of financial assets that are negotiated, | | | | | | |
| if not that will be accepted as past due or impaired | - | 2,121,038 | - | - | - | - |
| C. Net carrying value of financial assets that are past due but not impaired | - | | - | - | - | - |
| - under guarantee with collateral, etc. | - | 1,394,980 | | | | |
| D. Net carrying value of impaired assets | - | (1,394,980) | - | - | - | - |
| - Past due (gross carrying amount) | - | | - | - | - | - |
| - Impairment (-) | - | | - | - | - | - |
| - The portion of net carrying value under guarantee with collateral, etc. | - | - | - | - | - | - |
| - Not past due (gross carrying amount) | - | - | - | - | - | - |
| - Impairment (-) | - | - | - | - | - | - |
| - The portion of net carrying value under guarantee with collateral, etc | | | | | | |
| E. Off-statement of financial position items with credit risk | | | | | | |

(*)Elements increasing credit enhancement like collateral is not considered while determining the amount.
(**) Cash on hand is excluded.
(***)Shares quoted to stock exchange are excluded..

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 27. FINANCIAL RISK MANAGEMENT (continued)

*Credit Risk Management (continued)*

Aging of overdue but not yet impaired receivables as follows:

| 31 December 2012 | Trade Receivables | Other Receivables | Total |
|---|---|---|---|
| Past due 1-30 days | 2,728,764 | - | 2,728,764 |
| Past due 1-3 months | 1,277,156 | - | 1,277,156 |
| Past due 3-12 months | 3,764,223 | - | 3,764,223 |
| Past due 1-5 years | 1,064,238 | - | 1,064,238 |
| Past due more than 5 years | - | - | - |
| Total past due receivables | 8,834,381 | - | 8,834,381 |
| The portion under guarantee with collateral | - | - | - |

| 31 December 2011 | Trade Receivables | Other Receivables | Total |
|---|---|---|---|
| Past due 1-30 days | 168,639 | - | 168,639 |
| Past due 1-3 months | 329,908 | - | 329,908 |
| Past due 3-12 months | 860,441 | - | 860,441 |
| Past due 1-5 years | 762,050 | - | 762,050 |
| Past due more than 5 years | - | - | - |
| Total past due receivables | 2,121,038 | - | 2,121,038 |
| The portion under guarantee with collateral | - | - | - |

At the end of the reporting period, there isn't any collateral taken against the overdue trade receivables either impaired or not impaired.

*Liquidity risk management*

Liquidity risk management responsibility mainly belongs to the top management. The Group 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. In part "IT, audio and communication Systems" and "Orthopedics, surgery, medical appliances", in order to minimize the risk of liquidity the details of unused loans, in case of need, as at the end of the reporting period are disclosed in Note 6. "Private Equity" operating segment is financed through 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.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 27. FINANCIAL RISK MANAGEMENT (continued)

*Liquidity risk management (continued)*

The table below shows the maturity profile of Group'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. The table includes both cash flows of interest and principal.

31 December 2012

| 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 | | | | | | |
| Financial Liabilities | 71,657,991 | 83,439,311 | 44,481,266 | 7,825,077 | 20,770,921 | 10,362,047 |
| Trade payables | 34,503,989 | 34,781,931 | 22,500,484 | 9,105,438 | 3,176,009 | - |
| Other payables (*) | 870,572 | 870,572 | 870,572 | - | - | - |
| Total liabilities | 107,032,552 | 119,091,814 | 67,852,322 | 16,930,515 | 23,946,930 | 10,362,047 |

(*)Taxes and other duties payables are excluded.

31 December 2011

| 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 | | | | | | |
| Financial Liabilities | 1,909,818 | 1,965,599 | 1,831,705 | 15,131 | 118,763 | - |
| Trade payables | 746,276 | 750,876 | 570,171 | 93,551 | 87,154 | - |
| Other payables (*) | 13,617 | 13,617 | 13,617 | - | - | - |
| Total liabilities | 2,669,711 | 2,730,092 | 2,415,493 | 108,682 | 205,917 | - |

(*)Taxes and other duties payables are excluded.

