

*rooted and sustainable*

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*2017 Annual Report*

**İŞ PRIVATE EQUITY**



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# Company Profile

**Reporting Period:** January 1, 2017 - December 31, 2017

**Trade Name:** İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

**Headquarters:** İstanbul

**Founded:** October 31, 2000

## Contact Information:

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**Trade Registration:** İstanbul 447258

**MERSIS:** 6578966933552116

**Website:** www.isgirisim.com.tr

**Issued Capital:** TL 74,652,480

**Registered Capitalization:** TL 250,000,000



*The tree is a universal expression of life in every culture and creed. But trees don't just symbolize life: they're also icons of continuity, immortality, wisdom, power, trust, and abundance.*

*Iş Private Equity pioneered Turkey's private equity sector. And in the same way that trees help sustain the circle of life, Iş Private Equity contributes to economic activities and plays a role in building the future...*



# *İş Private Equity in Brief*

*İş Private Equity: A key player with a reliable long-term perspective and a strong partner that adds value to companies*

## **The establishment process of İş Private Equity**

The İşbank Group started preparatory work to establish a private equity fund in 1999. In June 2000, the Group applied to the Capital Markets Board (CMB) to establish İş Risk Sermayesi Yatırım Ortaklığı A.Ş. In accordance with the CMB's decision taken on October 5, 2000, permission to carry out private equity activity was granted. On October 31, 2000, the Company was registered in the trade registry with a paid-in capital of TL 20 million.

The Company received the support of the World Bank during its foundation process and completed its staff work in 2001. The name of the Company, which is focused on investment projects, was changed to İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. in 2004. In October

2004, 37.69% of the Company's shares were offered to the public on the Borsa Istanbul stock exchange (BIST) with a market value of USD 57.8 million.

**İş Private Equity contributes to the companies it invests in at all levels in their sustainable growth and corporate transformation process.**

İş Private Equity is aware of the difficulties that SMEs, key players in the Turkish economy, face in accessing financial resources, and supports their development processes by meeting the capital needs of SMEs with growth potential.

"Turkey's capital" - İş Private Equity, has become one of the leading companies of its sector on the back of the investment projects it has brought into its focus and undersigned.

İş Private Equity invests in companies with its tangible and intangible assets, which it defines as "intelligent capital". In this process, the Company provides strategical and directing contribution to companies from their institutionalization to their sustainable growth stage.

With its vast knowledge and experience of business, İş Private Equity supports companies until they achieve sustainable growth under a medium and long-term approach. In this process, it provides companies with all kinds of support at all points, strengthening their financial structure, creating a roadmap, developing human resources and IT infrastructure.

*With its exit performance between 2000-2017, İş Private Equity has obtained a remarkably high average return when compared to typical standards in the world and in Turkey.*

**İş Private Equity has invested in 17 companies over 17 years.**

İş Private Equity invested in 17 companies in the 17 years from 2000 to 2017, and invested USD 148.5 million in these companies. The Company successfully completed a total of 11 exit transactions and achieved a return of USD 166.9 million. The average internal rate of return of those exits, in USD terms, was 26%.

İş Private Equity achieved a higher average rate of return from exits between 2000 and 2017 compared to average return rates in the world and in Turkey. In addition, the Company is one of the most exiting funds in the private equity sector.

**The most important asset of İş Private Equity, one of the active members of the Turkish financial sector, is its competent human resource that stands out with its experience and expertise.**

In the increasingly competitive market conditions, İş Private Equity's most important asset is its human resources. From the realization of the investment to the exit process, the Company sets itself apart with its professional human resources, which distinguish themselves and positively affects the process with their knowledge, experience and expertise.

İş Private Equity continues to partner with the success stories of visionary actors with the contributions of its team consisting of 14 people, as well as the strength and support of the İşbank Group.



# *experienced*

*A type of Pistacia tree which provides Mastic can be found on the Mediterranean coasts. The Mastic tree is found in the south of Chios, in Greece and on Turkey's Çeşme peninsula. Mastic is collected with a traditional and very difficult method, which requires experience.*

*Mastic Tree*



# Our Vision

*We aim to become Turkey's leading domestic private equity fund with a high degree of corporate governance and sustainable business model.*

# Our Mission

*We aim to provide capital contribution and management knowledge to companies with competitive advantage, in sustainable sectors with high growth potential, so that they can carry out the projects, which will contribute to the Turkish economy.*

*Within the framework of this mission, we try to provide our resources to the needs of entrepreneurs in the best way possible, and make sure that we provide better returns to our shareholders as compared to other investment alternatives through our exemplary corporate structure.*



# *deeply rooted*

*The Beech tree is one of the most important "root myths" in Turkish Mythology. It is a symbol of life and accepted as the holy "tree of life".*



*Beech Tree*

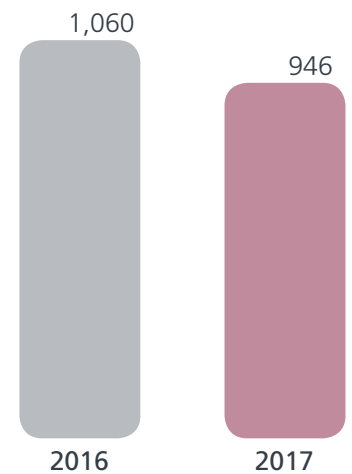


# Key Indicators

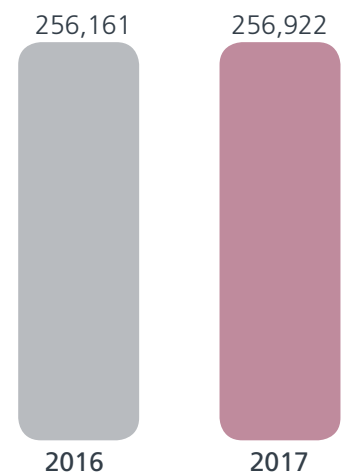
## Financial Highlights

TL	2016	2017	Change (%)
Current Assets	119,404,622	76,752,124	-35.72
Non-Current Assets	139,400,781	182,627,127	31.01
Short-Term Liabilities	2,530,174	2,209,972	-12.66
Long-Term Liabilities	114,231	246,324	115.64
Total Assets	258,805,403	259,379,251	0.22
Equity	256,160,998	256,922,955	0.30
Current Year Profit	1,060,292	946,084	-10.77
% Return on Equity	0.41	0.37	
% Return on Assets	0.40	0.36	

## Current Year Profit (TL thousand)



## Equity (TL thousand)



## Private Equity Investments

31.0%

# Capital & Shareholding Structure

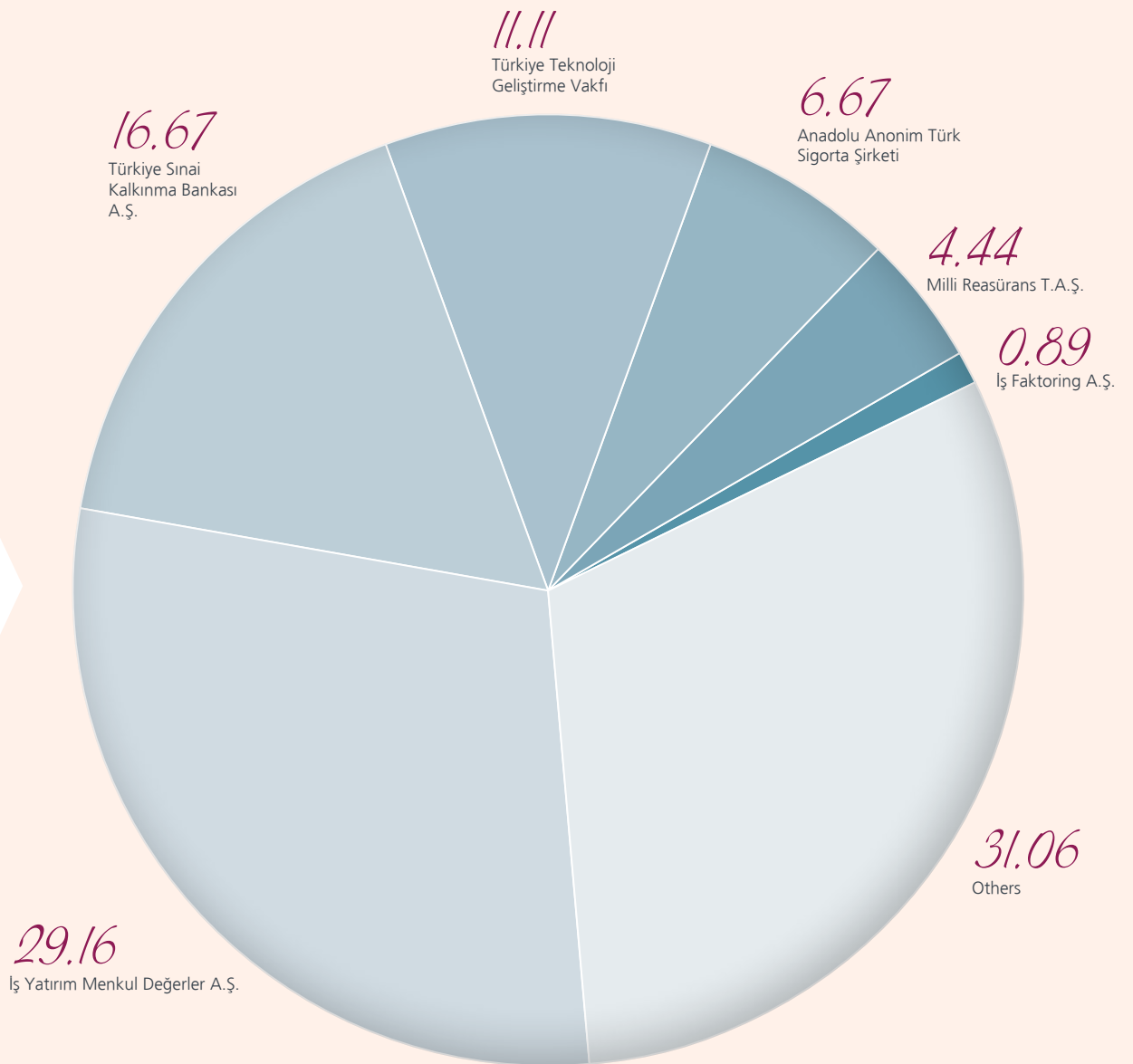
The year-end shareholding structure of İş Private Equity is shown below.

Shareholder	Group	Share (TL)
		2017
İş Yatırım Menkul Değerler A.Ş.	A	6,635,776
İş Yatırım Menkul Değerler A.Ş.	B	15,132,136
Türkiye Teknoloji Geliştirme Vakfı	B	8,294,719
Türkiye Sınai Kalkınma Bankası A.Ş.	B	12,442,079
Anadolu Anonim Türk Sigorta Şirketi	B	4,976,832
Milli Reasürans T.A.Ş.	B	3,317,888
İş Faktoring A.Ş.	B	663,578
Others	B	23,189,472
Total		74,652,480

With one exception, none of the Company's shares enjoy any special privileges. The exception is that Group A shareholders only are entitled to designate candidates for seats on the Company's boards as per the Company's articles of association, which have been prepared in accordance with capital market laws and regulations and which have been approved by CMB.



*İş Private Equity*  
*2017 Shareholding Structure (%)*



# *Strong*

*The Oak tree symbolizes strength and is deemed holy in Greek, Roman and Egyptian civilizations. The Oak tree has types that protect their leaves during all seasons. There are more than 400 varieties of oak tree and they live for an average of 500 years.*



*Oak Tree*



# Dividend Policy

*TL 84.1 million of cash dividends have been distributed since the IPO.*

1

Distributing at least 30% of its year-end distributable profit as bonus shares and/or cash dividends.

İş Private Equity has distributed TL 54.2 million of cash dividends since the IPO.

2

İş Private Equity is able to distribute cash dividends following exits when the return has exceeded expectations.

İş Private Equity has distributed a total of TL 29.9 million in cash dividends following successful exits.

## A Steady and High Dividend Yield

According to a study conducted by İş Invest based on Borsa Istanbul data, İş Private Equity realized an average dividend yield of 6.67% in the 5 years between 2013 and 2017, more than 2.5 times higher than the 2.54% average dividend yield for companies listed on the Borsa Istanbul in the same period.

# *İş Private Equity's Investments in Numbers*

## *Overview of the Fund*

Total Assets  
USD million

68.8

Total Investments to Date  
USD million

148.5

## *Investment Summary*

Investments

17

Exits

11

Exclusive Transactions

9



*Companies  
Currently in  
the Portfolio*

Total Turnover  
USD million

163.9

Total Debt  
USD million

37

Total Employment  
People

1,021

*Exit Summary*

Investment Amount for the Exited Companies  
USD million

72.5

Internal Rate of Return on a USD  
Basis (IRR)

26.46%

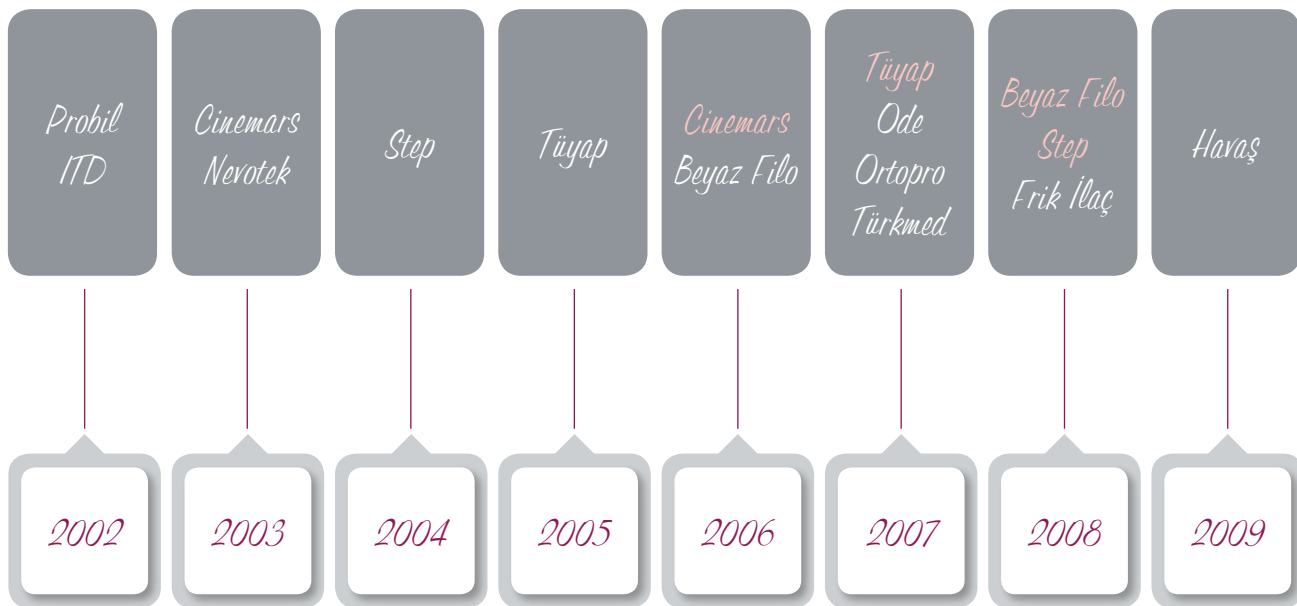
Proceeds from Exits  
USD million

166.9

Money Multiple

2.30x

# Highlights from Iş Private Equity's Corporate History



**First two investments:**  
ITD and Probil (both systems integrators)

**Third & fourth investments:**  
Cinemars (cinema chain) and Nevotek (IP convergence solutions)

**Fifth investment:**  
Step (home accessories and carpet retailing industry)  
37.69% of shares floated on the Istanbul Stock Exchange, generating a market capitalization of USD 57.8 million

**Sixth investment:**  
Tüyap (trade fairs & exhibitions)

**First exit:**  
Cinemars shares sold to Mars Entertainment Group A.Ş.  
**Seventh investment:**  
Beyaz Filo (operational fleet rentals)

**Second exit:**  
Tüyap shares sold to existing shareholders

**Eighth investment:**  
Ode Yatırım (building insulation materials)

**Ninth investment:**  
Ortopro (orthopedic surgery)

**Tenth investment:**  
Türkmed (healthcare services)

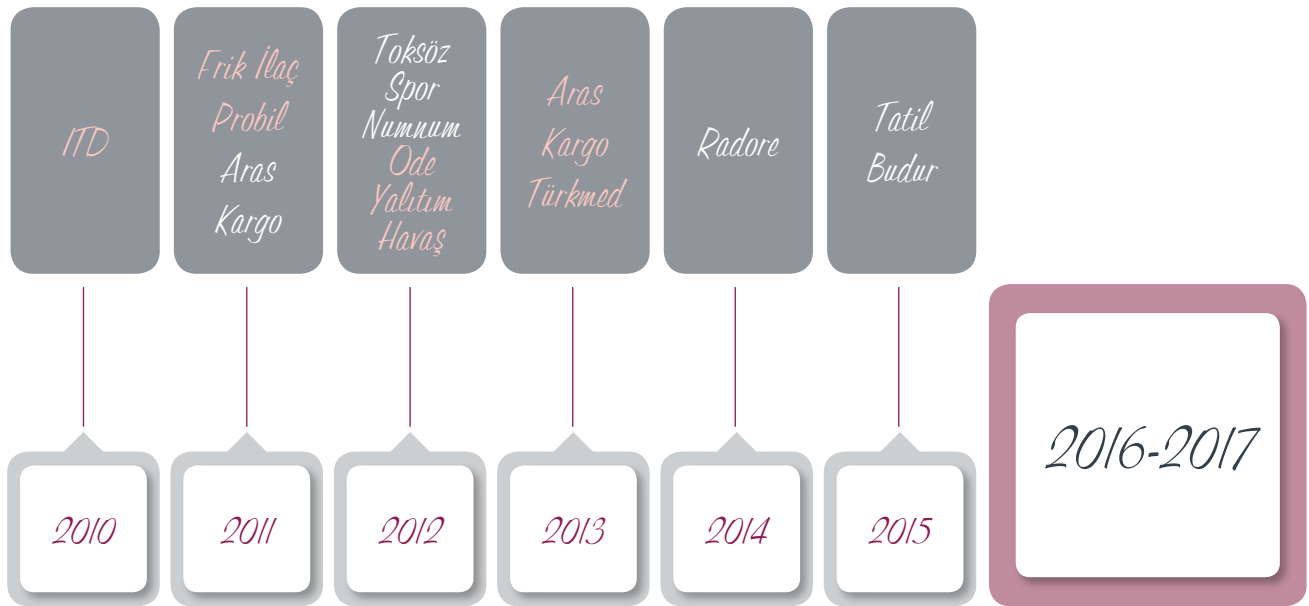
**Third exit:**  
Beyaz Filo shares sold to existing shareholders

**Fourth exit:**  
Step shares sold to Swicorp, a private equity fund

**Eleventh investment:**  
Frik İlaç (pharmaceutical industry)

**Indirect exit:**  
Probil's Bizitek (a Probil-owned stake) sold to Ericsson

**Twelfth investment:**  
Havaş (aviation ground handling services)

**Fifth exit:**

ITD shares sold to the Poland-based Asseco South Eastern Europe, a subsidiary of Asseco Poland SA, Europe's fifth largest software house

**Sixth exit:**

Frik İlaç sold to Italy-based Recordati

**Seventh exit:**

Remaining Probil shares sold to Netaş

**Thirteenth investment:**

Aras Kargo (cargo services)

With 13 investments and 7 exits, İş Private Equity becomes the leading private equity firm in Turkey

İş Private Equity becomes the only private equity firm in Turkey to have completed more than four investment exits

**Fourteenth investment:**

Toksöz Spor (sports equipment and supplies)

**Fifteenth investment:**

Numnum, Istanbul Food & Beverage Group (IFBG/food & beverages)

**Eighth exit:**

Ode Yalıtım shares sold to Ode İzolasyon Sanayi Satış ve Pazarlama A.Ş.