*Market risk management*

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

Group's exposure to market risks is measured in accordance with sensitivity analysis.

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

*Foreign currency risk management*

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts and balancing assets and liabilities in terms of foreign exchange.

The foreign currency denominated assets and liabilities of monetary and non-monetary items as at the end of the reporting period are as follows:

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 27. FINANCIAL RISK MANAGEMENT (continued)

*Foreign currency risk management (continued)*

| **31 December 2012** | TL (Functional currency) | US Dollar | Euro | GBP | Other |
|---|---|---|---|---|---|
| 1. Trade receivables | 8,810,969 | 4,369,351 | 434,649 | - | - |
| 2a. Monetary Financial Assets | 477,595 | 239,163 | 21,389 | 330 | 8 |
| 2b. Non-monetary Financial Assets | - | - | - | - | - |
| 3. Other | - | - | - | - | - |
| 4. CURRENT ASSETS | 9,288,564 | 4,608,514 | 456,038 | 330 | 8 |
| 5. Trade receivables | - | - | - | - | - |
| 6a. Monetary Financial Assets | - | - | - | - | - |
| 6b. Non-monetary Financial Assets | - | - | - | - | - |
| 7. Other | - | - | - | - | - |
| 8. NON-CURRENT ASSETS | - | - | - | - | - |
| 9. TOTAL ASSETS | 9,288,564 | 4,608,514 | 456,038 | 330 | 8 |
| 10. Trade payables | (3,927,728) | (856,654) | (1,012,750) | (59) | (6,858) |
| 11. Financial liabilities | (2,555,970) | (899,003) | (405,412) | - | - |
| 12a. Other Monetary Financial Liabilities | (152,196) | (82,943) | (1,838) | - | - |
| 12b. Other Non-Monetary Financial Liabilities | - | - | - | - | - |
| 13. SHORT TERM LIABILITIES | (6,635,894) | (1,838,600) | (1,420,000) | (59) | (6,858) |
| 14. Trade payables | - | - | - | - | - |
| 15. Financial liabilities | (1,409,003) | (345,190) | (337,487) | - | - |
| 16a. Other Monetary Financial Liabilities | - | - | - | - | - |
| 16b. Other Non-Monetary Financial Liabilities | - | - | - | - | - |
| 17. LONG TERM LIABILITIES | (1,409,003) | (345,190) | (337,487) | - | - |
| 18. TOTAL LIABILITIES | (8,044,897) | (2,183,790) | (1,757,487) | (59) | (6,858) |
| 19. Net asset/liability position of the off-balance sheet derivative instruments(19a-19b) | - | - | - | - | - |
| 19a. Amount of asset type, off balance sheet | - | - | - | - | - |
| foreign currency derivatives | - | - | - | - | - |
| 19b. Amount of liability type, off balance | - | - | - | - | - |
| sheet foreign currency derivatives | - | - | - | - | - |
| 20. Net foreign currency asset liability position | 1,243,667 | 2,424,724 | (1,301,449) | 271 | (6,850) |
| 21. Monetary items, net foreign currency | - | | | | |
| asset/liability position (1+2a+5+6a-10-11-12a-14-15-16a) | 1,243,667 | 2,424,724 | (1,301,449) | 271 | (6,850) |
| 22. Total fair value of financial instruments used | - | - | - | - | - |
| to hedge foreign currency | - | - | - | - | - |
| 23. The portion of the hedged amount of the foreign currency assets | - | - | - | - | - |
| 24. The portion of the hedged amount of the foreign currency liabilities | - | - | - | - | - |
| 23. Export | 24,211,408 | 11,112,075 | 754,063 | - | 4,333,488 |
| 24. Import | 16,810,319 | 4,013,435 | 4,071,661 | 36,614 | - |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 27. FINANCIAL RISK MANAGEMENT (continued)

*Foreign currency risk management (continued)*

| **31 December 2011** | TL (Functional currency) | US Dollar | Euro | GBP | Other |
|---|---|---|---|---|---|
| 1. Trade receivables | 7,437,068 | 3,198,955 | 569,233 | - | 14,153 |
| 2a. Monetary Financial Assets | 4,335,611 | 1,974,134 | 216,505 | - | 151,126 |
| 2b. Non-monetary Financial Assets | - | - | - | - | - |
| 3. Other | - | - | - | - | - |
| 4. CURRENT ASSETS | 11,772,679 | 5,173,089 | 785,738 | - | 165,279 |
| 5. Trade receivables | - | - | - | - | - |
| 6a. Monetary Financial Assets | - | - | - | - | - |
| 6b. Non-monetary Financial Assets | - | - | - | - | - |
| 7. Other | - | - | - | - | - |
| 8. NON-CURRENT ASSETS | - | - | - | - | - |
| 9. TOTAL ASSETS | 11,772,679 | 5,173,089 | 785,738 | - | 165,279 |
| 10. Trade payables | (395,378) | (192,595) | (11,110) | (1,500) | - |
| 11. Financial liabilities | (79,175) | (41,916) | - | - | - |
| 12a. Other Monetary Financial Liabilities | (34,476) | (12,750) | (4,250) | - | - |
| 12b. Other Non-Monetary Financial Liabilities | - | - | - | - | - |
| 13. SHORT TERM LIABILITIES | (509,029) | (247,261) | (15,360) | (1,500) | - |
| 14. Trade payables | - | - | - | - | - |
| 15. Financial liabilities | (118,763) | (62,874) | - | - | - |
| 16a. Other Monetary Financial Liabilities | - | - | - | - | - |
| 16b. Other Non-Monetary Financial Liabilities | - | - | - | - | - |
| 17. LONG TERM LIABILITIES | (118,763) | (62,874) | - | - | - |
| 18. TOTAL LIABILITIES | (627,792) | (310,135) | (15,360) | (1,500) | |
| 19. Net asset/liability position of the off-balance sheet | - | - | - | - | - |
| derivative instruments(19a-19b) | - | - | - | - | - |
| 19.a Amount of asset type, off balance sheet foreign currency derivatives | - | - | - | - | - |
| 19b. Amount of liability type, off balance sheet foreign currency derivatives | - | - | - | - | - |
| 20. Net foreign currency asset liability position | 11,144,887 | 4,862,954 | 770,378 | (1,500) | 165,279 |
| 21. Monetary items, net foreign currency asset/liability position (1+2a+5+6a-10-11-12a-14-15-16a) | 11,144,887 | 4,862,954 | 770,378 | (1,500) | 165,279 |
| 22. Total fair value of financial instruments used to hedge foreign currency | - | - | - | - | - |
| 23. The portion of the hedged amount of the foreign currency assets | - | - | - | - | - |
| 24. The portion of the hedged amount of the foreign currency liabilities | - | - | - | - | - |
| 23. Export | 12,317,097 | 5,986,954 | 998,486 | - | |
| 24. Import | 303,637 | 5,712 | 124,760 | - | - |

## 27. FINANCIAL RISK MANAGEMENT (continued)

*Foreign currency risk management (continued)*

Foreign currency risk sensitivity analysis

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

The following table shows the Group'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.

| | 31 December 2012 | | | |
|---|---|---|---|---|
| | Profit / Loss | | Equity | |
| | The appreciation of foreign currency | The depreciation of foreign currency | The appreciation of foreign currency | The depreciation of foreign currency |
| | 10% appreciation / depreciation of TL against the U.S. Dollar | | | |
| 1 - U.S. Dollar net assets / liabilities | 432,231 | (432,231) | - | - |
| 2- The part of the hedged U.S. dollar risk (-) | - | - | - | - |
| **3- U.S. Dollar net effect (1 +2)** | 432,231 | (432,231) | - | - |
| | 10% appreciation / depreciation of TL against Euro | | | |
| 4 – Euro net assets / liabilities | (306,062) | 306,062 | - | - |
| 5- The part of the hedged Euro risk (-) | - | - | - | - |
| **6- Euro net effect (4 +5)** | (306,062) | 306,062 | - | - |
| | 10% appreciation / depreciation of TL against other currencies | | | |
| 7 – Other currencies net assets / liabilities | (255) | 255 | - | - |
| 8- The part of the hedged Other currencies risk (-) | - | - | - | - |
| **9- Other currencies net effect (7 +8)** | (255) | 255 | - | - |
| TOTAL (3 + 6 +9) | 125,914 | (125,914) | - | - |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 27. FINANCIAL RISK MANAGEMENT (continued)