**Ninth exit:**

Havaş shares sold to TAV Havalimanları Holding A.Ş.

**Tenth exit:**

Aras Kargo shares sold to Austria Post

**Eleventh exit:**

Türkmed shares sold to existing shareholders

**Sixteenth investment:**

Joint venture together with Doğuş SK Girişim Sermayesi Yatırım Ortaklığı A.Ş. in Radore (data center services)

**Seventeenth investment:**

Tatil Budur: Investment with the Poland-based MCI Private Ventures in Tatil Budur which is a growing player in the tourism sector

Investments under the scope of the portfolio continued, working closely with the companies in the portfolio.

# Message from the Chairman

## The world economy: volatility or improvement?

Although the global economy gave some mixed signals in 2017, raising questions in investors' minds, the recovery in developed economies continued. For investors, the geopolitical risks remained high; the threat from North Korea's nuclear weapons program, conflicts in the Middle East and the statement from the US administration, towards the end of the year, that it accepted Jerusalem as the capital of Israel were the key subjects of discussion.

The US economy posted its most positive growth rate in the last three years in 2017, recording 3.3% growth. On the other hand, inflation indicators did not reach the desired levels.

The Federal Reserve Bank (Fed) in the USA continued to hike interest rates in 2017. In the decision taken on December 13, 2017, the policy rate was raised by 25 basis points to a 1.25-1.50% interval. The Fed is expected to continue to raise interest rates in 2018 in light of the trends in inflation and growth.

The Eurozone also registered an improvement in economic growth in 2017. In addition to the fall in unemployment, growth gained pace in the manufacturing industry and services sector, according to updated PMI data. The inflation outlook was in line with the European Central Bank's expectations, with an inflation rate of 1.5% observed in November 2017.

In the first nine months of 2017, the single European currency, the Euro, appreciated by 15% against the Dollar and by 6% against the basket, which is comprised of 38 different currencies. Analysts expect the Euro/Dollar rate to settle above 1.20 in the long run.

If growth in the Eurozone turns out to be in parallel with 2017 expectations, it will have notched up its strongest performance of the last ten years.

Another development shaping the global economy was the decision taken by OPEC in its November meeting to extend the production cut from March 2018 until the end of 2018. The general market expectation is for Brent crude oil prices to hover around USD 60/bbl in 2018.

In summary, the risks and improvements that we have outlined above indicate that we need more time to gain a clear idea on whether or not the world economy has settled on a clear track.

*Rounded off 17 years of success, Iş Private Equity maintains its strategic progress with the continuous support of the Işbank Group, which the company is a member of.*





### The Turkish economy: Returning to strong growth

The Turkish economy recorded a growth rate of 11.1% in the third quarter of the year. The growth performance, which far exceeded expectations, signaled its strongest run for 6 years and served to confirm the success of the economy policies being followed. This high growth rate explicitly indicates a revival in domestic consumption and investment with the contribution of the government measures taken. After revisions made to the growth rates for the first two quarters, the growth rate for the first nine months of the year came in at 7.4%.

An analysis of GDP finds that private consumption expenditures contributed 7 percentage points to the overall rate of growth in the third quarter. This important contribution was achieved as a result of households' tendency to purchase consumer durables, mainly thanks to tax discounts.

### Growth in 2017 expected to come in at 6.5%.

The growth in industrial production was also gained pace in 2017. As a result of PCT discounts and increased demand following discounts, production of consumer durables increased. In addition, most of sectors in manufacturing industry recorded rapid growth.

### We welcome 2018 with expectations of a strong recovery.

In its Economic Outlook report published in November 2017, the OECD stated that recovery in the global economy was gaining strength. The OECD expects the world economy to grow by 3.7% in 2018 and Turkey to post 4.9% growth.

The Fed and European Central Bank are expected to continue taking normalization steps. Geopolitical developments regarding the Middle East and North Korea, along with a ramping up of protectionist rhetoric in foreign trade will need to be watched carefully in 2018.

From Turkey's perspective, the agenda for the coming period will be dominated by geopolitical and political tensions in the region, the gathering pace of private investments, growth in industrial production, the shift in the growth composition towards investment and exports and the transition to a sustainable growth model.

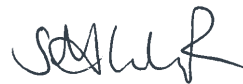
### İş Private Equity - a strong, healthy and growth focused member of the İşbank Group

İş Private Equity, leaving behind 17 years of success, maintains its strategic progress with the continuous support of the İşbank Group, which the company is a member of.

İş Private Equity evaluates risks proactively and business opportunities in a determined and dynamic manner. İş Private Equity will continue to play an exemplary and key role in our country's growth and development.

With its "smart capital", our Company is determined to meet the capital needs of economic players from different sectors, mainly SMEs, and to contribute to sustainable development and growth with a long term perspective. One very important point that we need to mention here is the value that we add to the companies we invest in by raising their level of corporate governance, and the vital role this has in ensuring the continued operation of the companies.

At the same time as expressing my wish that 2018 and the years to follow will be full of positive developments for Turkey and for the world, on behalf of myself and the Board of Directors, I would like to take this opportunity to thank and offer my respect to İş Private Equity's management team and employees, and the managers and employees of the portfolio companies, for their contributions and hard work.



Senar Akkus  
Chairman of the Board of Directors

# Message from the CEO

Dear stakeholders,

Economic activity, which had lost pace on the back of uncertainties in the world economy and the reflection of regional turmoil on Turkey and extraordinary developments that took place in 2016, posted a remarkable recovery in 2017 thanks to the public macroeconomic measures such as KGF guaranteed loans, VAT cuts, the tax amnesty and easing in social security premiums.

Within the scope of our portfolio diversification strategy, the companies in our portfolio operating in different areas, such as sport retail, food & beverage, technology, services and manufacturing recorded an average increase of 40% in their revenue in 2017, in line with the general economic revival that grew apparent in the second half of the year.

## **A business that requires a long term strategic perspective**

The nature of the private equity business relies on a long term strategic perspective, whose foundations are laid with proven methods in the initial process. The short term dimension of this perspective, on the other hand, requires the ability to rapidly take necessary measures against developments and to be patient. Although the markets that the companies in our portfolio operate in may be subject to fluctuations in line with various dynamics, we believe our portfolio is comprised of enterprises that are sustainable in the medium and long run. By enriching our expertise gained in prior investments, this belief is based on a detailed evaluation and decision processes that we undertake before the investment and setting out our contractual rights. This belief allows us to uninterruptedly continue project evaluations during upcoming investment tours for portfolio companies and periods in the macroeconomic cycle when general investment appetite eases.

Within this framework, we continued to pursue potential investment opportunities with the same determination in 2017 by analytically evaluating 70 projects, mainly in the manufacturing, technology and retail sectors.

## **We continued to support the companies in our portfolio in 2017.**

İş Private Equity focuses on helping the companies it has partnered with to attain high market value, to reinforce their competitive strength and to generate permanent added

*Although the markets that the companies in our portfolio operate in may be subject to fluctuations in line with various dynamics, we believe our portfolio is comprised of enterprises that are sustainable in the medium and long run.*



value for all stakeholders. With patience and attention, İş Private Equity maintained its support for the companies in its portfolio in all dimensions. Within this framework, we carried out TL 45.2 million of capital injection to 3 companies which we partnered with, within the scope of our rights and responsibilities in order to guarantee the long term profitable growth and sustainability of the companies in our portfolio. The remaining capital commitment of TL 4.75 million is planned to be realized in 2018.

İş Private Equity believes in the principle of acting together with its strategic partners under all possible conditions. İş Private Equity expects this contribution, which was realized in 2017, to serve as leverage for its long term growth and total profitability.

#### **Our sector is focused on the future...**

There was a remarkable recovery in the Turkish mergers and acquisitions market in 2017 with 298 transactions with a total value of USD 10.3 billion. Despite not returning to the levels seen in 2015 and before, transaction volumes and the number of transactions increased by 41% and 21%, respectively, when compared to 2016. Investments and exits of domestic funds, fundraising preparations and increased angel investor transactions kept the market buoyant.

Volume of private equity transactions, which constituted 21% of mergers and acquisitions transactions, increased by 141% to USD 2.2 billion, while the number of transactions decreased by 21% to 19.

With the increasing transaction volumes of funds in Turkey, whose fund sizes and therefore average investment amounts have increased, funds started to target larger companies than SMEs and it is seen that there is a relative imbalance between supply and demand in the SME segment.

On the other hand, the technology sector, as in previous years, obtained the most investment with a 35% share in terms of the number of transactions in 2017 thanks to the impact of the early stage companies ecosystem and new economies. Early stage investments for early stage companies, maturing as time passes, are expected to create new investment potential for private equity investments.

The share of private equity investments in GDP in Turkey is low compared to peer countries. With the public backed systematic and holistic supports, especially funds, joint

investment programs, TÜBİTAK grants and tax incentives, is expected to trigger growth potential in this area and increasingly raise the share of private equity investments in GDP.

#### **We are ready to meet the needs of SMEs' with our domestic know-how and ability to create projects.**

İş Private Equity has the competence to address the needs and expectations of the companies that it invests in. İş Private Equity deploys its business model, which is based on strategic and operational expertise, sectoral know-how, forecasting ability and market perception, and its qualified investment team while assessing development trend of private equity activities in Turkey and supply demand imbalance in the SME segment.

Our power, which we can define as a combination of tangible and intangible components, will help us establish long term and profitable partnerships with economic players, primarily SMEs, that come onto our radar and fit our criteria.

#### **We have full confidence in the Turkish economy, those who invest in this country, our SMEs and our entrepreneurs.**

İş Private Equity will continue to focus on the development of companies in its portfolio in line with their investment targets and strategies. Our Company will also continue to closely follow new investment opportunities.

We place our trust in the Turkish economy, which chalked up a new growth success in 2017 under challenging conditions, not deviating from its development process despite the volatility in its region and the uncertainties of a rapidly changing world.

I would primarily like to thank the esteemed managers of our portfolio companies who achieved these fine results by working so tirelessly under difficult conditions, to the more than 1,000 employees of the companies in our portfolio, to our Board of Directors and to our employees.



A. Murat Özgen  
CEO



# *Sustainable*

*The olive tree is accepted as "the first of all trees". It is known as "the tree of eternity". It is the symbol of abundance, justice, health, pride, triumph, welfare, wisdom, reason, purification and rebirth. In short, it symbolizes the most important virtues and values for humanity.*

*Olive Tree*





# Macroeconomic Outlook<sup>1</sup>

## Fed continues interest rate hikes while US economy grows.

Economic growth in the US continued to gain momentum in 2017, with the rate of third quarter growth, previously announced as 3%, revised upward to 3.3% in what was the most positive performance in the last three years. Economic activity remained buoyant in the last quarter. On the other hand, inflation indicators remain subdued. The monthly increase in the core personal consumption expenditures price index, which is followed closely by the Fed, was realized in line with expectations at 0.2% in October. The annual rate of this inflation metric came in at 1.4%, in a bearing out of the concerns expressed by Fed members that inflation would remain below the 2% target for some time.

The Federal Reserve Bank (Fed) in the US maintained continued its program of measured rate hikes, which it started at the end of 2016, in 2017 in line with expectations. The Fed raised interest rates three times, not surprising the markets.

The Fed's last meeting before Janet Yellen, the Fed Chairman, left office was held on December 13, 2017, where the policy rate was raised by 25 basis points to a 1.25-1.50% interval.

In her statements made after the meeting, Chairman Yellen stated that the growth forecast for 2018, which was revised up from 2.1% to 2.5%, mainly reflected the expansionary steps expected in fiscal policy.

*USD is getting strength while the recovery in US economy continues.*

*3 interest rate  
hikes from Fed*

*1.25-1.50%*

*PMI data signaled that growth in manufacturing industry and the services sector gained pace in the Eurozone.*

## Relative improvement observed in Eurozone.

Economic activity in the Eurozone continued to gain strength. In October 2017, the block's unemployment rate decreased to 8.8%, its lowest level since January 2009. PMI data signaled that growth in manufacturing industry and the services sector gained pace the region in November. Annual inflation came in at 1.5% in November, marking a pick-up on a monthly basis.

The European Commission revised its 2017 growth forecast for the Eurozone up from 1.7% to 2.2%, as announced in the spring. The Commission also revised its 2018 forecast up by 0.3 percentage points to 2.1% while leaving its 2019 forecast unchanged at 1.9%. If the block grows in parallel with its 2017 expectations, it will notch up its strongest performance in the last ten years.

The European Central Bank (ECB) scaled back its asset purchase program from EUR 80 billion per month to EUR 60 billion per month and continued the program at this level until December 2017.

<sup>1</sup> Sources: TurkStat, CBRT, İsbank

## Macroeconomic Outlook

After Germany's election in September, efforts to form a coalition in the EU's largest economy dragged on until the first months of 2018, as negotiations to hammer out a coalition deal had failed to yield results. This increased pressure on the Euro. Despite the political developments which lowered the risk appetite for Eurozone assets, the EUR continued to gain ground against the USD on a weakening greenback and a brighter outlook for economic activity in the Eurozone.

### A new chapter opened in the Brexit process.

On November 28, the British Prime Minister, Theresa May, accepted in principle the draft of the Brexit divorce bill,

prepared by EU officials requiring the UK to settle accounts with the EU. This eased the transition to a new chapter in the exit negotiations. With negotiations producing results, sterling rapidly appreciated against the dollar. In addition, the Bank of England (BoE) stated that results of the 2017 stress tests for banks indicated that the banking system was robust against even the worst-case Brexit scenario, supporting expectations for the country's economy.

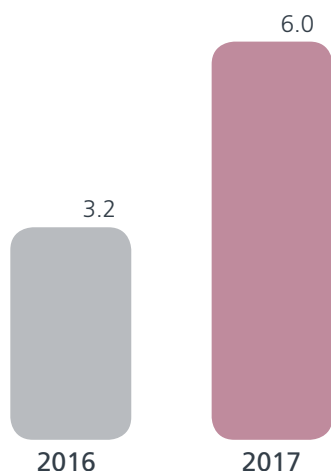
In parallel with the uncertainties in inflation and the movements in sterling, there are mixed expectations for monetary policy. The BoE took the decision to raise its policy rate for the first time in approximately 10 years, from an all-time low of 0.25% to 0.50%.

*OPEC extends production cut in oil.*

*Expectation on Brent crude oil prices*

*60/bbl*  
USD

GDP (%)



### OPEC takes decision to extend production cut until the end of 2018.

Expectations that OPEC would extend its production cut when it met in November as well as political tensions in Saudi Arabia put upward pressure on oil prices. However, lower than expected economic activity in China placed downward pressure on oil prices. The decision taken by OPEC in its November meeting to extend the production cut from March 2018 until the end of 2018 will create an additional upward affect. Brent crude oil prices are expected to hover at around USD 60/bbl in the coming period.

### Growth in Turkish economy is exceeding expectations.

The Turkish economy posted 11.1% YoY growth in the third quarter of the year, according to the chain linked volume index, notching up its strongest growth performance in the last 6 years. This data reflects a revival in domestic consumption and investment spending with the contribution of government measures, as well as the low base effect. According to seasonally adjusted figures, the Turkish economy grew by 9.6% in the third quarter.

As TurkStat revised its growth rates for the first and second quarters to 5.3% and 5.4%, respectively, the growth rate in the first nine months of the year came in at 7.4%.

An analysis of GDP with the expenditure approach finds that personal consumption expenditures were the biggest contributor to growth, adding 7 points to the overall rate. This contribution was the result of significant increase in households' consumer durables expenditures as a result of demand being brought forward with some tax discounts ending in the last quarter of the year, and as a result of low base effect.

Following personal consumption expenditures, the second biggest contributor of the growth was investment expenditures with a contribution of 3.6 points in the third quarter. A 15.3% YoY increase in machinery and equipment

investments, which had decreased on annual basis for the last 4 years, played an important role in this contribution.

After having contributed 1.4 percentage points to growth in the first nine months of the year, net exports continued to support growth in the third quarter, albeit to a more limited 0.3 points.

It is estimated that the economy grew by around 6.5% in 2017.

### 10% growth in industrial production in the third quarter

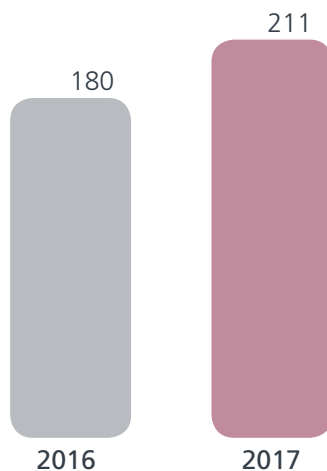
In addition to the increase in production of consumer durable goods on the back of demand driven developments due to the SCT discounts, rapid growth rates were seen in most sectors in manufacturing industry. With the impact of low

*Consumption expenditures continued to contribute to the growth.*

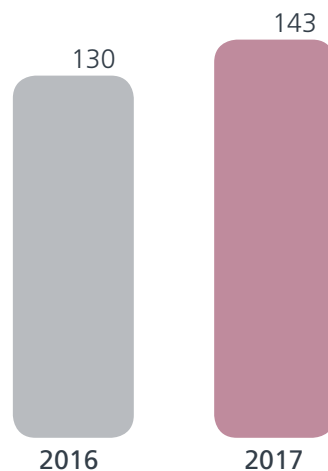
*Expanding industrial production*

*10%*

Imports (USD billion) January-November



Exports (USD billion) January-November



## Macroeconomic Outlook

base effect, industrial production in the third quarter of the year grew by 10% YoY. On the other hand, growth in industrial production is estimated to have lost pace in the last quarter of the year as SCT discounts come to an end and the low base effect gradually faded away.

### Widening foreign trade deficit and current account deficit

Exports and imports increased by 10.4% YoY and 16.9% YoY, respectively, in the January-November 2017 period. The foreign trade deficit is widened by 33.8% while exports coverage ratio decreased from 72% to 68%.

Higher energy prices, trends in the gold trade and strong domestic demand in 2017 were behind the rapid rise in imports. A recovery in Europe's economies, meanwhile, was positively reflected to Turkey's exports performance.

The increased foreign trade deficit exacerbated the rise in the current account deficit. Although this was mitigated by rising tourism receipts, portfolio investments lost pace to some extent, in parallel with the decline in the public borrowing trend. Direct investment, on the other hand, continued to exhibit a weak performance.

The current account to GDP ratio, which was 3.8% in 2016, is expected to have increased to 4.5% in 2017.

### Annual inflation reaches 11.92%.

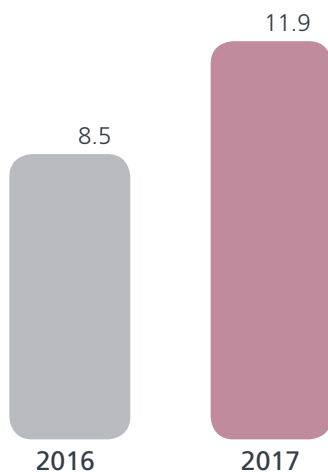
As a result of upward pressures that have been observed since the beginning of 2017, the annual rate of CPI inflation was realized at 11.92%, with inflation ending the year in double digits for the first time since 2011.

*Direct investment continued to exhibit a weak performance.*

*Current account to GDP ratio*

**4.5%**

CPI (%)



An analysis of the impact of consumption groups on the annual rate of inflation finds that the steepest increase in prices was realized in the transportation sector, at 18.25%, and for food, at 13.79% in 2017.

### Central Bank tightened stability measures towards the end of the year.

Within the scope of its mission definition, the Central Bank of the Republic of Turkey (CBRT) tackled inflation by deploying monetary policy tools, while it also sought to ensure financial stability. Although the CBRT offered confidence to the markets by preventing the sharp movements in the exchange rate which were not indicative of economic realities, and with its efforts to stabilize the Turkish Lira, the currency demonstrated a negative performance against the currencies of other developing countries.

The Central Bank did not alter its policy rate throughout the year, which remained at 8%. With the improvement in inflation expectations and pricing behavior, the Central Bank shifted all of the CBRT funding to the Late Liquidity Window with effect from November 22, 2017. In doing so,



the Bank increased the weighted average funding cost by 25 basis points to 12.25%. The Bank then raised the lending rate from 12.25% to 12.75% within the framework of Late Liquidity Window facility in December.

### Looking ahead to 2018...

Leading indicators and the PMI indicators for global growth in the fourth quarter of 2017 show that growth in developed and developing economies continued. In its Economic Outlook report published at the end of November, the Organization for Economic Co-operation and Development stated that the improvement in the global economy continued to gain momentum and became broadly based. The OECD expressed set out its growth projections of 3.7% for the world, 2.5% for the USA and 2.1% for the Eurozone. The OECD projects 1.2% growth in Japan, 6.6% growth in China and 4.9% in Turkey.

The central banks of developed countries, predominantly the Fed and the European Central Bank, continue their normalization steps in monetary policies. Geopolitical developments regarding the Middle East and North Korea and the reflection of protectionist statements regarding foreign trade on implementation stand as the main risks

facing the benign global growth outlook. In addition, the legislation of tax reform in the USA could be perceived as a positive development for the global economy. Although the level of oil prices following OPEC's decision to extend the production cut is seen as possible factor that could distort the stable trend in inflation, the potential for an increase in oil production in the USA, in case of a strong upward movement in prices, limits the risk of a rise in oil prices.

In Turkey, attention will be on developments to ease the impact of geopolitical and political negativities on the economy, the growth in private investment and industrial production, the shifting growth composition to investment-export axes and settling down into a sustainable growth model. Taking inflation back to single digit levels and bringing the exchange rate to an even keel will be important steps in this process. In parallel with increasing capital flows to developing countries as a result of the global risk appetite and lowering geopolitical risks in the coming period, portfolio inflows into Turkey, strengthening the supportive effect of tourism, an improving global growth outlook and supportive trend of real exchange rates are expected to have an impact on export driven growth.

	2015	2016	2017 (E)
GDP growth, %	6.1	3.2	6.0
CPI Inflation (e.o.p.), %	8.8	8.5	11.9 <sup>1</sup>
CPI Inflation (average), %	7.7	7.8	10.14 <sup>1</sup>
CAD (USD billion)	32	33	38
CAD, % of GDP	3.7	3.8	4.5
TL/USD (e.o.p)	2.91	3.53	3.77 <sup>2</sup>
TL/USD (average)	2.72	3.02	3.64
TL/Euro (e.o.p)	3.18	3.69	4.52 <sup>2</sup>
TL/Euro (average)	3.02	3.34	4.14 <sup>2</sup>
Basket (e.o.p)	3.04	3.61	4.14
Basket (average)	2.87	3.18	3.89 <sup>2</sup>
Euro/USD (e.o.p)	1.09	1.05	1.20
Euro/USD (average)	1.11	1.11	1.14 <sup>2</sup>
Money market rates, %	10.3	8.3	11.8
TL Risk Free Rate (10 year)	10.7	11.4	12.0
USD Risk Free Rate (30 year)	5.7	6.7	6.0

<sup>1</sup> as per TurkStat

<sup>2</sup> as per CBRT

# Sectoral Review

The first legal regulations regarding private equity in Turkey were put in place by the Capital Markets Board in 1993.

## An overview of Private Equity Legislation in Turkey

Public institutions took the first steps to establish a private equity sector in Turkey. However, the first significant private equity was only seen in Turkey after some private equity funds based abroad started to invest in the country.

The first legal regulations regarding private equity were drafted by the Capital Markets Board. The Capital Markets Board paved the way for private equity to be formed as investment trusts in its communiqué numbered Serial: VIII, No: 21 which was published on July 6, 1994. Furthermore,

Investment Funds Communiqué, which was published in issue 28870 of the Official Gazette, dated January 2, 2014.

## Global Merger and Acquisition (M&A) Markets

According to Mergermarket.com's 2017 Global and Regional M&A report, the volume of global M&A transactions exceeded USD 3 trillion for the fourth time in a row, at USD 3.15 trillion in 2017. The volume of M&A transactions was decreased by 3.2% YoY in 2017.

A decline in annual transaction volume was observed in the US market for the second time in a row. Transaction volume, which had stood at USD 1.5 trillion in 2016, declined to USD 1.3 trillion in 2017 with a total of 4,951 transactions.

*The volume of global M&A transactions was USD 3.15 trillion in 2017.*

*Total amount of transactions completed in the Turkish M&A market as of year-end 2017*

*USD  
10.3  
billion*

the income of private equity companies established in that manner was exempted from corporation tax and income tax stoppages.

Principles regarding private equity investment trusts were regulated in line with the Capital Markets Board's Principles on Private Equity Investment Trusts Communiqué numbered Serial: III, No: 48.3. These principles covered founders, foundation procedures, recording the shares in the Capital Markets Board, public offering, governance and the qualifications of managers, areas of activity and portfolio limitations and information to be released periodically within the scope of public disclosure.

The legal basis regarding private equity investment funds was formed for the first time in Turkey within the scope of amendments introduced with Capital Market Law numbered 6362 which was enacted after being published in issue 28514 of the Official Gazette dated December 30, 2012.

Within the scope of the authority provided to the Capital Market Board by the Capital Markets Law, the principles regarding the foundation of these funds, their activities, their sale to qualified investors and their activities were regulated in detail in accordance with the Principles for Private Equity

The Asia Pacific Region M&A market, in which the Chinese M&A market accounts for 49.1%, broke its own record in 2017 to reach a transaction volume of USD 673.5 billion. In Europe, where economic recovery was observed on the back of increasing GDP and employment figures, there was an increase of 14% in transaction volumes when compared to 2016, with 7,235 transactions realized worth a total of USD 929.3 billion.

When 2017 transactions are analyzed on a sector-by-sector basis, transactions in the energy and mining services, industry and chemicals sectors accounted for the majority of transaction volumes.

Cross-border transactions were decreased by 1.3% YoY in 2016, ending the year at USD 1.32 trillion.

The transaction volume of cross-border investments reached their highest level since 2014, with a 41.9% share in global M&A transaction volumes, despite a slight 1.3% YoY decrease in 2017. Due to the uncertainties facing many regions of the world, investors shifted to different geographical areas in order to diversify their risks, thereby increasing the weight of cross-border investments.

### Turkish M&A Market

According to the 2017 M&A Transactions Report prepared by Deloitte, a total of 298 transactions amounting to USD 10.3 billion were completed in the Turkish M&A market in 2017 (246 transactions in 2016).

Despite the macroeconomic and political risks in Turkey, a total of 298 transactions took place in 2017 and total transaction volumes increased by 41% compared to the USD 7.3 billion low recorded in 2016, indicating a recovery in 2017, despite remaining low when compared to the pre-2016 period.

In terms of the number of transactions, technology, internet and mobile services and energy sectors accounted for 45%

volume. Privatizations posted a volume of USD 0.7 billion with 14 transactions among the M&A transactions completed in 2017. Most of these transactions were in the energy and infrastructure sectors and contributed 7% to the transaction volume.

The transaction volume of foreign investors increased by 45% to USD 5.5 billion compared to 2016, when one of the historical bottoms was seen, while the number of transactions continued to decline and 2017 was the year of the lowest number of foreign transactions in the last ten years. The share of foreign investors in the transaction volume of 2017 was 53% (2016, 52%) similar to the previous year.

Although it was observed that financial investors, whose transactions have been declining in the last few years, had a

*technology, internet and mobile services, and energy sectors were in the spotlight*

*Global M&A and purchasing volumes in 2017*

*USD  
3.15  
trillion*

of the total transactions. In terms of transaction volumes, energy, infrastructure and financial services were the top 3 sectors.

In 2017, 91% of transactions had a value of USD 100 million or less and these transactions corresponded to 28% of total transaction volume. The top 10 transactions, on the other hand, had a 50% share in total transaction volumes in 2017. The average transaction volume in 2017 stood at USD 35 million.

The first of the top 10 transactions in terms of transaction volume in 2017 was the OMV Petrol Ofisi deal. Transactions in the energy sector play an important role in transaction

cautious and selective strategic stance in 2017, investments and exits of local funds' and fundraising preparations kept the market moving.

Financial investors had a 22% share in total investments in 2016, a level that was maintained in 2017, at 25%. The transaction volumes of financial investors were increased by 63% from USD 1.6 billion to USD 2.6 billion. Due to an increase in private equity and angel investments, the number of transactions by financial investors was increased by 46% YoY to 146 transactions in 2017. While 112 of these 146 closed deals were being carried out by venture capitals and angel investors, private equities acted in a risk sensitive manner and completed the year with 34 transactions.

### Transaction values of M&A deals in Turkey (2017)

Range	% Share of Total Number	% Share to Total Value
Over USD 500 mn	1	31
USD 250-500 mn	2	20
USD 100-250 mn	6	21
USD 50-100 mn	7	13
Below USD 50 mn	84	15
Total	100	100

Source: Deloitte M&A Transactions Value Range (2017)

# *Our Business Model*

## *Our Investment Philosophy*

**Our investment philosophy is based on our following goals, to help companies to meet their long term targets, to support them in reaching their potential and therefore, to create value for their shareholders.**

- İş Private Equity, together with the Company management, determines strategies that will create value for the Company. İş Private Equity's aim is to enable the Turkish companies it enters partnership with to compete not only in Turkey but also in international markets. The primary value creation strategies that İş Private Equity pursues for its portfolio companies are to help them grow organically or by acquiring new companies to create competitive advantage, to

help increase their operational efficiency, to help them enter new markets and to assist in forming the best available capital structures.

- İş Private Equity is one of the private equity funds active in Turkey and has a proven historical performance. İş Private Equity has a wealth of experience in meeting the needs of companies during different phases of their institutionalization and growth processes without intervening in the daily operations of the companies.

*Strong Cooperation with the Entrepreneurs - A Strong Future for the Companies*



## *Our Investment Criteria*

İş Private Equity's criteria for the companies that it will invest in can be summarized as follows:

1. The expectation of a high return
2. A realistic growth expectation
3. Operating profitability
4. A strong, experienced, innovative and highly energetic management team who are integrated with their business and

who can take decisions rapidly

5. Sustainable competitive power with market share and branding, a business plan which is realistic and difficult to imitate, products and services that are genuine and which have a competitive advantage
6. Exit opportunities (sale to a financial/strategic buyer, public offering, sale to current shareholders)

## *Our Investment Strategy*

**İş Private Equity's competence in developing solutions which meet the requirements of each project's specific structure is a product of its investment strategy, which is both focused and flexible.**

İş Private Equity enters partnerships, through a minority or majority shareholding, with companies with a successful historical performance under their belt, which have a growth oriented vision and which are medium sized enterprises in a growth phase. In case the investment amount exceeds the determined project value, the Company may cooperate with

a highly value added investor which has the same vision.

İş Private Equity determined its geographical focus as companies based in Turkey, but preferably with connections abroad.

İş Private Equity prefers to invest in sectors that are large and are continuing to grow rapidly while being not affected by cyclical changes.

The investments that are undertaken are generally in the forms of growth focused capital, project based restructurings and acquisitions. The exit strategy, on the other hand, is determined by prioritizing a strategic exit.

# *İş Private Equity's Distinguished Advantages*

## *Strong Execution Capability*

- Wide experience in structuring complex transactions
- Comprehensive assessment activities
- Cooperation with competent legal advisors, financial auditors and other sectoral advisors
- The opportunity to reach reliable information
- Collaborations that co-investors have confidence in
- Strong relations with banks and financing opportunities

## *Project Creation Ability*

- The competitive advantages brought by prioritized access to projects: The majority of projects that are analyzed invested in by from İş Private Equity

### *Value for Companies in the Portfolio*

- Value creation strategies: Entering new markets, strategic direction, operational improvement
- Proactive, discipline management and active control
- Healthy structuring of internal processes
- Enhancing management and execution with experienced advisors and managers
- Establishing best practices in corporate management standards

### *Local Know-How and Enterprise*

- Local Know-How and Wide Experience in the Private Equity Sector
- A manager pool with operational expertise in private equity portfolio companies and an investment team comprised of professionals who are loyal to each other and who combine a global vision with local know how
  - A wide knowledge of Turkish accounting standards and law
  - As one of the longest established funds, the ability to meet the needs and expectations of SMEs - an ability developed by sectoral know how and market perception
  - The respect and trust commanded by the investment team, which has adopted the business culture in Turkey and which is recognized for its strong expertise among the partners of the target companies.
  - Ability to access other funds

### *A Proven Historical Performance*

- The number one in the sector with 17 investments and 11 exits
- A high compounded return and multiple

# Investments and Exits



İş Private Equity aims to examine projects for medium sized companies in Turkey.

İş Private Equity examined 2,751 projects in total in its project assessment process between 2000 and 2017 to determine projects that meet its investment criteria. İş Private Equity invested in 17 companies during this period.

A look at the project resources shows that most of these projects were assessed directly by İş Private Equity's own initiative.

The 17 investments undertaken between 2000 and 2017 had a total volume of USD 148.5 million, while the total volume of the 11 exits was USD 72.5 million.

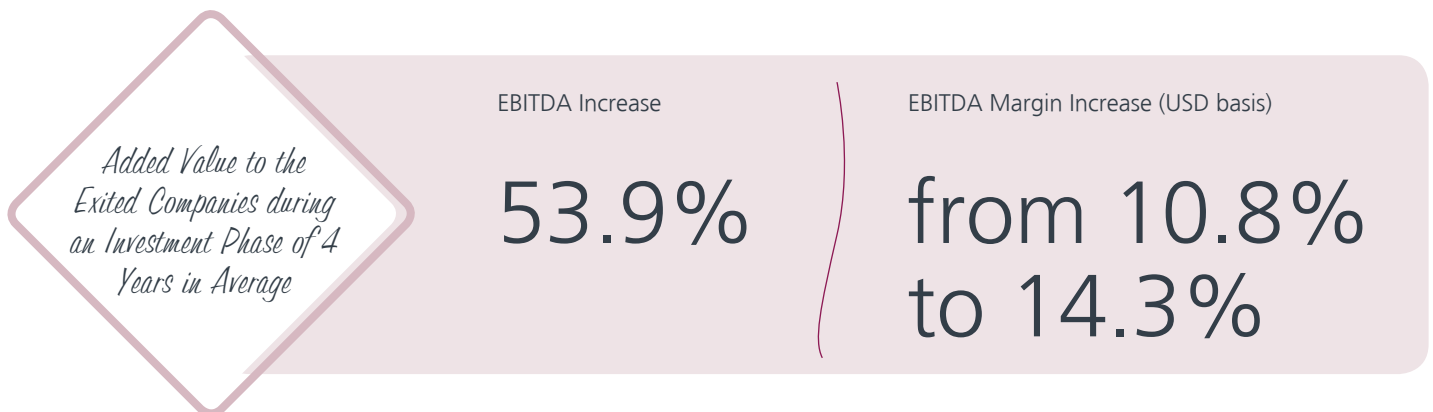
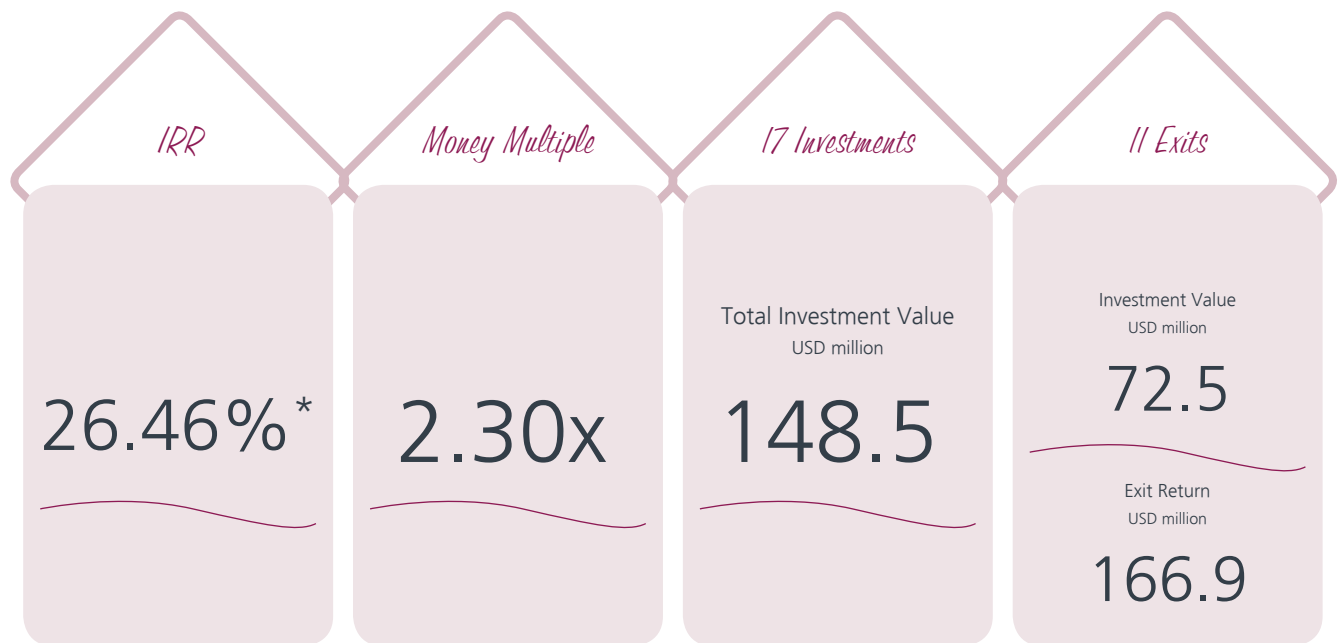
İş Private Equity attracts attention with its investments to the companies in its portfolio.

İş Private Equity provided high returns to its shareholders thanks to successful exits.

İş Private Equity's exit return was USD 166.9 million as of December 2016. Compounded return of İş Private Equity's exits, on the other hand, is 26.46%.