*Foreign currency risk management (continued)*

Foreign currency risk sensitivity analysis (continued)

| | 31 December 2011 | | | |
|---|---|---|---|---|
| | Profit / Loss | | Equity | |
| | The appreciation of foreign currency | The depreciation of foreign currency | The appreciation of foreign currency | The depreciation of foreign currency |
| | 10% appreciation / depreciation of TL against the U.S. Dollar | | | |
| 1 - U.S. Dollar net assets / liabilities | 918,563 | (918,563) | - | - |
| 2- The part of the hedged U.S. dollar risk (-) | - | - | - | - |
| **3- U.S. Dollar net effect (1 +2)** | 918,563 | (918,563) | - | - |
| | 10% appreciation / depreciation of TL against Euro | | | |
| 4 – Euro net assets / liabilities | 188,265 | (188,265) | - | - |
| 5- The part of the hedged Euro risk (-) | - | - | - | - |
| **6- Euro net effect (4 +5)** | 188,265 | (188,265) | - | - |
| | 10% appreciation / depreciation of TL against other currencies | | | |
| 7 – Other currencies net assets / liabilities | 8,103 | (8,103) | - | - |
| 8- The part of the hedged Other currencies risk (-) | - | - | - | - |
| **9- Other currencies net effect (7 +8)** | 8,103 | (8,103) | - | - |
| TOTAL (3 + 6 +9) | 1,114,931 | (1,114,931) | - | - |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 27. FINANCIAL RISK MANAGEMENT (continued)

*Interest Rate Risk*

Changes in market interest rates causing fluctuations in the prices of financial instruments of the Group's interest rate risk leads to the necessity to deal with. Interest rate risk sensitivity is related with the maturity mismatches of the Group's assets and liabilities.

**Interest Position Table**

| **Fixed interest rate financial instruments** | | 31 December 2012 | 31 December 2011 |
|---|---|---|---|
| Financial assets | Financial assets at fair value through profit or loss | 63,294,702 | 14,634,153 |
| | Time Deposit | 27,216,187 | 32,449,192 |
| Financial liabilities (*) | | (70,437,015) | (1,711,880) |
| | | 20,073,874 | 45,371,465 |
| **Floating rate financial instruments** | | | |
| Financial assets at fair value through profit or loss | | 23,392,531 | 14,695,919 |
| Financial liabilities | | - | - |
| | | 23,392,531 | 14,695,919 |

The interest position of the Group as at 31 December 2012 and 31 December 2011 is as follows:

(*) The non-interest loans utilized from Türkiye Teknoloji Geliştirme Vakfı amounting to US Dollar 106,574 (189,979 TL equivalent) has been deducted from the total amount.

Fixed and variable income securities that are classified as designated at fair value through profit and loss in the Group's consolidated statement of financial position are exposed to price risk depending on interest rate changes. As of 31 December 2012 and 30 December 2011 according to the analysis that the Group calculated, effect on fixed and variable income securities' market value and the Group'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:

31 December 2012

| Risk type | Risk rate | Risk direction | Impact on profit for the year |
|---|---|---|---|
| Interest rate risk | 1% | Increase | (2,532,247) |
| | | Decrease | 2,369,850 |

31 December 2011

| Risk type | Risk rate | Risk direction | Impact on profit for the year |
|---|---|---|---|
| Interest rate risk | 1% | Increase | (351,522) |
| | | Decrease | 412,633 |

## 27. FINANCIAL RISK MANAGEMENT (continued)

*Other Price Risk*

Group's portfolio in equities and mutual funds, which are publicly traded, is exposed to price risk.