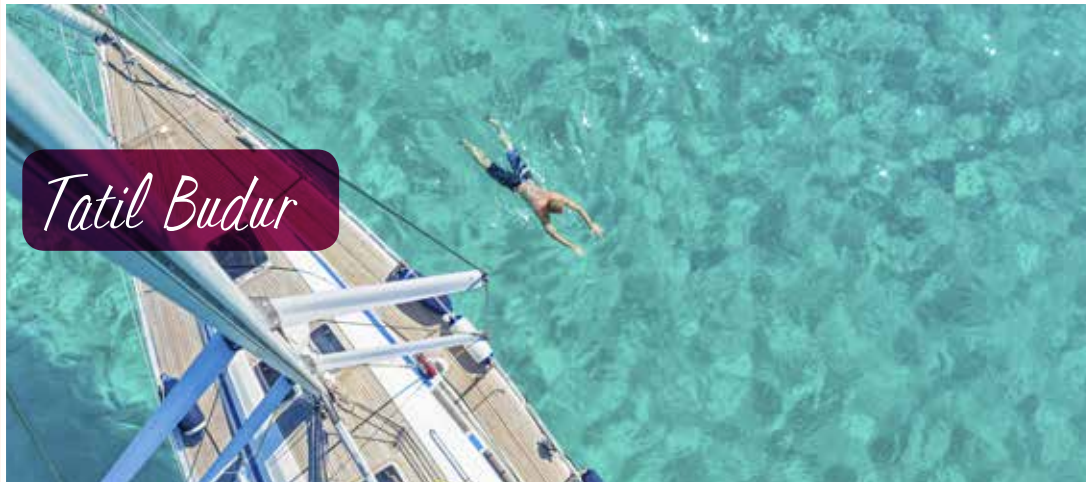
As a result of exits, the realization multiple stands at 2.30x in USD basis.





\* According to data from Cambridge Associates, the 10-year average internal rate of return of limited partners in world private equity funds as of June 2017: 9.94%.

# The Companies in Our Portfolio







# Tatil Budur

(Tatil Budur Seyahat Acenteliği ve Turizm A.Ş.)

*Tatil Budur, founded in 1997, is one of the keystones of the Turkish tourism industry. Tatil Budur offers services for summer tourism, international tourism, culture and congress tourism in 64 cities.*

www.tatilbudur.com, which had 35 million visitors in 2017, a 24/7 service call center, a wide-reaching agency network and Tatil Budur MICE, oriented to corporate customers, are the focal points of the service provided to customers by Mika Tur.

Tatil Budur offers a wide product portfolio ranging from individual services to mass tourism, with 2,500 domestic and 150,000 international hotels. Tatil Budur is focused on meeting the travel needs of customers in the broadest sense, with the www.tatilbudur.com, which is visited every year by millions of people, the 444 0 484 call center, customer services and authorized agencies.

Having achieved 50% growth in the domestic tourism branch between January-September 2017, the Company is continuously expanding its customer base and continues to enhance the service offered to its customers with innovations that offer high customer satisfaction.

As of the end of 2017, İş Private Equity held a 20% partnership with Mika Tur.





## *From the General Manager of Tatil Budur...*

### **A well-established brand that offers integrated solutions for individual and corporate travel needs**

As one of Turkey's long-established brands with 20 years of experience, we meet all of the travel needs of our individual and corporate customers on an end-to-end basis. With our diversified hotel portfolio, visa and transportation services, domestic and international tours, plane ticket supply and MICE (meeting, incentive trip, Congress, exhibition) services for institutions, we are one of the three largest national travel agencies.

Thanks to our projects focused on customer satisfaction, we increase our competitive power by combining our broad product range and multiple sales channel strategy with high service quality. We are at the side of our individual customers with our website, visited by approximately 35 million people in 2017, ([www.tatilbudur.com](http://www.tatilbudur.com)), our 24/7 Call Center and agency network spanning 64 cities, and our corporate customers with our Tatilbudur MICE brand.

We achieved 50% growth in the domestic tourism sector January-September 2017, which has grown by 25% compared to the same period of the previous year, thanks to the priority given to brand strength, institutionalization, technology and human resources in line with our strategic goals. In our brand investment process, which started with the change in logo and continued with the 360 degree marketing communication, our Tatilbudur early reservation TV commercial was selected as the best in its class in four different categories, and the most effective TV commercial ever made in the travel sector (source: Google Brand Lift Survey, March 2017). On the other hand, we became the local travel agency to achieve the greatest increase in brand awareness in 2017 (source: Akademetre, October 2017).

Our goal, as we have communicated with all of our employees, is to be Turkey's biggest digital-travel operator, and to be one of the two biggest travel operators in Turkey by 2020.

### **The unique experience and knowledge of Iş Private Equity...**

Undoubtedly, the biggest pillar of support we have relied on as we head towards this goal has been Iş Private Equity, with its unique experience and knowledge in the Turkish market, which has provided such valuable support to myself and my team with its active Board of Directors and members of the Executive Committee. While online sales accounted for 5% of our total turnover prior to Iş Private Equity's investment, this proportion rose to 15% by the end of 2017. One of our main goals is to increase the ratio to 25% within the next three to five years.

I would like to thank all of our employees, business partners, customers and shareholders for their contribution to the success story we achieved in 2017.

Cenk Angın  
General Manager



# Radore

(Radore Veri Merkezi Hizmetleri A.Ş.)

*Radore, the individual and corporate data center services provider that İş Private Equity invested in during 2014, continued to grow in 2017 and sustained its healthy development.*

Founded in 2004, Radore, an independent company in the Turkish data center sector, continues to grow in server hosting, server leasing, cloud services, web hosting, CDN and management services with its advanced technical infrastructure.

Achieving 30% growth in 2017, Radore provides data center solutions to nearly 4,000 individual and corporate customers with a staff of 76 personnel.

Radore holds the ISO 9001, ISO 27001 and PCI DSS certifications and has 1,050 m<sup>2</sup> of server space with a capacity of 10,000 servers.

İş Private Equity's' share in Radore stood at 25.50% at the end of 2017.



## *From the General Manager of Radore...*

### **Turkey's fastest growing independent data center**

Founded in 2004, Radore is Turkey's fastest growing independent data center. With its technical infrastructure designed to meet critical business applications, Radore provides its customers with server hosting, server and hardware leasing, cloud services, managed services, CDN, domain name and shared Web Hosting Services.

Radore holds quality and security certifications such as PCI/DSS, ISO 9001, ISO 27001, and continues to grow with its 76-strong team and a data center with a capacity of about 10,000 servers, serving more than 4,000 people and institutions as of the end of 2017.

### **The partnership with İş Private Equity has been the driving force of our growth.**

Radore achieved a 30% rate of growth in 2017 through institutionalization and successfully implemented its growth strategy which started with the İş Private Equity partnership.

In addition, the Company's high value-added services such as cloud services and managed services required by companies in the digital transformation processes have grown by over 100%, adding a clutch of important corporate firms from different sectors to its references.

Radore, a modern data center, provides an IT infrastructure with high standards for server, storage and network technologies that would not be possible for businesses to keep on their own. In order to meet this need in their own structure, enterprises that need to undertake investments may benefit from Radore and receive professional services at reasonable cost. With its flexible and rapidly scalable infrastructure, Radore is in a position to continuously meet the demands of businesses for high performance, such as increasing or decreasing the amount of servers or storage used within hours.

Disorganized structures in many enterprises reveal the need for centralized storage of all data and access from any point in the same way. Radore, a software-defined data center, provides the opportunity to continuously view and check movements of the data with the increasing amount of data and communicates issued for the hosting of the data in the country.

Radore works tirelessly to increase its service quality by adopting internationally recognized service management standards. In addition, the rapid growth in high value added services at Radore, which maintains its efforts on new products and platforms, is expected to continue in the same way in the coming years.

We would like to thank all of our stakeholders, especially the valuable employees at İş Private Equity, who have led our activities with an active management approach and provided a significant contribution to the formation of the organizational structure.

Sadi Abalı  
General Manager





# İYİ Group

(Istanbul Food and Beverage Group)

*İYİ Group, a value-creating brand in the gastronomy sector, which İş Private Equity entered cooperation with in 2012, maintains its competitive position in the market with its strong brands.*

Established in 1996 under the guidance of Mehmet Gürs, İYİ Group includes the following brands:

- Mikla
- Numnum Cafe & Restaurant
- Trattoria Enzo
- Kronotrop
- Terra Kitchen

With its concepts ranging from fast and comfortable meals to fine dining, İYİ Group offers different and innovative products and services to its customers in all segments of the gastronomy sector.

As of the end of 2017, İş Private Equity held an 83.57% stake in the İYİ Group.



İSTANBUL  
YİYECEK İÇECEK  
GRUBU



## *From the CEO of the Istanbul Food and Beverage Group...*



### **The trendsetter of the gastronomy sector**

The Istanbul Food and Beverage Group (İYİG), founded in 1996 under the leadership of Mehmet Gürs, has become a trendsetter in the gastronomy sector with the brand and concepts it has created over time.

By 2017, our Group continued to offer its customers a range of mouth-watering cuisine choices at its 17 service points in Istanbul, Ankara and Bursa, including the franchise businesses, with the Mikla, Numnum, Trattoria Enzo, Terra Kitchen and Kronotrop brands.

The main factors elevating this group as one of the pioneers and driving forces of the industry have been the sustainable agricultural support in production and the supply chain, from the farm to the table, the avoidance of industrial raw materials "as much as possible" and its commitment to ethical values in trade.

### **Iş Private Equity partnership has provided us with significant gains.**

With the exception of world chain brands, the "individual investor-individual brand" scale, which dominates throughout the sector, changed direction with the İYİG investment undertaken by Iş Private Equity in 2012 and it has become a role model for other stakeholders in the sector.

In 2016, Iş Private Equity increased its share in Numnum Yiyecek ve İçecek A.Ş. to 83.57% through a capital increase. The most important gains in this cooperation are strengthening the corporate and financial structure, the establishment of healthy and rapid working management information and reporting systems, the appointment of staff specialized in cash flow and budget management, increasing efficiency in operational processes and the establishment of accurate and strategic investment analysis. As a result of these gains, we tripled our operating profit in 2017. Our goal is to continue to increase this profitability in 2018.

### **We have received the fruits of our labors, especially with the awards our brands have received and the performance shown.**

Positive outcomes of this synergy include the listing of Mikla, the jewel in our crown, in the world's top 100 restaurants for a third year in a row, where it raised its ranking to 51<sup>st</sup> place as the only restaurant in Turkey to have been awarded the 4 PEARLE prize in the first "Pearly Gastronomy Guide" of Turkey, with our Kronotrop brand become the leading brand in the third wave coffee trend. Meanwhile, the Mürver Restaurant, which we provide consultancy services to, was listed as one of Turkey's top 30 restaurants in the Pearly Gastronomy Guide before it had even completed its first year of operation.

As a result of the strategy workshop held in 2017, important targets have been set for the companies to branch out and develop the franchise system in the national and international arena over the next five years.

As the CEO, I believe that will continue to build on the synergy that has been formed in recent years together with our Board of Directors and my colleagues, and I would like to thank all our stakeholders for their efforts.

Respectfully yours,

M. Necil Oyman  
CEO



# *İYİ Group*

## *(Istanbul Food and Beverage Group)*

### About İYİ Group brands...



#### Mikla

Mikla “from Istanbul” started its operations in October 2005. It is located on the top two floors of the Marmara Pera Hotel (Beyoğlu, Istanbul), and combines traditional and universal cuisines with presentation and music and a view of the historical peninsula. In addition to international rankings, Mikla is frequently recognized as one of the “100 best restaurants in the world” in gastronomy blogs and websites.



#### Numnum Cafe & Restaurant

Featuring fine American and Italian cuisine, the Numnum Cafe & Restaurant has a family restaurant concept where good food is offered fast at affordable prices. The Numnum Cafe & Restaurant opened its first branch in the Maçka G-Mall in October 2003, and now has nine successful branches in Istanbul (Levent Kanyon, Ümraniye Meydan, Ataşehir Brandium and Akasya Acıbadem), Ankara (Panora, Gordion, Tepe Prime, Armada) and Bursa (Podyum Park).

*one of the world's top 100  
restaurants*

*Serving from 10 branches*





### Trattoria Enzo

Trattoria Enzo, specializing in Italian home cooking, opened its doors at Akasya Acıbadem in March 2014. The restaurant, which stands out with its range of fresh and tantalizing options, sets itself apart with its price and quality balance.



### Kronotrop

Included in the structure of the İYİ Group in 2014, the 3<sup>rd</sup> generation coffee shop, Kronotrop, offers an outstanding coffee experience with its branches in Cihangir, the Allianz Tower, Orjin Maslak Plaza and the international terminal at Atatürk Airport. Kronotrop is ranked as one of the world's top 25 coffee shops, according to Buzzfeed, the popular news-blog site.

*Fresh and tantalizing flavors*

*One of the 25 best coffee shops in the world*



### Terra Kitchen

Terra Kitchen started serving customers in 2014 with a philosophy of "eat good food, feel good". Terra Kitchen differentiates itself with its fresh produce and attractive options which do not use industrial food. It has two branches in Istanbul, one in Allianz Tower and one in Orjin Maslak.





# Sportive

(Toksöz Spor Malzemeleri Ticaret A.Ş.)

*Sportive, one of Turkey's leading retailers of sportswear, maintains its steady growth performance.*



**sportive**

Sportive was founded in 1985. The company, whose growth has gained momentum with the investment from İş Private Equity, welcomed 8 million customers to its 27 stores in 2017.

In 2017, when end-to-end restructuring efforts were completed, sales through the [www.sportive.com](http://www.sportive.com) portal continued to grow with the internet channel recording 66% expansion in 2017, while its share in total sales reached 6.5%.

İş Private Equity increased its stake in Sportive to 88.27% in May 2017.

## *From the General Manager of Sportive...*



### **Turkey's largest retailer of sportswear**

The year 2017 was the year we completed our commercial, operational and organizational restructuring for the Sportive brand, which embraces sports from a 360 degree perspective and is the largest local player in Turkey's Sports retail market.

With Iş Private Equity increasing its share in the company to 88.3% in May 2017, we rapidly increased our momentum and raised our operational profit in June.

As Turkey's most popular multi-brand sports retailer, we currently serve 8 million customers a year in 14 provinces from Van to Çanakkale, from our 27 stores and 16,000 m<sup>2</sup> of retail space. In 2017, we opened new stores at 4 major shopping malls in Istanbul. We have completely renewed our existing stores with arrangements that will increase sales. Thus, we increased sales per unit area from TL 4,800 per m<sup>2</sup> to TL 7,120 per m<sup>2</sup> of retail space.

Our annual sales in our seasonal stores increased by 16.8% YoY. We aim to increase operational profitability by 20% in 2018, when we will see the full results of our 2017 investments. With the exclusive sub-distributor agreement signed with the world-famous Puma brand, we have become the only authorized dealer of two of the largest brands in the sector.

By serving 850 wholesale and corporate customers and 315 sports clubs, we increased our wholesale turnover by 26.6% YoY in 2017 and our operational profit by 29.9%. Our goal is to maintain similar rates of growth and profitability in 2018.

Sales over the sportive.com.tr portal were increased by 65.9% YoY, elevating the share of online sales in the total to 6.5%. It was the first Turkish brand to receive the "success story" award by Magento, the e-commerce web application used by more than 150,000 businesses worldwide in 2017. We plan to achieve a 40% expansion in sales through sportive.com.tr in 2018 and increase the share of online sales in the company's total turnover to 8.5%.

### **We value the contribution of Iş Private Equity, with its vast knowledge of the Turkish market.**

With the contribution of Iş Private Equity management, which understands the dynamics of Turkey and is able to move rapidly, we can reach successful results by differentiating ourselves in the sector's competitive environment. The Sportive team will give priority to using this strength in 2018 and to preserving our leadership position in the sector by creating sustainable growth and profitability.

Respectfully yours,

Zeynep Selgur  
General Manager





# Ortopro

(Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.)

*Ortopro, the local manufacturer for the orthopedic surgery industry, started its operations in 2002. The share of İş Private Equity, which joined the company in 2007, had exceeded 90% by the end of 2017.*

Operating from its new generation production facilities in the Aegean Free Zone in Izmir since 2007, Ortopro is one of the most innovative and comprehensive manufacturers of orthopedic implants in Turkey.

The orthopedic implant, trauma and spine surgery market, which is estimated to have an annual size of USD 350 million in our country, continues to be one of the fastest growing business areas in parallel with the aging of the population and the improved access to healthcare in recent years.

Ortopro exports to more than 30 countries. The company's activities in international markets are carried out by a UK based company, Covision Medical Technologies.

As a result of its projects, Ortopro has ensured its products are compatible with world quality standards, with certificates such as ISO 9001 and CE.



**ORTOPRO**  
ORTHOPAEDICS

## *From the General Manager of Ortopro...*

### **One of the foremost domestic manufacturers in the medical devices market**

Founded in 2002, Ortopro was one of the first domestic manufacturers in the Turkish medical devices market. The volume of the medical device market in Turkey reached USD 2.7 billion, based on figures for 2016.

### **İş Private Equity's partnership represents a milestone in the process of realizing our breakthrough.**

After İş Private Equity's investment in 2007, our company moved to new production facilities in the Aegean Free Zone in Izmir, and achieved an important breakthrough.

Ortopro is currently producing the most innovative and comprehensive orthopedic implants in Turkey. Medical products manufactured by Ortopro are used in orthopedic surgical procedures for 10,000 patients per year in Turkey alone.

Knee and hip implants, trauma and spine surgery product groups under the title of Orthopedics are the most expensive segment in the entire medical device field, with a 17% share worldwide. Ortopro produces knee, hip implants, trauma nails, screws, plaques and spinal surgery screws which are used widely in knee and hip joint surgery, with demand increasing due to longer average life expectancy and an aging population. Its products are also used in traumatic injuries as a result of traffic accidents and other accidents that cannot be intercepted in our country, as well as in treatment of sports accidents that are also becoming more common on the back of an increasing quality of life.

The market for orthopedic implants, trauma and spine surgery, which has reached an annual volume of USD 350 million in Turkey, will be one of the fastest growing business areas in the future as a result of the aging population and rapid improvement in access to healthcare.

Ortopro is also active in international markets. Our company carries out its operations for international markets through Covision Medical Technologies, a UK based subsidiary, and exports to business partners in more than 30 countries around the world.

With İş Private Equity as its majority shareholder, Ortopro carried out changes to its management team in Turkey in 2016, with the top management being restructured and strengthened; after restructuring, the company launched new products in 2017, and İş Private Equity provided direction the development of market positions and a new business plan to increase exports and enter new markets, and the organization was strengthened in this framework. Our budget targets were met in 2017 in line with the principle of strict financial discipline.

Finally, after the capital increase, İş Private Equity's share in our company reached 90.63% and its support for the Ortopro brand became stronger. In change process mentioned above, Ortopro has been restructured in line with İş Private Equity's vision for efficient resource utilization, and measures were taken during 2017 to increase the efficiency in logistics management. I would like to thank all our stakeholders for their valuable contributions and continuous support.

Mehmet Özkan  
General Manager



# Nevotek

*(Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş.)*

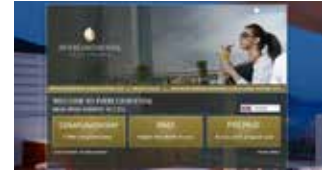
*Nevotek is a strategic partner of Cisco, one of the world's IT giants. Nevotek, which started its operations in 2001, provides software solutions for transporting voice, data and images through Internet based communication infrastructure.*

As well as Cisco, Nevotek has close ties with LG, Samsung and Microsoft. Some of the projects developed by Nevotek in recent years are summarized below.

Nevotek's most important breakthrough in 2017 is the Koridor partnership established in the USA in 2017. Koridor will serve hotels based on a recurring revenue model through cloud-based software. One of the most important features of the product is that hotel guests can choose their rooms at the time of booking.