According to the consolidated financial position as at 31 December 2012, in case of 10% increase/decrease, if all the other variables remain constant, in the value of stock investment that are in the Group'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 596,952 (31 December 2011: TL 472,371) lower/higher.

According to the consolidated financial position as at 31 December 2012, in case of 1% increase/decrease, if all the other variables remain constant, in the value of investment fund that are in the Group's portfolio, with the effect of investment funds designated at fair value through profit or loss, net profit would be TL 129,407 (31 December 2011: TL 473,787) lower/higher.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 28. FINANCIAL INSTRUMENTS

| 31 December 2012 | Financial assets at amortized cost | Loans and receivables | Financial assets at fair value through profit or loss | Financial liabilities at amortized cost | Carrying amount | Fair value | Note |
|---|---|---|---|---|---|---|---|
| Financial assets | | | | | | | |
| Cash and cash equivalents | 35,730,701 | 77,707 | 4,994,353 | - | 40,802,761 | 40,802,761 | 4 |
| Investment securities | - | - | 101,216,342 | - | 101,216,342 | 101,216,342 | 5 |
| Trade receivables | - | 55,194,978 | - | - | 55,194,978 | 55,194,978 | 7 |
| Financial liabilities | | | | | | | |
| Financial liabilities | - | - | - | 71,657,991 | 71,657,991 | 71,657,991 | 6 |
| Trade payables | - | - | - | 34,503,989 | 34,503,989 | 34,503,989 | 7 |
| Other payables (*) | - | - | - | 152,917 | 152,917 | 152,917 | 8 |

| 31 December 2011 | Financial assets at amortized cost | Loans and receivables | Financial assets at fair value through profit or loss | Financial liabilities at amortized cost | Carrying amount | Fair value | Note |
|---|---|---|---|---|---|---|---|
| Financial assets | | | | | | | |
| Cash and cash equivalents | 34,313,123 | - | 5,845,962 | - | 40,159,085 | 40,159,085 | 4 |
| Investment securities | - | - | 75,586,568 | - | 75,586,568 | 75,586,568 | 5 |
| Trade receivables | - | 7,772,978 | - | - | 7,772,978 | 7,772,978 | 7 |
| Financial liabilities | | | | | | | |
| Financial liabilities | - | - | - | 1,909,818 | 1,909,818 | 1,909,818 | 6 |
| Trade payables | - | - | - | 746,276 | 746,276 | 746,276 | 7 |
| Other payables (*) | - | - | - | 13,617 | 13,617 | 13,617 | 8 |

(*)Taxes and other duties payables are excluded.

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 28. FINANCIAL INSTRUMENTS (continued)

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- First level: The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Second level: Other than the quoted prices defined in first level, the fair value of other financial assets and financial liabilities are determined in accordance with direct or indirect inputs used for the determination of observable current market transactions; and
- Third level: the fair value of financial assets and financial liabilities are determined in accordance with the inputs that are not based on observable current market transactions.

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

| | | Fair value hierarchy at the end of the reporting period | | |
|---|---|---|---|---|
| | 31 December | 1st level | 2nd level | 3rd level |
| Financial assets | 2012 | TL | TL | TL |
| Financial asset at fair value through profit or loss | 101,216,342 | 101,216,342 | - | - |
| Cash and cash equivalents | | | | |
| (B type liquid funds) | 4,381,139 | 4,381,139 | - | - |
| (Reverse repurchase agreements) | 613,214 | 613,214 | | |
| Total | 106,210,695 | 106,210,695 | - | - |

| | | Fair value hierarchy at the end of the reporting period | | |
|---|---|---|---|---|
| | 31 December | 1st level | 2nd level | 3rd level |
| Financial assets | 2011 | TL | TL | TL |
| Financial assets at fair value through profit or loss | 75,586,568 | 75,586,568 | - | - |
| Cash and cash equivalents | | | | |
| (B type liquid funds) | 5,845,962 | 5,845,962 | - | - |
| Total | 81,432,530 | 81,432,530 | - | - |