Nevotek developed a cloud based software for communication devices to determine the location of customers in a hotel and to serve customers through the internet. Within the scope of the agreement signed between Cisco and IHG (InterContinental Hotels Group), hotel guests may reach hotel services by accessing the internet via wireless devices. The project is expected to be rolled out to about 4,000 locations in the IGH global hotel chain over a 5-year period. The installation work for the project is ongoing.

İş Private Equity's share in Nevotek stood at 89.72% as of the end of 2017.



**NEVOTEK**  
The IP Convergence Company

## *From the General Manager of Nevotek...*



### **Nevotek has expanded its product range and target markets with İş Private Equity's investment.**

Having produced integrated solutions focused on "IP telephony" that İş Private Equity invested in between 2003-2006, Nevotek has increased the scale of the target market with the investment and increased the number of the projects it has carried out.

Nevotek works closely with Cisco, LG, Samsung, Oracle and Microsoft. Nevotek's activities for 2017 are summarized below.

- A new company, Koridor Inc., was established in the USA on July 31, 2017 and started operating on October 1<sup>st</sup>. Koridor will serve hotels based on a recurring revenue model through cloud-based software.

In this context, hotel guests can select their rooms at the time of booking. It also plans to offer services allowing reservations of restaurants, meeting rooms, spas, hotel transfers and similar services that hotels may want to sell to their customers, while new projects will be introduced in the reservation, check-in and check-out processes to improve customer experience while offering added value in terms of the ecosystem.

- Installation work in the Intercontinental Hotel Group IHG-Connect project, which started in the third quarter of 2016, continued. With this project, in the cloud environment, hotel customers can access the internet from their wireless devices and benefit from hotel services.

In addition, Nevotek has given special importance to developing new cloud-based products in 2017 and plans to sell them once the development processes of the mentioned products has been completed.

In the last quarter of the year, we started to take important steps towards restructuring in order to create a more effective organizational structure and ensure a healthier financial structure with İş Private Equity's perspective of creating added value in venture companies. We would like to thank our stakeholders for their valuable contributions.

Respectfully,

Arda Ünsal  
General Manager





## *A success story: Frik İlaç*

*The reforms implemented to Turkey's social security system in 2007 provided a significant boost to the health sector.*

Based on 2007 figures, the Turkish pharmaceutical sector is the 12<sup>th</sup> largest in the world and the 6<sup>th</sup> largest in Europe. Social Security reform, which came into force in the same year, envisaged that Turkey's entire population would be covered by social insurance, facilitating access to health services.

Following the expansion of social insurance coverage and the spread of access to the drugs, the market recorded a CAGR of 15% in volumes in recent years.

İş Private Equity, which set the health sector as a target sector, had examined 90 projects in the sector by the end of 2008. The projects covered all sub-branches of the health sector from the production of medicine and medical supplies to patient care.

As a result of the evaluation, one of the three investments undertaken by İş Private Equity in the health sector was Frik İlaç, which operates as a generic drug license holder.

The partnership started in 2008 with the participation of İş Private Equity in a USD 13.4 million investment. The exit process was realized by transferring the shares to the Italian pharmaceutical company, Recordati, for USD 30.5 million in 2011.

İş Private Equity obtained an average annual return of 34.61% from its investment in Frik Pharmaceuticals in US dollar terms.







### Investment theme

The generic pharmaceutical sector has been identified as the most attractive area in the pharmaceutical sector due to;

- its sustainable competitive advantage due to the legal regulations of pharmaceutical licenses,
- its rapid growth trend,
- high entry barriers,
- strong profit margins,
- the potential to benefit from economies of scale,
- being an active field in terms of company sales and acquisitions.

### Strong market position

In the period of review and on its entry into the partnership, Frik İlaç was ranked 37<sup>th</sup> in the sector with 16 pharmaceuticals in its portfolio and was the 13<sup>th</sup> largest domestic pharmaceutical company. According to IMS health

data, the company was the fastest growing company among the significant-sized pharmaceutical companies between 2006 and 2007, and had invested in the future and realized enough applications for new licenses so it could triple its drug portfolio.

In taking this investment decision, İş Private Equity foresaw that those marketing and promotion companies which are successful in generic pharmaceuticals marketing would stand to benefit the most from the expected growth in the Turkish healthcare sector.

İş Private Equity invested USD 13.4 million in Frik İlaç, which had the highest growth rate in the 2005-2007 period, in December 2008.

### Value produced by investment

Shortly after the investment date, the Ministry of Health, which is responsible for more than 90% of drug purchases in the Turkish pharmaceutical industry, started to take various measures aimed at reducing costs, in parallel with global practices.

The Social Security Institution (SSI) has started to implement a universal budget as of 2010, and took control of the price it would pay for total drug purchases, regardless of volumes. Moreover, as a result of the reductions made in 2009 and 2010, prices of drug sales to the SSI fell significantly.

As a result of the changes that have taken place in the pharmaceutical sector since 2009, İş Private Equity has carried out the most comprehensive restructuring of its 17 investments at Frik İlaç, and created high added value.

Due to the measures taken by Turkey's Ministry of Health and the Social Security Institution, the company's gross profit and EBITDA margins were negatively affected for a short period of time like a year, have been taken under control as a result of the comprehensive restructuring of the company.

Frik İlaç gained the position of being the second fastest growing domestic pharmaceutical company as a result of appointing managers with vast experience in international pharmaceutical companies to key top positions, sharing additional costs stemming from negotiations with suppliers and transferring the information processing infrastructure to SAP enterprise resource planning software.

Frik İlaç, which realized a CAGR of 20.5% in TL terms between 2008-2010, became the 34<sup>th</sup> largest pharmaceutical

## A success story: Frik İlaç

company in Turkey (37<sup>th</sup> in 2008) and the 12<sup>th</sup> largest among domestic firms (13<sup>th</sup> in 2008).

### Achievements with exits

In a period when the competition in the pharmaceutical sector increased, domestic and foreign players started to show interest to Frik İlaç as the company expanded its product range and increased its market share. In this process, Iş Private Equity held various meetings with potential investors.

As a result of the evaluation made by Iş Private Equity, due to the potential to provide the most synergy and added value after the transfer, the share of Frik İlaç is sold to the Italian origin Recordati ([www.recordati.com](http://www.recordati.com)), which is one of the suppliers of the company. As a result of the decision of the

other partners in the same direction, the whole of Frik İlaç was sold in September 2011.

Iş Private Equity had a USD 30.5 million return from the exit and an internal rate of return of 34.61% in USD terms. According to 2010 data published by the Cambridge Associates Ltd., which conducts research on the world private equity industry, this ratio is more than twice the 15.9% internal rate of return in USD terms in the emerging markets in which Turkey is located.

One of the most praised successes of Iş Private Equity's experience is the co-founder of Frik İlaç, Ömer Erol Frik has invested in another company in which Iş Private Equity was a partner in the following years.

## Sale to Recordati

## high compound yield

### Highlights from Pharmaceutical Investment

*Field of  
Activity*

Generic Drug

*Exit Amount*

USD 30.5 million

*Investment  
Period*

2008 - 2011

*Return  
(USD IRR)*

34.61% - 2.28x

*Investment  
Amount*

USD 13.4 million

*Exit*

Recordati S.p.A

## *From the Frik Pharmaceutical Partner...*



**"We have preferred İş Private Equity, the most prestigious private equity in Turkey, in our quest for resources in line with our goal of sustaining our rapid and steady growth."**

We are delighted to have established partnership with İş Private Equity, the most prestigious and powerful private equity in Turkey.

With our 60 years of history, we managed to become one of the most rooted pharmaceutical companies in Turkey.

Thanks to the investments we have made and the restructuring we have successfully continued, we were not only among the leading companies in the Turkish pharmaceutical sector but also the fastest growing company in 2008.

We have restructured and strengthened our position in the market. Prior to our partnership with İş Private Equity, we had a real success story. During our partnership, we have carried this success to new heights.

Despite the global economic crisis that affects the whole world, İş Private Equity, which decided to invest in Frik İlaç, is a company that has achieved great success in its field. İş Private Equity's success is evident by the performance of other

companies it has so far invested in. İş Private Equity has also contributed effectively to the continuity of Frik İlaç's growth as a growing company along with the companies it has invested.

In our search for resources to maintain our fast and steady growth, we preferred İş Private Equity, the most respected private equity in our country, and we continued on our way by strengthening with İş Private Equity's knowledge, experience, credibility and capital support. We overcome the difficulties in the sector together with İş Private Equity, which we have always felt support in good times and in difficult times.

Despite the challenging competition environment that emerged under the influence of the global crisis and the regulations in the sector, İş Private Equity gave support to Frik İlaç in order to achieve its goals and our company was ranked as the 3<sup>rd</sup> fastest growing company among Turkish pharmaceutical companies in 2010 according to IMS data.

Consequently, our partnership based on trust and mutual understanding was very successful.

Respectfully yours,

Ömer Erol Frik

# *An Expert Team: Right Analysis, Valuable Investments*

İş Private Equity works to transform investment opportunities into “value” with its team of experts comprising talented professionals who are compatible with the Company’s entrepreneurial spirit and who can move innovative thinking forward. Our investment professionals, who have adopted the Company culture and strategies and who find common ground are one of the strongest teams in the private equity sector with their ability to fulfill a wide array of tasks such as finding resources, analysis, execution of investment transactions, control and exit transactions.



Selami Düz, Berk Tanyeli, Çağla Şekeroğlu and Damla Yılmaz were resigned from our Company within the framework of their duties at Maxis Girişim Sermayesi Portföy Yönetimi A.Ş., established on November 2, 2017.

# Summary of 2017 Operations

## Financial Operations

Funds which are unable to be invested as private equity investments are seized in money and capital markets taking the Company's obligations into account. When doing so, utmost care is given to create a well-diversified portfolio that is structured taking into consideration such weighting and risk parameters as instrument, term, currency unit, yield and so on.

The portfolio excluding private equity investments was invested in TL and foreign currency time deposits, borrowing instruments, investment funds and stocks. In 2017, our cash

portfolio decreased by a total amount of TL 45,250,000 due to capital increase payments of TL 27,500,000 to Toksöz, TL 5 million to Nevotek and TL 17,500,000 to Ortopro, with TL 4,750,000 as a capital commitment.

The Company's financial statements are prepared in compliance with the requirements of CMB communiques concerning capital market financial reporting.

Information about the private equity components of İş Private Equity's long-term financial investments as of December 31, 2017 is provided below.

Company	Stake (%)
Nevotek Bilişim Ses ve İletişim Sis. San. ve Tic. A.Ş.	89.72
Ortopro Tibbi Aletler San. ve Tic. A.Ş.	90.63
Toksöz Spor Malzemeleri Ticaret A.Ş.	88.27
Numnum Yiyecek ve İçecek A.Ş.	83.57
Radore Veri Merkezi Hizmetleri A.Ş.	25.50
Tatil Budur Seyahat Acenteliği ve Turizm A.Ş.	20.00

## Administrative Operations

### Human Resources

As of end-2017, İş Private Equity had 14 people on its payroll. Management personnel are identified in the "Corporate Governance & Risk Management" section of this report.

Our Company has not entered into any collective bargaining agreements. Company employees' rights and entitlements are governed by applicable laws and regulations and by the Company's own bylaws and regulations. Company personnel practices are kept current as circumstances warrant.



## *Summary of 2017 Operations*

### Annual General Meeting

İş Private Equity's Annual General Meeting for 2016 was held on 21 March 2017. Meeting-related announcements were made within statutorily-mandated periods of time via the KAP (Public Disclosure Platform), Türkiye Ticaret Sicili Gazetesi (Turkish Trade Registry Gazette) the Company's corporate website and the e-sirket.mkk.com.tr portal. Decisions of material importance taken at the meeting were concerned with electing members of the Board of Directors, the Company's independent directors, with the Company's dividend distribution decision. At the ordinary General Assembly meeting, it was decided not to distribute the capital increase through rights issues and/or cash dividend from profit for the period. The results of the Annual General Meeting were registered on April 5, 2017.

69.62% of the Company's capital was represented at the Annual General Meeting.

Announcement concerning dividends in the form of cash payments was published via the Public Disclosure Platform.

### Statutory Compliance

None.

### Material Event Disclosures

A total of 24 material event disclosures were published by the Company on the Public Disclosure Platform during 2017.

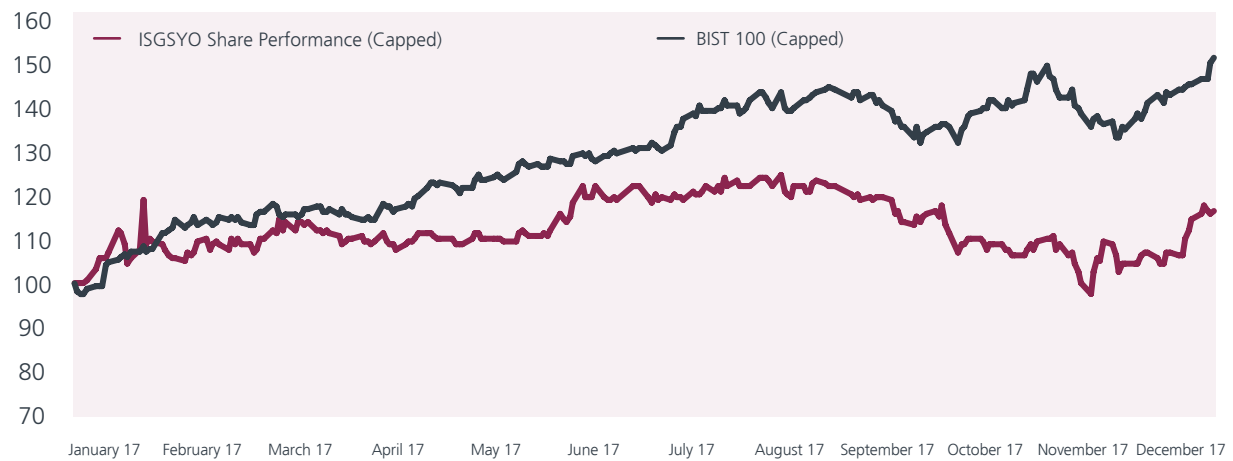
# İş Private Equity at Borsa Istanbul

## Market Value

TL	2017
Share Price*	1.74
Market Value	129,895,315

\* Source: Forex

## ISGSYO Share Price



## Dividend Policy

İş Private Equity Board of Directors has approved a dividend policy which is intended to nourish the Company's portfolio growth while also generating high dividend yields for its investors as a publicly-traded company and which is in compliance with applicable laws, regulations and administrative provisions. This policy calls for:

- a) Protecting the Company's performance against national and international economic risks while maintaining the delicate balance between shareholders' expectations and the Company's growth,
- b) Exiting the private equity investments that the Company undertook in its capacity as a private equity firm with above-target returns,
- c) Paying out dividends in the form of cash and/or registered bonus shares which correspond to at least 30% of distributable profit and which also take the Company's overall profitability into account.

Payments of cash dividends are to be made not later than the end of the second month following the date of the general meeting at which the decision to pay the dividend is passed. Dividends in the form of registered bonus shares are distributed after the instruments' legal formalities have been completed.

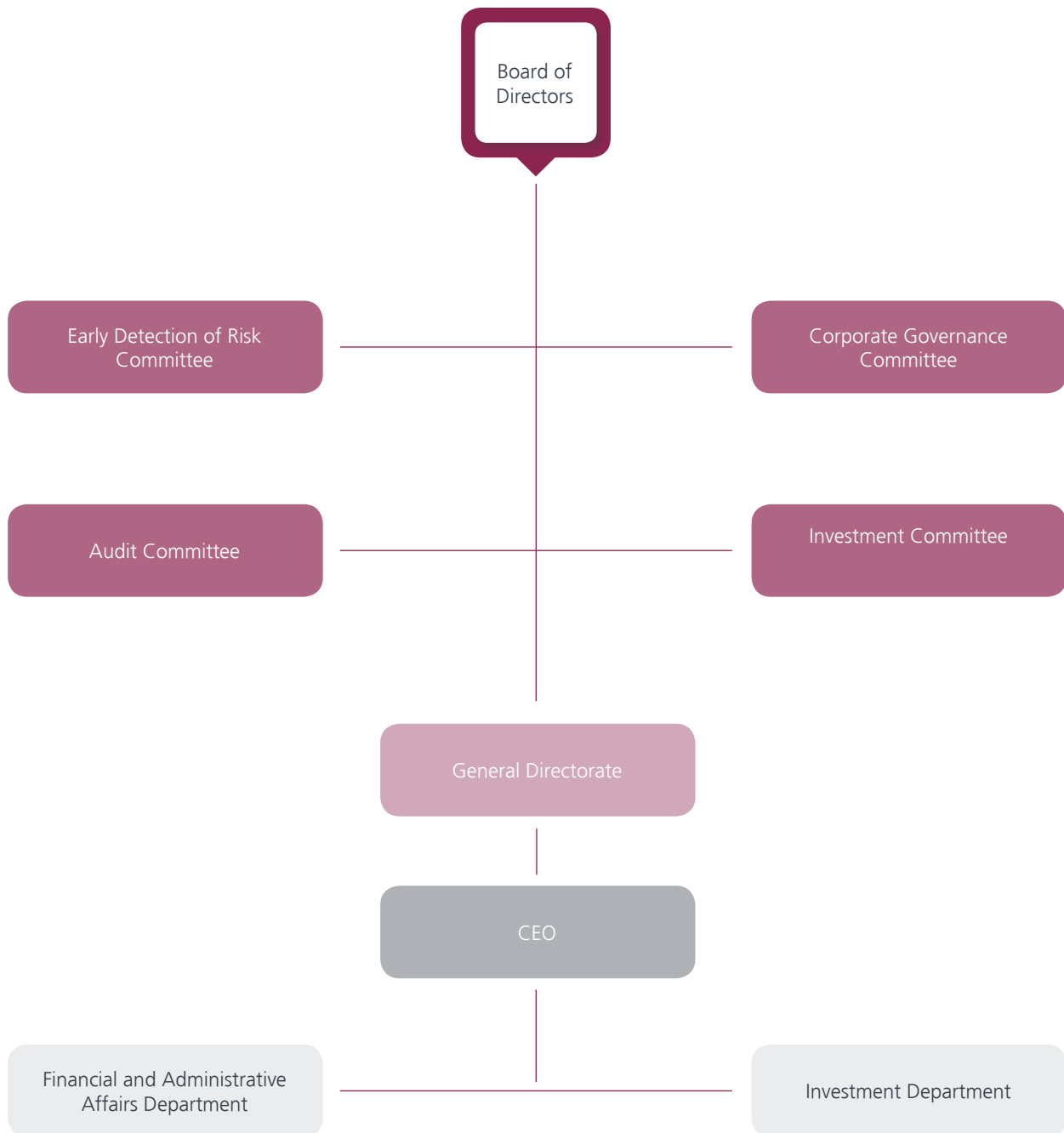
No shares of profits may be allocated to members of the Board of Directors or to Company employees until and unless shareholders' cash dividends have been paid as decided on at a General Meeting.

In the event that the Company exits a private equity investment that it undertakes in its capacity as a private equity firm with above-target returns, it is also the Company's principle to pay its shareholders as much of a cash dividend as possible taking into account both the Company's overall profitability and the constraints of capital market laws and regulations, the Turkish Commercial Code and other applicable laws, regulations and administrative provisions.

## Changes in the Legal Framework during 2017

There were no changes in the legal framework that were of material concern to the Company during 2017.

# Organizational Chart





# Board of Directors

The members of the Board of Directors, who have been elected during the Company's 2016 Annual General Meeting held on March 21, 2017 to serve until the next Annual General Meeting, the external audit firm designated for 2017 and the latest management team is presented below.

There is a member who left the Board of Directors during the reporting period. Meltem Gülsoy, who was appointed on April 3, 2014, has left her office as of November 9, 2017 and on the same date Barış Tunçsiper was appointed as a member of the Board of Directors.

Members of the Board of Directors perform their functions within the frame of the Company's Articles of Association and applicable legislation.

Names, positions and terms of office of the members of the Board of Directors and Company executives are given below. Résumés of the Board members and senior executives are provided under the section Corporate Governance Principles of this annual report.

## Members of the Board of Directors

Name - Surname	Title	Date Elected
Senar Akkuş	Chairman	21.03.2017
Ahmet Mete Çakmakçı	Deputy Chairman	21.03.2017
Barış Tunçsiper*	Member	09.11.2017
Rıza İhsan Kutlusoy	Member	21.03.2017
Volkan Kublay	Member	21.03.2017
Faik Byrns	Independent Member	21.03.2017
Ali Rıza Kutay	Independent Member	21.03.2017

\* Barış Tunçsiper was appointed as a board member instead of Meltem Gülsoy on November 9, 2017. Meltem Gülsoy's term extended from April 3, 2014 and November 9, 2017.

## Independent Audit Company

Güney Bağımsız Denetim Serbest Muhasebeci Mali Müşavirlik A.Ş. (E&Y Türkiye)

## Company Management

Name - Surname	Title	Date Appointed
Alim Murat Özgen	Chief Executive Officer	01.01.2006
Metin Yılmaz	Senior Managing Director	01.12.2015
Süleyman Burak Bayhan	Senior Managing Director	01.04.2016
Burçe Kabatepe	Director	01.04.2016
Koray Doğançay	Director	01.04.2016

# Company's Code of Ethics

İş Private Equity employees abide by a code of ethics in their fulfillment of the Company's mission of "providing management know-how and capital to companies enjoying a competitive advantage and operating in high-growth-potential sectors so that they may carry out projects that will contribute to the Turkish economy".

## İş Private Equity:

- Takes care to conduct its operations within the framework of corporate governance principles.
- Abides by the rule of law and behaves ethically when dealing with employees, shareholders, subsidiaries and all other parties.
- Behaves honestly and abides scrupulously with the rules of fair competition when dealing with other firms engaged in its own line of business.
- For its shareholders seeks to secure returns that are higher than those provided by other investment alternatives through its effective portfolio management and exemplary corporate structure.
- When seeking to secure low-risk/high-yield returns for its shareholders, is generally mindful of the existence of the following attributes in the companies that it invests in:
  - Honest and transparent management,
  - A structure that has high growth potential,
  - The ability to be effectively competitive in its sector,
  - The ability to achieve additional growth in its sector.
- Ensures that the companies in which it invests benefit from İş Private Equity's own knowledge and experience in ways that are the most appropriate to their needs.
- Provides the companies in which it invests with guidance in their business processes so as to foster their growth.
- Assists the companies in which it invests in their efforts to identify and codify company-wise policies and procedures that will develop their corporate structures.
- Takes any and all measures necessary to prevent any conflicts of interest.
- Makes every possible effort to ensure that any information that it compiles and publicly discloses and/or submits to public authorities is accurate, complete and intelligible and is revealed in a timely manner.
- Ensures that shareholders have the timeliest and most economical access to information about the Company.
- Treats every employee as an equal at the Company and provides all of them with a workplace environment that is fair and safe.
- Safeguards employees' dignity and legally-recognized rights.
- Evaluates employees' performance to determine the degree to which targets given to them have been fulfilled.

## İş Private Equity Employees:

- Abide by laws and Company regulations.
- Identify with and safeguard the name and reputation of İş Private Equity.
- Behave judiciously and mindfully in their dealings with each other and with outside parties.
- Avoid any relationship potentially involving personal gain and/or conflict of interest.
- Engage in an ongoing effort to increase their professional knowledge and experience and to improve themselves.
- Are aware of and fulfill their responsibilities to safeguard any information pertaining to the Company that may be of a confidential nature.
- Are scrupulous about the proper use of the Company's assets and resources.
- Are obliged to notify management about any violations of ethical conduct.

# Corporate Governance Principles Compliance Report

## STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Our Company, which is a publicly-held company, achieves compliance with the capital market legislation in the conduct of its operations. The institutionalization concept embraced by the Company's founding partners has been put into life also at İş Girişim Sermayesi (İş Private Equity) that has been incorporated in 2000. The Company maintains its relations with its employees, shareholders and other stakeholders on the principles of equability, transparency, accountability and responsibility. The Company aims to further develop these relations and to spell out these principles in the form of written guidelines to be publicly disclosed within the frame of an institutional approach. In 2012, our Company finalized its efforts to achieve alignment with the compulsory requirements of Corporate Governance Principles. Most of the non-compulsory principles are also implemented, whereas those others that are not implemented do not lead to any conflicts of interest.

Detailed information about our Company's practices in relation to Corporate Governance Principles is presented in the following sections.

	Burcu Perişanoğlu	Diğdem Erdoğan
Phone	+90 212 - 325 17 44	+90 212 - 325 17 44
E-mail	<a href="mailto:bkalender@isgirisim.com.tr">bkalender@isgirisim.com.tr</a>	<a href="mailto:derdogan@isgirisim.com.tr">derdogan@isgirisim.com.tr</a>
License	Third Level and Corporate Governance	-

## Exercise of Shareholders' Right to Information, Appointment of a Special Auditor

In keeping with its public disclosure policy, our Company makes available information that is not of trade secret nature to shareholders within the frame of equality principle. Also, shareholders' information requests are fulfilled to the extent allowed by the legislation, which concern the legal or commercial relationships between our Company and the real or legal persons that our Company is directly or indirectly related with respect to capital, management or control.

Shareholders are electronically informed through the Company's website and the Public Disclosure Platform. No events took place during the reporting period, which would prevent the exercise of shareholding rights. Any events that would affect the exercise of shareholders' rights are publicly disclosed on the electronic environment via KAP and the Company's website. Public disclosures are also accessible on the Company's website. Moreover, necessary announcements

## SECTION I - SHAREHOLDERS

### Investor Relations Unit

The Financial and Administrative Affairs Department carries out the duties of Investor Relations Unit. This department operates under Murat Özgen who is the Chief Executive Officer responsible for Financial and Administrative Affairs. İş Private Equity sought to provide necessary explanations in response to shareholders who requested information concerning the Company, provided these were not of a confidential nature or contained business secrets. The Finance and Administration Department keeps the stakeholders informed about topics that need to be publicly disclosed by submitting material event disclosure forms and financial statements of the Company to the Public Disclosure Platform (in Turkish: KAP) ([www.kap.gov.tr](http://www.kap.gov.tr)). The same information is also posted on the corporate website. A report on the Investor Relations activities has been presented to the Board of Directors on December 21, 2017.

are placed in the Turkish Trade Registry Gazette for topics that are required by the capital market legislation.

The Company's articles of association do not stipulate the request for the appointment of a special auditor as an individual right. While shareholders are entitled to request a special audit as per the legislation, no such requests were received during the reporting period. In addition to those, the external audit firm designated by the Company's Board of Directors is laid down for the approval of the General Assembly.

### General Meetings

General meetings are held within the frame of the Turkish Commercial Code and the Capital Market Law.

The Company's 2016 General Meeting took place in Istanbul. The meeting date and quorum are given below:

General Meeting	Date	Required Quorum (%)	Meeting Quorum (%)
Ordinary	March 21, 2017	25	69.62

Class A privileged shares were represented with 100% participation in the meeting mentioned above.

Media representatives or other stakeholders did not attend the meetings that were simultaneously held physically and electronically. The topics mentioned in the agenda items specified in the general meeting announcements were clearly communicated to the attending shareholders and shareholders exercised their right to ask questions at the end of the meeting, which were responded to by the Company officials.

None of the questions received during the meeting called for a subsequent written response. Shareholders did not submit any proposals for making additions to the General Meeting agenda that has been announced by the Company.

Prior to the annual General Meeting, financial statements, the annual report and the dividend distribution proposal were made available for the information of shareholders within due time. Disclosures about the said information were made on KAP and posted on the corporate website.

Shareholders were invited to the General Meeting through announcements placed in the Turkish Trade Registry Gazette, the corporate website and announcements on KAP. Sample proxy form was published along with the General Meeting announcement for those shareholders who would attend the meeting by proxy. The announcement for the General Meeting, sample proxy form, General Meeting informative sheet and nominees for the Board of Directors membership were published on the corporate website prior to the General Meeting. The disclosure regarding the General Meeting published on the KAP and the General Meeting informative sheet posted on the corporate website specified the total number of shares in the Company and the number of votes. Disclosures about the general meetings are also made on the e-General Meeting (e-GEM) portal of the Central Registry Agency.

General meeting minutes are kept available for the information of shareholders at the Company head office. In addition, the minutes are also promulgated in the Trade Registry Gazette following the General Meeting. Following the IPO, the General Meeting minutes, lists of attendees and annual reports have been posted on the corporate website from 2004.

In 2016, the Company donated TL 100,000.00 to the July 15<sup>th</sup> Solidarity Campaign and this matter was presented for the information of shareholders at the Company's 2016 ordinary General Assembly Meeting.

## Voting Rights and Minority Rights

There are no privileged votes at the Company. On the other hand, nomination privilege is granted for the election of two thirds of the Board of Directors members as per the Company's Articles of Association, which have been drawn up within the frame of the capital market legislation and approved by the CMB. According to the CMB legislation, no privileges including nomination privilege for membership to the Board of Directors can be created after the IPO. Minority shareholders did not nominate any individuals to the Board of Directors during the General Meeting.

There were no cross-shareholding interests with the shareholder companies in the Annual General Meeting held in 2017.

The meetings that were simultaneously held physically and electronically, shareholders participated just physically in the Annual General Meeting held in 2017.

## Dividend Right and Dividend Policy

The Company's Articles of Association stipulates that dividends will be distributed within the frame of the rules set out in the Turkish Commercial Code and the Capital Market legislation and they also address distribution of advances on dividends to shareholders.

Being a publicly held company, İş Private Equity aims to generate high dividend yield for its investors as well as expanding its portfolio. Hence, the Company's Board of Directors adopted a dividend policy that observes the following within the frame of applicable legislation:

- a) The global and national economic conditions should be free of adversities and the delicate balance between shareholders' expectations and the Company's growth should be maintained,
- b) The private equity investments, which make up the core activity area of our Company, should be exited generating above-the-target yields,
- c) Dividends making up at least 30% of the distributable profit should be distributed in cash and/or in the form of dematerialized shares, taking into consideration the Company's overall profitability, as well.

Cash dividends are paid out by no later than the end of the second month following the date of the general meeting, in which the dividend distribution decision is adopted. Dividend distribution in the form of dematerialized shares takes place upon obtaining the legal permissions.



# Corporate Governance Principles Compliance Report

Dividends may not be paid to the members of the Board of Directors and to Company employees unless and until the cash dividends as determined for the shareholders by the General Assembly decision are paid out.

Furthermore, as a principle, it has been adopted to pay cash dividends to shareholders to the extent allowed under the Capital Market legislation, the Turkish Commercial Code and other applicable legislation, in view of the Company's overall profitability, provided that above-the-target yields are generated upon exit from the private equity investments that represent the Company's core activity.

Attention is paid to make the payout within the period of time prescribed by the legislation in the event the General Assembly decides to distribute dividends. There are no founders' dividend shares, nor any shares enjoy any privileges with respect to getting share from profit. Dividends are not distributed to Board members and employees.

At the ordinary General Assembly Meeting held in 2017, it was decided not to distribute cash dividend from profit of the period.

## Transfer of Shares

As per the Company's Articles of Association, all shares are registered and transfer of registered shares may not be restricted. Share transfer is governed by the provisions of the Turkish Commercial Code and capital market legislation.

## SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

### Company Information Policy

As the Company is subject to the Capital Market Law, all post-IPO developments concerning the Company are publicly disclosed within the frame of the CMB Communiqué on Material Event Disclosures and Communiqué on Principles of Private Equity Investment Funds. For public disclosure purposes, the Information Policy is incorporated in the Articles of Association.

Material event disclosures about the Company are submitted to local authorities and also published on the corporate website. Furthermore, information that is not of trade secret nature and press releases are made available on the Company website. The Company made 24 material event disclosures during the reporting period.

The execution of the Information Policy is coordinated by the individuals who perform the "Investor Relations" function.

## Company Website

The Company's website is accessible at [www.isgirisim.com.tr](http://www.isgirisim.com.tr). Pursuant to the Turkish Commercial Code, the Company's website address has been registered on October 25, 2013 and promulgated in the Turkish Trade Registry Gazette dated November 1, 2013.

The website covers brief information about the Company and/or its subsidiaries and associates, along with related press coverage and announcements. The website also features updated information about how investments are made, the information society services section, shareholder structure, Members of the Board of Directors and CEO, the external audit firm, articles of incorporation, the amendments to the articles of incorporation in chronological order, prospectus, circular and financial statements, annual reports, information about the General Meetings, material event disclosures, dividend policy, information policy and other policies, information on privileged shares, sample proxy form and FAQ. A policy has not been defined for buying back own shares by the Company. In case of tender offer or proxy solicitation, relevant informative forms will be posted on the Company website. Information, which can be accessed from [www.kap.gov.tr](http://www.kap.gov.tr) although they are available on the Company's website, includes periodic financial statements and reports, as well as Board of Directors decisions and special disclosures about the Company's activities that need to be made public. The Turkish and English version of the Company's website was updated in 2015.

## Annual Report

The Company's annual reports contain information specified in the Corporate Governance Principles.

## SECTION III – STAKEHOLDERS

### Keeping Stakeholders Informed

The groups that have a major interest relationship with the Company are employees, shareholders and the Company's associates. Company employees are informed about their rights and responsibilities in meetings held with the senior management. Moreover, there are internal regulations in place, which set out the employees' rights and responsibilities and are determined by the Board of Directors and the Company's senior management. In the Board meetings of the Company's associates, on the other hand, information is provided on compliance with the contracts made and the decisions adopted by the management of the parent company for the associates. Stakeholders are informed

electronically within the frame of the CMB's public disclosure requirements. Since instant contact can be established between the Company and the stakeholders and since no problems are experienced in terms of communication, the Company's acts in violation of the legislation or ethical rules, if any, can be notified to the Corporate Governance Committee and the Audit Committee forthwith. For these reasons, a special communication mechanism has not been created.

### Stakeholder Participation in Management

Members of the Board of Directors, who are designated by the General Assembly on behalf of the shareholders, contribute to the senior management regarding the Company's vision and strategies at the Board meetings. Although they do not take place in the management, the Company's associates and their employees are informed about decisions that concern them.

### Human Resources Policy

Internal bylaws prepared within the frame of the Company's "Code of Ethics" govern the relationships with the Company employees, internal and external duties, rights, obligations and responsibilities, staffing and recruitment rules. Company employees and senior management additionally discuss rights and obligations in periodic meetings held. An employee representative has not been appointed in view of the number of the Company employees.

A dedicated unit has not been set up to manage relations with employees due to the small number of personnel as required by the Company's structure and this function is performed by the Finance and Administration Department.

During the reporting period, no complaints have been received from the employees about working conditions, personnel policies and the like.

### Code of Ethics and Social Responsibility

The Code of Ethics was drawn up for the Company and employees in 2005. Following its approval by the Board of Directors, it was made public on the corporate website within the frame of the Information Policy.

The Company does not pursue any activities specifically focused on its locality or the public in general. However, due to its core activity, the Company contributes to the economy by investing in companies that are in growth phase and in need of funds. There are no damages caused to the

environment, nor are there any lawsuits brought against the Company on such grounds.

## SECTION IV - BOARD OF DIRECTORS

### Structure and Formation of the Board of Directors

Members of the Company's Board of Directors are elected from among individuals possessing the qualifications required by the Turkish Commercial Code and the Capital Market Law and the Articles of Association contain a provision to this end.

Board members are elected by the General Assembly and they may not directly or indirectly engage in a commercial transaction with the Company, which falls under the scope of the Company, on their own or others' behalf without the prior written approval of the General Assembly pursuant to the Articles of Association.

There are no conflicts of interests since the Board members who serve on other organizations besides the Company do not engage in commercial transactions with the Company. Board members holding positions outside the Company devote sufficient amount of their times to the Company's activities. Given the fact that there are no conflicts of interest between the Board members and the Company and that Board members dedicate sufficient time for the Company affairs, specific rules concerning the relationship of Board members and the Company have not been documented. Within the scope of the exception set out in Article 6-1 of the Corporate Governance Communiqué, there are two independent Board of Directors members. Two independent members have been elected in the annual General Meeting held in 2017. Independent member nominees have been presented to the Board of Directors with the report dated March 17, 2017 and it has been decided to nominate them by the Board of Directors decision with the same date. During the reporting period, no occurrences took place that would eradicate the independence of independent members. There are no executive members on the Board of Directors. Board members have been elected to serve until the next annual General Meeting. One of the seven Board members is woman.

### Declaration of Interest by the Independent Board Member

Declaration by our Company's independent Board members for 2017 is presented below.

# Corporate Governance Principles Compliance Report

As I stand for serving as an independent member on the Board of Directors of İş Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi (the Company), I hereby declare:

- That neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, collectively or individually held more than 5% of the capital or voting rights or privileged shares in, or established any commercial interest of a significant nature, with the Company, or with any companies in which the Company has management control or material influence and with any shareholders having management control or material influence over the Company, or with any corporate entity which are controlled by these shareholders,
- That within the most recent five years, I have neither been a shareholder controlling 5% or higher share, or an employee in an executive position involving major duties and responsibilities nor a board member in any company from/to which the Company purchases/sells significant amount of services or products under the agreements made during such time when services or products were purchased or sold and particularly in companies involved in the Company's auditing, rating, or consulting,
- That I possess the professional training, knowledge and experience necessary to duly fulfill the duties I shall undertake as an independent member of the Board of Directors,
- That, if elected, I shall not work on full-time basis at any public institution or organization during my term of office, apart from serving as a faculty member,
- That I am a resident of Turkey for the purposes of the Income Tax Law (member residing in Turkey),
- That I possess solid ethical standards and professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any dispute that may arise between the Company and its shareholders and to come to decisions freely on the basis of all stakeholders' rights,
- That I will be able to devote to the Company's affairs an amount of my time sufficient to keep track of the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking,
- That I have not served as a member on the Company's Board of Directors for more than six years within the most recent ten years,
- That I am not serving as an independent board member in more than three of the companies in which the Company, or shareholders having management control over the Company, have management control, or in more than

five companies, in the aggregate, traded on the stock exchange,

- That I have not been registered and promulgated in the name of a legal entity elected as a member of the Board of Directors.

## Members of the Board of Directors and Senior Management

### Senar Akkuş (Chairman)

Holding a degree in economics from the Middle East Technical University, Ms. Akkuş joined İşbank an Assistant Specialist in the Treasury Department in 1991. In 1998, she was promoted to Assistant Manager in the same department, where she served as Unit Manager from 2002 to 2006. She functioned as the Head of Economic Research Department (2006-2008) and as the Head of Treasury Department (2008-2011). Ms. Akkuş was appointed as Deputy Chief Executive in 2011, a position she still holds. Ms. Akkuş served as an auditor at Anadolu Hayat Emeklilik A.Ş. (2000-2003), T. Şişe Cam Fabrikaları A.Ş. (2003-2005) and T. Sınai Kalkınma Bankası A.Ş. (2005-2007). She also held a seat on the boards of directors of Anadolu Hayat Emeklilik A.Ş. (2007-2008), İş-Dublin Financial Services Plc (Chairman) (2008-2010), İş Portföy Yönetimi A.Ş. (2009-2010), İş Yatırım Menkul Değerler A.Ş. (2010-2011) and İş Portföy Yönetimi A.Ş. (Chairman) (2011-2013).