(Amounts are expressed in Turkish Lira ("TL"), unless otherwise stated)

## 29. DISCONTINUED OPERATIONS

As at 31 March 2012 Ortopro has sold 99% owned subsidiary, Orsem Ortopedik Aletler ve Medikal Cihazlar Sanayi ve Ticaret AŞ, to a third party for an amount of TL 700,000. The results arising from discontinued operations are as follows:

| Results of discontinued operation | **31 December 2012** |
|---|---|
| Revenue | 4,777,195 |
| Expenses | (4,831,084) |
| **Results from operating activities** | (53,889) |
| Tax | 56,361 |
| **Results from operating activities, net of tax** | 2,472 |
| Gain on sale of discontinued operations | 3,995,018 |
| Tax on gain on sale of discontinued operation | 204,995 |
| **Gain on sale of discontinued operations, net of tax** | 4,200,013 |
| **Profit / (Loss) for the period** | **4,202,485** |
| Basic and diluted earnings (loss) per share | 0.023565 |

| | **31 December 2012** |
|---|---|
| **Cash flows from (used in) discontinued operation** | |
| Net cash used in operating activities | (335,566) |
| Net cash from investing activities | (477,677) |
| Net cash from financing activities | - |
| **Net cash flow for the period** | (813,243) |

| **Effect of disposal on the financial position of the Group** | Notes | |
|---|---|---|
| Property, plant and equipment | 12 | (1,006,799) |
| Intangible assets | 13 | (127,548) |
| Inventories | | (2,756,788) |
| Allowance for impairment on inventories | 9 | 81,164 |
| Deferred tax asset | 24 | (653,847) |
| Trade and other receivables | | (14,782,566) |
| Bad debt allowance | 7 | 723,009 |
| Cash and cash equivalents | | (1,177,677) |
| Loans and borrowings | | 7,333,321 |
| Severance liability | 15 | 8,160 |
| Vacation pay liability | 15 | 27,525 |
| Trade and other payables | | 15,627,064 |
| **Net assets and liabilities** | | 3,295,018 |
| Consideration received, satisfied in cash | | 700,000 |
| Cash and cash equivalents disposed of | | (1,177,677) |
| **Net cash outflow** | | (477,677) |