### Ahmet Mete Çakmakçı (Representative) Technology Development Foundation of Turkey Deputy Chairman

Having graduated from Middle East Technical University Department of Electrical and Electronics Engineering and taking masters and doctorate degrees at Syracuse University, Mr. Çakmakçı had worked at this university as a research assistant and lecturer between the years of 1990-1997. Mr. Çakmakçı had worked at Savunma Teknolojileri Mühendislik ve Ticaret A.Ş. between 1999-2003 as engineer and business development manager, worked for Technology Development Foundation of Turkey as Technology Policies and International Relations Coordinator in 2003, appointed to Assistant Secretary General position in 2005; he was appointed to the office of Secretary General and still continues to perform his duties at this position. Mr. Çakmakçı was elected as Board Member on April 28, 2006 and still continues to perform his duties as Vice Chairman. Mr. Çakmakçı was in charge of Mobiga Oyun Teknolojileri ve Ticaret A.Ş. as Chairman of the Board of Directors between 2008-2011 and he has carried out his duties at Teknoloji Yatırım A.Ş. as Chairman of the Board of Directors since 2006.

**Rıza İhsan Kutlusoy (Board Member)**

Rıza İhsan Kutlusoy graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Business Administration. Starting his career at Türkiye İş Bankası A.Ş. as an Assistant Internal Auditor in 1988, Mr. Kutlusoy was appointed to Capital Markets Department as Deputy Manager in 1996 and he was promoted to the position of Group Manager at the same department in 1998 and became Manager in 2002 and he was appointed to Branch of Galata as Manager in 2006. Having took office at Risk Management Directorate as Manager in 2008, Mr. Kutlusoy was promoted to the position of Deputy Chief Executive at Türkiye İş Bankası A.Ş. Rıza İhsan Kutlusoy was assigned to İş Yatırım Menkul Değerler A.Ş. as CEO in April 2006. Companies for which he performed duty as Board Member and periods of office are as follows: 2002-2006 İş Yatırım Menkul Değerler A.Ş. (Deputy Chairman), İş Yatırım Ortaklığı A.Ş. (Chairman) and İş Portföy Yönetimi A.Ş. (Deputy Chairman), 2004-2007 İstanbul Takas ve Saklama Bankası A.Ş. (Member), 2006-2008 Gempport Gemlik Liman Depolama İşletmeleri A.Ş. (Chairman), 2006-2011 Nemtaş Nemrut Liman İşletmeleri A.Ş. (Chairman), 2011-2013 Türkiye Şişe ve Cam Fabrikaları A.Ş. (Member), 2011- Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş. (Chairman), 2016- İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (Member).

**Bariş Tunçsiper (Member)**

Bariş Tunçsiper graduated from the Department of Economics, Faculty of Economics and Administrative Sciences at the Middle East Technical University. Tunçsiper graduated from the London School of Economics with a Master's degree in International Accounting and Finance. He started his career in 2004 as a Financial Project Control Analyst at Mercedes Benz Türk A.Ş., before working at İş Yatırım Menkul Değerler A.Ş. as sector manager in the Corporate Finance Department. He has worked as the manager of the Corporate Finance department of TSKB since May 2014. He has been a Board Member at İş Private Equity since November 2017.

**Volkan Kublay (Member)**

Mr. Volkan Kublay graduated from the Department of Economics (English) in the Faculty of Economics and Administrative Sciences at Marmara University. He began his career at İşbank in 2000 as a trainee assistant inspector where he was appointed as Assistant Manager to the Subsidiaries Division in 2008. Having served as Board of Directors auditor at TSKB, Arap Türk Bankası (Arab Turkish Bank), İş Finansal Kiralama A.Ş. and İş Faktoring A.Ş., Mr.

Kublay was appointed as Unit Manager in the Subsidiaries Division in 2012. He also holds a member's seat on the boards of directors of İş Yatırım Menkul Değerler A.Ş., İş Yatırım Ortaklığı A.Ş., Yatırım Finansman Menkul Değerler A.Ş. and Efes Varlık Yönetim A.Ş.

**Faik Byrns (Independent Member)**

Holding a degree in political science from Portland State University in 1973, Mr. Byrns started his carrier in 1974. Until 2004, he works as flight officer in the United States Navy, certified public accountant, finance manager and senior manager in multinational companies. Mr. Byrns is a member of Anadolu Cam A.Ş.'s Board of Director. In 2005 he wrote a book about his personal experiences and after that he published his second book about personal development and career success in 2015.

**Ali Rıza Kutay (Independent Member)**

Mr. Kutay completed a bachelor's and master's degree in the Civil Engineering Department at the Middle East Technical University between 1973 and 1979 and completed a PhD in Carnegie-Mellon University between 1979 and 1984. He is the Founding Chairman and the CEO of the USA-based Striim Inc., Mr. Kutay is also a member of Board of Directors in Hazelcast, UberCloud and Peak Games, in addition to his status as an advisor and investor roles in Earlybird Venture Capital.

**Alim Murat Özgen (CEO)**

After receiving his bachelor's degree in business administration from Istanbul University in 1990, Mr. Özgen got his master's degree from the Mercer University in the US in 1993. He worked in the US from 1993 to 1999, dealing with risk and portfolio management at the Facility Group Inc. and with risk and portfolio management at Commerzbank AG. He functioned as the Division Manager of Project and Investment Finance at Koçbank A.Ş. from 1999 until 2002. Mr. Özgen joined İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. as an Investment Manager in 2002, where he has been serving as the CEO since 2006. Also holding member seat on the boards of directors of companies in which our Company invests, Mr. Özgen is currently member of the Board of Directors of Numnum Yiyecek ve İçecek A.Ş.



# Corporate Governance Principles Compliance Report

## Metin Yılmaz (Senior Managing Director)

Metin Yılmaz graduated from the Faculty of Politics at Ankara University and completed a master's degree in International Finance at the University of Newcastle upon Tyne in the UK. Mr. Yılmaz completed a PhD in Finance and Banking in Kadir Has University in 2010. He started his career as an internal auditor at Türkiye İş Bankası A.Ş., he later undertook managerial roles in the Capital Markets and Subsidiaries Department of Türkiye İş Bankası A.Ş. and in İş Securities. Between 1999 and 2015, Mr. Yılmaz assumed a variety of roles in the Subsidiaries Department including the foundation of new companies, mergers and acquisitions, share transfers, board memberships in Group Companies operating especially in the telecommunication, logistics, software development and financial services sectors.

## Süleyman Burak Bayhan (Senior Managing Director)

He joined İş Girişim Sermayesi A.Ş. in December 2008. Currently, he is a Senior Managing Director in the investment team of companies Toksöz Spor and Tatil Budur, which are still among the current investments of İş Girişim Sermayesi A.Ş. He served as a Board Member at Aras Kargo, Havaş, Probil and Turkmed investments exited by İş Girişim Sermayesi A.Ş. Having worked in strategy and inorganic growth projects for Tesco Turkey before İş Girişim Sermayesi A.Ş., Mr. Bayhan started his career in finance department of Arthur Andersen Turkey. Mr. Bayhan graduated from Istanbul Technical University Management Engineering Department. He has professional diploma on corporate finance from University of California, Berkeley.

## Info

Selami Düz, who has been working in our Company as a Senior Managing Director since 2014, resigned from his position on December 6, 2017 and started to work for Maxis Girişim Sermayesi Portföy Yönetimi A.Ş.

## Operating Principles of the Board of Directors

According to the Company's Articles of Association, the Board of Directors meets as and when necessitated by the Company's affairs, upon invitation by the Chairman or Deputy Chairman. Any Board member may present a written memo to the Chairman or Deputy Chairman, requesting a meeting of the Board of Directors. If the Chairman or Deputy Chairman does not convene the Board, members shall be entitled to call for a meeting ex officio. At Board meetings, each member has one vote. Votes are cast personally. Unless a member requests a meeting, a decision can be passed regarding a proposal brought by one member provided that

written consent is obtained from other members, which must constitute at least the majority of the full membership. In such a case, the same proposal must be made to all members in order for the decision to be valid. The agenda of the Board meeting is determined by the Chairman of the Board. The agenda may be revised by a decision of the Board of Directors. The meeting place is the Company's head office. However, the Board of Directors may convene elsewhere provided that a decision is passed to that effect. Those who are entitled to attend the meeting may do so electronically. The meeting quorum for the Board of Directors is the majority of the full membership and decisions are passed by the affirmative votes of the majority of those who are present in the meeting. If votes are tied, that topic is postponed to the next meeting. If the votes are tied also in that second meeting, the relevant proposal is deemed rejected. In the Board of Directors, votes are cast as affirmative or negative. Those who cast negative votes shall write the grounds for the dissenting vote and sign under the decision.

The agenda of Board meetings are determined by the Chairman of the Board and notified by the Company to the members. The Finance and Administration Department is responsible for keeping the Board members informed and for establishing the communication with them.

During the reporting period, 25 decisions were passed regarding the Company investments, finances, determination of the Company's fields of activities, approval of business and finance plans, convening the General Assembly for ordinary/ extraordinary meeting, election of the chairman and deputy chairman of the Board of Directors, formation of committees, making new investments and the personnel. These decisions were passed unanimously by the participating members, including independent members. There were no related party transactions that were laid down for the approval of the independent Board members during the reporting period.

Insurance coverage was obtained for losses that the Company may sustain by reason of the faults Board members may commit in the performance of their duties and the transaction was announced on KAP.

## Number, Structures and Independence of Board of Directors Committees

Three committees have been set up at the Company within the frame of Corporate Governance Principles. Board members serving on these committees do not have executive functions.

The Audit Committee is formed of Ali Rıza Kutay (Head) and Faik Byrns, who are independent Board members. The

Committee meets at least four times a year to examine financial statements and to designate the external audit firm.

The Corporate Governance Committee fulfills the functions of the Nomination Committee and the Remuneration Committee under the Corporate Governance Principles. The Committee holds at least four meetings every year and presents the issues identified, if any and its recommendations for the information of the Board of Directors. Committee members are Ali Rıza Kutay (Head & Independent Member), Volkan Kublay and Burcu Perişanoğlu.

The Early Detection of Risk Committee is headed by independent Board member Faik Byrns and has Volkan Kublay as member. The Committee meets at least four times a year and reviews the risks, presenting its determinations, if any and suggestions to the Board of Directors. The Committee reviews the risk management systems at least on an annual basis.

There are two independent members on the Board of Directors; since the Corporate Governance Principles require that the Audit Committee must be formed of independent members in its entirety and other committees must be headed by an independent member, members serve on both committees. It has been deemed appropriate for the non-independent member to serve on both committees due to his area of responsibility and experiences in relation to his external post.

Besides the committees set up as per the legislation governing the Company, there is an investment committee which was established pursuant to the Company's field of activity and which is formed of one Board member, the CEO and two individuals who have expertise in their respective fields and who are not members of the Company's Board of Directors. This Committee meets as and when deemed necessary to discuss the fitness for investment of companies, which the Company's senior management proposed to be invested in. The Board member serving on this Committee does not have an executive function.

#### **Risk Management and Internal Control Mechanism**

In view of the Company's personnel size, separate risk management and internal control units have not been set up; however, job descriptions, authorizations and limits, interdepartmental separation of tasks have been put into writing in order to minimize financial and operational risks. The Company's risk exposure is discussed periodically at the Board of Directors meetings, within the frame of the Company's risk policies and in line with the reports prepared by the Company's senior management. Furthermore, the

Audit Committee and the Early Detection of Risk Committee have been set up at the Company, on which two Board members serve in accordance with the CMB legislation.

#### **Strategic Goals of the Company**

The Company's mission is spelled out within the frame of the "Business Plan" that has been drawn up right after its incorporation and approved by the Board of Directors. İş Private Equity's mission is to provide SMEs that operate in high-growth sectors and have a competitive advantage with capital and management know-how in order to support them during the execution of their projects that will create value for the Turkish economy.

Within the context of this mission, İş Private Equity engages the collective funds at its disposal and allows entrepreneurs to make optimum use of this know-how and experience. In addition, İş Private Equity aims to generate higher yields for its shareholders than other investment alternatives on the back of efficient portfolio management and exemplary corporate structure.

The Company's mission is posted and publicly disclosed on the corporate website. Whether the Company has attained its goals is discussed in the Board meetings. The Board of Directors meets at the frequency necessitated by the Company's affairs and addresses the reports Company directors prepare in relation to the Company's performance.

#### **Financial Rights**

The Company's Remuneration Policy has been made public on KAP and the corporate website and information on it has been provided to our shareholders at the Annual General Meeting held on May 7, 2012.

The Board members receive no payments other than an attendance fee. Board members are paid an attendance fee in the amount set each year by the General Assembly. Company employees are compensated in accordance with the Remuneration Policy and the Company's internal guidelines.

Pursuant to Article 6 of the Articles of Association, the Company may not extend loans, credit or guarantee to Board members or directors.

Salaries and benefits provided to the Board members and the Company's senior executives amounted to TL 4,876,624 gross.

# Risk Management and Internal Control

The risks that our Company may be exposed to during the course of its operations are identified as follows.

## Market risk

Market risk is the risk of depreciation of the Company's trading portfolio as a result of the potential changes in interest rates, exchange rates, share certificates, commodity and options prices, which make up the factors of this risk type.

## Liquidity risk

Liquidity risk refers to the risk of loss that the Company may sustain due to unavailability of cash holdings or cash inflow in the quantity and quality to fully and timely cover its cash outflow.

## Capital investment risk

Capital investment risk is the risk of loss in the value of the Company's capital investments or in its dividend income due to general market conditions and/or the administrative problems or issues pertaining to the financial structures of companies into which capital investment is made.

## Credit risk

Credit risk is the risk of loss arising from the counterparty's failure to partially or totally or timely perform its contractual obligations.

## Operational risk

Operational risk is the risk of loss that may arise from the Company's inadequate or inoperable business processes, human resource, systems or external factors.

## Reputational risk

Reputational risk refers to loss of confidence in the Company or loss of Company's reputation as a result of failure to comply with existing legal regulations or from negative opinions about the Company that damage confidence, arising from current or potential investors, shareholders, competitors and supervisory authorities.

## Risk Assessment

The most important factor that will affect the Company and its associates is economic uncertainty. In an environment of uncertainty, İş Private Equity's cash portfolio is potentially exposed to market risks, liquidity risk and credit risk with respect to the marketable securities carried in its portfolio. In order to eliminate such risks, our Company pays attention to investing in highly liquid instruments of issuers with a high credit rating and to diversify its portfolio in terms of various criteria such as maturity, currency, fixed income and variable income and to match maturity/quantity in line with the Company's needs. Furthermore, our Company operates under the capital market legislation. The relevant communiqué of the CMB imposes certain restrictions upon

investments into entrepreneur companies and investments into money and capital market instruments. The cash portfolio is invested within the frame of the requirements introduced by the CMB communiqués and resolutions and subject to the limitations determined by internal decisions.

İş Private Equity finances its investments through its shareholders' equity. The receivables and payables of İş Private Equity are in trivial amounts and do not pose a risk for the Company.

In the case of investments into entrepreneur companies, negative impact to be sustained by these companies due to the uncertainty environment might also reflect negatively on İş Private Equity and lead to a capital investment risk. If our associates, who are impacted by the negative economic developments, suffer from loss of value, then İş Private Equity might suffer from decreased revenues. Furthermore, volatilities that may occur in the financial markets at the time of the disposal of the entrepreneur company might result in a deferral or the formation of price that is lower than projected. Apart from macroeconomic risks, negative developments that may take place in the sectors that will be invested in might pose risks for İş Private Equity and its associate. Our Company pays attention to selecting the companies it invests in the private equity area from sectors having a growth potential and from among companies that have a competitive edge in these sectors. In order to minimize the risks in view of the negative developments that may take place in the sectors, the Company takes care not to concentrate in any sector and to invest in different fields. While the invested companies are extended support in terms of management, various risks and primarily financial risks that these companies are exposed to are examined, with the target of setting up the structures that will minimize these risks.

Operational risk level is low at our Company.

## Risk Management and Internal Control Mechanism

In view of the Company's personnel size, separate risk management and internal control units have not been set up; however, job descriptions, authorizations and limits, interdepartmental separation of tasks have been put into writing in order to minimize financial and operational risks. The Company's risk exposure is discussed periodically at the Board of Directors meetings, within the frame of the Company's risk policies and in line with the reports prepared by the Company's senior management. Furthermore, the Audit Committee and the Early Detection of Risk Committee have been set up at the Company, on which two Board members serve in accordance with the CMB legislation. In its assessments during the year, the Early Detection of Risk Committee observed that the risks mentioned above are being tracked by the relevant individuals.

Our Company also receives audit service for its information systems from the external audit firm.

# Legal Disclosures

## Related Party Transactions

Transactions carried out with İşbank, the Company's ultimate shareholder, Group companies and other related parties fall under the Company's scope.

Income/expense bearing transactions with related parties are presented below:

As a result of the transactions carried out with related parties during 2017; TL 3,612,239 was derived on interest income on deposits. The Company paid TL 552,941 for rental fees, TL 105,434 for insurance costs, TL 163,745 for office overhead expenses, TL 123,648 for transaction and commission and advisory expenses, TL 76,128 for service charges and TL 5,451 for other expenses, while TL 648,861 was generated on dividend income.

## Relations with the Group of Companies

The "Conclusions" section of the "Affiliated Company Report" drawn up pursuant to Article 199 of the Turkish Commercial Code is quoted below:

"Commercial transactions realized with the controlling shareholder and its affiliates during 2017, which are detailed in the report, entail no legal transactions in favor of the controlling company or its affiliate that fall under Article 199 of the TCC, which have been carried out -to the best of our knowledge- with guidance from the controlling company. The Company did not sustain any loss in 2017 fiscal year on account of any transactions within the group based on the conditions and circumstances known to us."

## Financial Rights Provided to the Members of the Board of Directors and Senior Management

Attendance fees, salaries, premiums, bonuses and some other benefits provided in 2017 amounted to TL 4,876,624 gross.

## Grants and Charitable Donations

In 2016, the Company donated TL 100,000.00 to the July 15<sup>th</sup> Solidarity Campaign and this matter was presented for the information of shareholders at the Company's 2016 ordinary General Assembly Meeting.

The Company did not provide any donations or grants during 2017, and information on this will be provided in the 2017 Annual General Meeting.

## Changes to the Articles of Association during the Reporting Period

None.

## Lawsuits brought against the Company with a Possible Impact upon the Company's Financial Status and Activities and Their Potential Implications

During the reporting period, as a part of its ordinary activities, the Company has been involved in one lawsuit as the defendant side. It is not expected that the lawsuit will have a material adverse effect on the financial situation or operations of the Company.

## Administrative or Judicial Sanctions against the Company and Members of the Governing Body on Account of Infringement of Legislation

There are no administrative and/or judicial sanctions imposed against the Company and/or members of the governing body.

## Other

No shareholder is having management control, nor any member of the Company's Board of Directors or of its senior management, nor any of their spouses or relatives by blood or by marriage unto the second degree engaged in any transaction and/or competition with the Company or its affiliates that was of a nature to lead to any conflict of interests.