## 30. OTHER SIGNIFICANT ISSUES

- With the Board of directors' meeting numbered 294 and dated 19 January 2012 the Company has decided to sold all shares owned in Ode, for US Dollars 10,500,000 to Ode İzolasyon Sanayi Satış ve Pazarlama A.Ş. of which main shareholders of Ode owns the majority of interest and Company management is authorized for sales transactions and sale is completed at 26 March 2012.
- Based on Subscription and Stakeholders Engagement signed at 4 December 2007 with Ortopro Tıbbi Aletler Sanayi ve Ticaret AŞ, the Company obtained 1.5% of Ortopro's shares and İş Girişim's total share owned in Ortopro has increased to 32.5%.
- With considering requirement of strong capital for getting the most out of processive potential of orthopedics market in both domestic and foreign markets through incentives given for supporting local production, negotiations with third parties has started in order to find new shareholders through capital increase for Ortopro. As of 5 March 2012 Erol Frik has become shareholder with holding 20% of the shares Ortopro through capital increase by limiting existing shareholders' stock warrant. Simultaneous with capital increase, İş Girişim has purchased bonus share at the rate of 6.5% from Tolga Yalçınkaya, shareholder of Ortopro, and İş Girişim's owned shares in Ortopro have been maintained at the rate of 32.5%. İş Girişim's member of Board of Director increased from 1 to 2.
- All shares of Ortopro owned in subsidiary Orsem Ortopedik Aletler ve Medikal Cihazlar Sanayi ve Ticaret AŞ has been decided to sell to Sigma Ortopedik Aletler ve Medikal Cihazlar Sanayi ve Ticaret Ltd. Şti. ("Sigma") for TL 700,000 unanimously by Ortopro's Board of Director and the process has completed at 31 March 2012.
- Nevotek has transferred 4% of paid in capital that is equivalent of 169.68 shares to the other shareholders' of Nevotek within the protocol of premium and dividend tied to performance signed between The Company and subsidiary of the Group Nevotek at 20 March 2012. After the transfer İş Girişim's rate of owned shares has decreased from 85.24% to 81.24%.
- İş Girişim has signed Contributions to the Capital, Share Transfer and Share Agreement ("Agreement") with Toksöz Spor, shareholders of Toksöz Spor and Zafer Parlar at 27 June 2012. Then, the ownership rate is determined as 58.5% for TL 23,900,000 in accordance with Agreement and investment proceedings completed on 13 November 2012.
- İş Girişim has signed Contributions to the Capital, Share Transfer and Share Agreement ("Agreement") with Numnum's shareholders at 19 October 2012. Then, the ownership rate is determined as 61,66% for TL 27,000,000 in accordance with Agreement and investment proceedings completed on 5 December 2012.
- In accordance with BOD numbered 315 at 24 August 2012, sale of all shares owned in Havaş to the Company that has owned shares by TAV Havalimanları Holding A.Ş. ("TAV") or TAV Havalimanları Holding A.Ş., has been decided with to run interviews. In this context, Share Agreement ("Agreement") was signed with TAV at 29 August 2012. Sale transaction was completed on 3 October 2012.
- Modification of article of association has approved in General Assembly at 7 May 2012 and A and B Group privileged shareholders of general assembly. The modifications have registered at 22 May 2012 and published in Turkish Trade Registry Gazette at 28 May 2012.
- The cash dividend distribution of İş Girişim Sermayesi was completed at 15 May 2012, after 12,600,000 TL cash dividend (25% of contributed capital) and 7,560,000 TL non-paid up share (15% of contributed capital) is agreed to be given in the General Assembly Meeting on 7 May 2012. Capital increase through bonus issues is completed at 19 June 2012, registered at 11 July 2012 and published at 16 July 2012 dated Turkish Trade Registry Gazette.

## 30. OTHER SIGNIFICANT ISSUES (continued)

- Board of Directors meeting held on 17 October 2012, İş Girişim Sermayesi has decided to amend some of articles in the Articles of Association and in order to initiate this transaction, extraordinary general Assembly Meeting was held on 16 January 2013 and published at Turkish Trade Registry Gazette on 22 January 2013.

## 31. EVENTS AFTER THE REPORTING PERIOD

- İş Girişim accepted the changes in the Articles of Association and decided to distribute cash dividend at the extraordinary general assembly held on 16 January 2013. The payment of cash dividend amounting to TL 7,360,920 was started on 21 January 2013 and was completed on 23 January 2013.

- İş Girişim declared in written to the existing shareholders of Türkmed on 31 January 2013 to use the equity put option that gives right to sell the 25.77% of the total share capital of Türkmed which is represented fully of İş Girişim's interest in Türkmed to the existing shareholders of Türkmed. However, the current shareholders were not able to finalize purchasing process within the framework of the equity put option agreement. Therefore, in accordance with the Türkmed's articles of incorporation İş Girişim has gained dividend privilege right on the related shares of Türkmed on behalf of İş Girişim.

- According the decision of the Board of Directors of İş Girişim Sermayesi on 11 February 2013, it was agreed to change some articles of Association of the Company to comply with the scope of the legislation and applied to the Capital Markets Board. Capital Markets Board approval was obtained on April 1, 2013 and the related transactions have been continued.

- On 28 February 2013, Toksöz Spor merged with Ons Spor, Arena, Sportive and Tajmahal by fully taking over them without discontinuing in accordance to the clause 136 of Turkish Commercial Code and to the clauses 18, 19 and 20 of Corporate Tax Law. The new share capital of Toksöz Spor is TL 17,031,299 with a number of 17.031.299 shares having a par value of TL 1. There of 5.364.859 are A Group shares and 11.666.440 are B Group shares. This decisions was registered in the Turkish Trade Registry Gazette numbered 8272 on 6 March 2013.