# Ordinary General Assembly Meeting Agenda

March 21, 2018 Wednesday, 15:00 hours, İş Kuleleri,  
Oditoryum Binası Levent İstanbul

## Ordinary General Assembly Meeting Agenda

1. Opening; election of the Chairing Council,
2. Authorization of the Chairing Council for signing the minutes of the General Assembly meeting,
3. Reading and discussion of the Annual Reports of the Board of Directors and Independent Auditor's Report,
4. Reading, discussion and approval of the balance sheet and profit and loss statement of the Company,
5. Approval of the election made for vacated seats on the Board of Directors during the reporting period,
6. Discharge of the Board Members for their activities in 2017,
7. Discussing and deciding about the Board of Directors' proposal for the distribution of 2017 profits,
8. Election of the Board Members and determining the terms of their service,
9. Determining the remuneration of the Board Members,
10. Election of the Independent Audit Firm,
11. Authorization of the Board Members for carrying out the transactions provided under the Articles 395 and 396 of the Turkish Commercial Code,
12. Submitting information on the donations made within the year,
13. Determination of the upper limit for donations to be made within the year 2018.



# İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## 2017 Profit Distribution Table (TL)

### Appendix: 2

#### İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. 2017 PROFIT DISTRIBUTION TABLE (TL)

1.	Paid-in / Issued Capital	74,652,480.00	74,652,480.00
2.	General Legal Reserves (according to Legal Records)	20,883,473.99	20,883,473.99
	If there are privileges for distribution of profits according to the articles of association, information on such privileges	None	
		Based on CMB	Based on Legal Records
3.	<b>Profit for the Period</b>	946,084.00	2,359,035.10
4.	Taxes Payable	0.00	0.00
5.	Net Profit for the Period	946,084.00	2,359,035.10
6.	Losses in Prior Years (-)	0.00	0.00
7.	General Legal Reserves (-)	117,951.76	117,951.76
8.	Net Distributable Profit for the Period	828,132.25	2,241,083.35
9.	Donations during the Year (+)	0.00	0.00
10.	Net Distributable Profit for the Period Including Donations	828,132.25	2,241,083.35
11.	First Dividend to Shareholders		
	- Cash	0.00	0.00
	- Bonus Shares	0.00	0.00
	- Total	0.00	0.00
12.	Dividends Distributed to Owners of Privileged Shares	0.00	0.00
13.	Other Distributed Dividends	0.00	0.00
	- To Board Members	0.00	0.00
	- To Employees	0.00	0.00
	- To People Other than Shareholders	0.00	0.00
14.	Dividends Distributed to Owners of Redeemed Shares	0.00	0.00
15.	Second Dividend to Shareholders	0.00	0.00
16.	General Legal Reserves	0.00	0.00
17.	Statutory Reserves	0.00	0.00
18.	Special Reserves	0.00	0.00
19.	Extraordinary Reserves	828,132.25	2,241,083.35
20.	Other Resources to be Distributed	0.00	0.00

# The Independent Auditor's Report Related to Annual Report



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Mersis No: 0-4350-3032-6000017

(Convenience translation of a report originally issued in Turkish)

## INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of İş Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi

### 1) Opinion

We have audited the annual report of İş Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi ("the Company") for the period of 1 January 2017- 31 December 2017.

In our opinion, the financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited full set financial statements and the information we obtained during the audit.

### 2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated 29 January 2018 on the full set financial statements of the Company for the period of 1 January 2017- 31 December 2017.

### 4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and the provisions of the Communiqué II-14.1 on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") of the Capital Market Board ("CMB"), the management of the Company is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is

assessed according to the financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Company,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

#### 5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's audited financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and the standards on auditing as issued by the Capital Markets Board of Turkey. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the financial statements.

The name of the engagement partner who supervised and concluded this audit is Yaşar Bivas.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Yaşar Bivas, SMMM  
Partner

29 January 2018  
İstanbul, Türkiye

(Convenience translation of independent auditors' report and financial statements originally issued in Turkish)

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Financial Statements As at and for the Year Ended 31 December 2017 with Independent Auditors' Report Theron

# Independent Auditor's Report

**Güney Bağımsız Denetim ve  
SMMM A.Ş.**

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To the Shareholders of İş Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi,

**Report on the audit of the financial statements****Opinion**

We have audited the financial statements of İş Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi ("Company") which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

**Basis for opinion**

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.



## Independent Auditor's Report

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><b><i>Presentation of subsidiaries and associates in the financial statements and significant information disclosed</i></b></p> <p>As of December 31, 2017, fair value amount of the investment properties disclosed in the financial statements has been valued at TL 182.581.033 by independent appraisal firms and details of the valuation have been disclosed in note 6. Due to the fact that subsidiaries and associates are significant part of the Company's assets and applied valuation methods contain significant judgements and assumptions, we have considered the valuation of Subsidiaries and associates as a key audit matter.</p>	<p>We assessed the qualifications, competencies and independence of the professional appraisers engaged by the management.</p> <p>In our audit, we assessed whether the valuation methods as applied by appraisers are acceptable for valuation of the underlying investment property. We reconciled the appraised value for independent sections in the valuation report with disclosed amount in note 6. Among the other audit procedures we performed, we verified the assumptions used by the external appraisers in their valuations against external data.</p> <p>For this assessment we involved valuation experts of a firm which is in our audit network to our audit procedures.</p> <p>Due to the high level of judgment by the appraisers in the valuation of investment property and the existence of alternative assumptions and valuation methods, we assessed if the result of the external valuation is within an acceptable range.</p> <p>We also examined the suitability of the information in the financial statements and explanatory note, given the importance of this information for users of the financial statements.</p>

### Other matter

The financial statements of the Company which were prepared in accordance with the accounting principles and standards in force as of December 31, 2016 were subject to full-scope audit by another independent audit firm. In their independent auditor's report dated January 27, 2017, independent audit firm expressed unqualified opinion on the financial statements prepared at December 31, 2016.

### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

# Independent Auditor's Report

## Auditor's responsibilities for the audit of the financial statements

In an independent audit, our responsibilities as independent auditors are as follows;

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with Company's management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with Company's management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Independent Auditor's Report

From the matters communicated with those charged with Company's management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Reports on other responsibilities arising from regulatory requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on 29.01.2018.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2017 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The partner in charge of the audit resulting in this independent auditor's report is Yaşar Bivas.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



January 29, 2018  
Istanbul, Turkey

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İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

# Statement of Financial Position

## As at 31 December 2017

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1

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

	Notes	(Audited) December 31, 2017	(Audited) December 31, 2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	29.373.223	45.734.742
Financial investments	6	46.433.800	72.854.247
Prepaid expenses	14	312.746	295.743
Other current assets	15	632.355	519.890
<b>TOTAL CURRENT ASSETS</b>		<b>76.752.124</b>	<b>119.404.622</b>
<b>Non-current Assets</b>			
Other receivables	8	150	150
- Other receivables from related parties	4	150	150
Financial investments	6	182.581.033	139.314.730
Property, plant and equipment	9	45.436	81.604
Intangible assets	10	508	4.297
<b>TOTAL NON-CURRENT ASSETS</b>		<b>182.627.127</b>	<b>139.400.781</b>
<b>TOTAL ASSETS</b>		<b>259.379.251</b>	<b>258.805.403</b>

The accompanying notes are an integral part of these financial statements



İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Statement of Financial Position As at 31 December 2017

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1

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

	Notes	Audited December 31, 2017	Audited December 31, 2016
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade payables	7	90.785	21.897
- Due to related parties	4	90.785	21.897
Other payables	8	1.400	798
Liabilities related to employee benefits	16	49.859	45.284
Short-term provisions		1.216.323	1.711.981
- Short-term provisions for employee benefits	13	1.216.323	1.711.981
Other short-term provisions	15	851.605	750.214
<b>TOTAL CURRENT LIABILITIES</b>		<b>2.209.972</b>	<b>2.530.174</b>
<b>Non-current Liabilities</b>			
Long-term provisions		246.324	114.231
- Long-term provisions for employee benefits	13	246.324	114.231
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>246.324</b>	<b>114.231</b>
<b>TOTAL LIABILITIES</b>		<b>2.456.296</b>	<b>2.644.405</b>
<b>EQUITY</b>			
Share capital	17	74.652.480	74.652.480
Adjustment to share capital	17	21.606.400	21.606.400
Other comprehensive expense/(income) not to be reclassified to profit and loss		(189.762)	(5.635)
- Actuarial loss/gain funds		(189.762)	(5.635)
Share premium	17	7.000.000	7.000.000
Restricted reserves	17	20.883.474	20.700.306
Retained earnings	17	132.024.279	131.147.155
Net income for the period		946.084	1.060.292
<b>TOTAL EQUITY</b>		<b>256.922.955</b>	<b>256.160.998</b>
<b>TOTAL LIABILITIES</b>		<b>259.379.251</b>	<b>258.805.403</b>

The accompanying notes are an integral part of these financial statements

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Statements of Profit of Loss And Other Comprehensive Income for the Periods Between January 1- December 31, 2017

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

		Audited	Audited
	Notes	January 1- December 31, 2017	January 1- December 31, 2016
<b>CONTINUING OPERATIONS</b>			
Revenue	18	11.346.515	11.348.450
<b>GROSS PROFIT</b>		<b>11.346.515</b>	<b>11.348.450</b>
General Administrative Expenses (-)	19	(10.366.583)	(10.343.935)
Other Operating Income	20	591.286	172.424
Other Operating Expense (-)	20	(625.134)	(116.647)
<b>OPERATING PROFIT/(LOSS)</b>		<b>946.084</b>	<b>1.060.292</b>
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>946.084</b>	<b>1.060.292</b>
Tax (Expense)/Income	21	-	-
<b>NET PROFIT/(LOSS)/INCOME FOR THE PERIOD</b>		<b>946.084</b>	<b>1.060.292</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Amounts that not be reclassified to profit or loss		(184.127)	(5.635)
Actuarial gain/(loss)	13	(184.127)	(5.635)
<b>OTHER COMPREHENSIVE INCOME</b>		<b>(184.127)</b>	<b>(5.635)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>761.957</b>	<b>1.054.657</b>
(Loss)/income per (1,000 shares)	22	0,01267	0,01420

The accompanying notes are an integral part of these financial statements

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Statement of Changes in Equity for the Periods Between January 1- December 31, 2017

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

Notes	Share capital	Adjustment share capital	Other Comprehensive Income not to be Reclassified Profit and Loss		Share premiums	Restricted reserves	Retained Earnings		Total equity
			Actuarial gain/(loss)				Retained earning	Net income for the period	
January 1, 2016	74.652.480	21.606.400	-		7.000.000	20.488.276	130.586.536	772.649	255.106.341
Transfers 17	-	-	-		-	212.030	560.619	(772.649)	-
Total comprehensive income	-	-	(5.635)		-	-	-	1.060.292	1.054.657
December 31, 2016	74.652.480	21.606.400	(5.635)		7.000.000	20.700.306	131.147.155	1.060.292	256.160.998

Notes	Share capital	Adjustment share capital	Other Comprehensive Income not to be Reclassified Profit and Loss		Share premiums	Restricted reserves	Retained Earnings		Notes
			Actuarial gain/(loss)				Retained earning	Net income for the period	
January 1, 2017	74.652.480	21.606.400	(5.635)		7.000.000	20.700.306	131.147.155	1.060.292	256.160.998
Transfers 17	-	-	-		-	183.168	877.124	(1.060.292)	-
Total comprehensive income	-	-	(184.127)		-	-	-	946.084	761.957
December 31, 2017	74.652.480	21.606.400	(189.762)		7.000.000	20.883.474	132.024.279	946.084	256.922.955

The accompanying notes are an integral part of these financial statements

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

# Statement of Cash Flow

## for the Periods Between January 1- December 31, 2017

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

		(Audited)	(Audited)
	Notes	January 1– December 31, 2017	January 1– December 31, 2016
<b>A. Cash flow from operating activities</b>		<b>(16.380.608)</b>	<b>34.144.731</b>
Net loss for the period		946.084	1.060.292
Adjustments to reconcile net income		(3.838.585)	1.569.124
Adjustments for depreciation and amortization expenses	9, 10	52.514	206.609
Adjustment for provision for employment termination benefits	13	837.628	766.565
Adjustments for other provisions		140.184	60.235
Adjustments for interest income	18	(3.702.168)	(3.149.655)
Fair value of financial receivables	18	(3.150.440)	203.830
Adjustments for the fair value gains of financial instruments	18, 26	1.983.697	3.483.235
Adjustment for gain on sale of property, plant and equipment	20	-	(1.695)
Profit from disposal of financial investments		-	-
<b>Changes in working capital</b>		<b>29.476.692</b>	<b>40.861.753</b>
Adjustment for increase/(decrease) in financial investments		29.570.887	41.453.890
Adjustment for increase/(decrease) in other receivables		-	1.180
Adjustment for increase/(decrease) in prepaid expenses		(17.003)	(48.817)
Adjustment for increase/(decrease) in other payables to related parties		68.888	18.134
Adjustment for increase/(decrease) in employee benefits		4.575	8.372
Adjustment for increase/(decrease) in other payables to third parties		602	48
Adjustment for increase/(decrease) in other assets		(112.465)	(73.393)
Adjustment for increase/(decrease) in other liabilities		(38.792)	(497.661)
<b>Cash flows provided by operating activities</b>		<b>26.584.191</b>	<b>43.491.169</b>
Interest received		3.670.522	3.136.586
Acquisition of participations in associates and joint ventures	26	(45.250.000)	(10.938.195)
Payments for the provisions of employee benefits	13	(1.385.321)	(1.544.829)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(12.557)</b>	<b>(24.648)</b>
Proceeds from disposal of tangible assets		-	1.695
Acquisition of tangible assets	9	(12.557)	(26.343)
Acquisition of intangible assets	10	-	-
<b>Net cash from investing activities</b>		<b>(12.557)</b>	<b>(24.648)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	17	-	-
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>
<b>INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)</b>		<b>(16.393.165)</b>	<b>34.120.083</b>
<b>D. EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH</b>			<b>-</b>
<b>NET INCREASE/(DECREASE) IN CASH EQUIVALENTS (A+B+C+D)</b>		<b>(16.393.165)</b>	<b>34.120.083</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>45.706.330</b>	<b>11.586.247</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>	5	<b>29.313.165</b>	<b>45.706.330</b>

The accompanying notes are an integral part of these financial statements

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Notes to the Financial Statements

### As of and for the Year Ended December 31, 2017

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1  
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

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

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

The Company operates in private equity business.

Private equity: Investing in venture capital companies which are established or will be established in Turkey and has potential to grow and need Resources and the other investments listed in Article 21 of the "Communiqué on Principles on Venture Capital Investment Trusts" No. III-48.3.

As of December 31, 2017, the Company has 14 employees (December 31, 2016: 18 employees).

#### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

##### 2.1 Basis of Presentation

###### a) Approval of the Financial Statements

The Company's financial statements as at and for December 31, 2017 were approved by the Board of Directors and authorization for issue is given for publishing on January 29, 2018. The General Assembly and/or statutory authorities have power to amend the financial statements after their issue.

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

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

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

The accompanying financial statements as at December 31, 2017 have been prepared in accordance with the communiqué numbered 20/670 "Announcement on Financial Statements and Footnote Formats" published by Capital Markets Board ("CMB") dated 7 June 2013.

###### c) Basis of Measurement

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

The methods used to measure fair value are also described in Note 26.

###### d) Functional and Presentation Currency

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

The foreign exchange rates used by the Company as at December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
US Dollar	3,7719	3,5192
Euro	4,5155	3,7099



İř Giriřim Sermayesi Yatırım Ortaklıđı A.ř.

## Notes to the Financial Statements

### As of and for the Year Ended December 31, 2017

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(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

#### e) Consolidation Exemptions

According to TFRS 10 Consolidated Financial Statements, investment entity:

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

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

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

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

#### Additional paragraph for convenience translation to English

The differences between the accounting principles, as described in the preceding paragraphs, and the 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 significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries other than Turkey and IFRS.

#### 2.2 Changes in Accounting Policies

Accounting policies used to prepare December 31, 2017 financial statements were applied consistent with the financial statements prepared as at December 31, 2016.

#### 2.3 Changes in the Accounting Estimates and Errors

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

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

#### 2.4 Significant Accounting Estimates and Judgments

##### Revenue

##### Private equity

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

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

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Notes to the Financial Statements

### As of and for the Year Ended December 31, 2017

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1  
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

#### Dividend and interest income

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

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

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

#### **Property and Equipment**

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

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

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

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

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

The estimated useful lives for the current and comparative periods:

	Useful life
Furniture and fixtures	3-10 years
Leasehold improvements	5 years

#### **Intangible Assets**

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

#### Computer software

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

Useful life for software is 3 years.

#### **Financial instruments**

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

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

#### Effective interest method

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

İř Giriřim Sermayesi Yatırım Ortaklıđı A.ř.

## Notes to the Financial Statements

### As of and for the Year Ended December 31, 2017

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

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

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

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

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

#### Held-to-maturity investments

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

#### Loans and receivables

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

#### Trade receivables

Trade receivables are receivables arising from private equity investments.

#### Impairment of financial assets

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

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

#### Cash and cash equivalents

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

#### Financial liabilities

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

The accounting policies adopted for specific financial liabilities and equity instruments are set out below. Financial liabilities are classified as or other financial liabilities.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Notes to the Financial Statements

### As of and for the Year Ended December 31, 2017

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(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

#### Other financial liabilities

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

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

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

#### Trade payables

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

#### **Foreign Currency Transactions**

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

#### **Earnings per Share**

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

#### **Events After the Reporting Period**

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

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

#### **Related Parties**

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

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

#### **Segment Reporting**

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Notes to the Financial Statements

### As of and for the Year Ended December 31, 2017

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(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

#### Income Tax

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

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

#### Employee Benefits

##### Employee severance pay liability

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

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

##### Employee bonuses

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

##### Other short-term employee benefits

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

##### Post-employment plans

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

#### Statement of Cash Flows

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

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

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

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

#### Share Capital and Dividends

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

#### 2.5 Significant Accounting Estimates and Judgments

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



İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Notes to the Financial Statements

### As of and for the Year Ended December 31, 2017

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(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

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

The estimates are used particularly in the following notes:

- Note 6 Determination of fair value of the subsidiaries and the associates  
Note 13 Employee benefits

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

<u>Name of subsidiary and associate</u>	<u>Discount rates</u>	<u>Ongoing growth rates</u>
Toksöz Spor Malzemeleri Ticaret AŞ ("Toksöz")	18,6%	5,5%
Numnum Yiyecek ve İçecek A.Ş. ("Numnum")	20,3%	5,5%
Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş. ("Nevotek")	14,6%	1,9%
Radore Veri Hizmetleri Anonim Şirketi ("Radore")	19,9%	5,5%
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. ("Ortopro")	20,9%	5,5%
Tatilbudur Seyahat Acenteliği ve Turizm A.Ş. ("Tatil Budur")	20,7%	5,5%

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

The financial statements of the Company are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and significant differences are disclosed.

The Company's financial statements as at December 31, 2017 have been presented in comparison with the prior period, in order to be able to determine financial position and performance. The Company has prepared its statement of financial position as at December 31, 2017 in comparison with that as at December 31, 2016, its statement profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the period ended December 31, 2017 in comparison with the period ended December 31, 2016.

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

##### The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2017 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2017. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2017 are as follows:

##### IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Notes to the Financial Statements

### As of and for the Year Ended December 31, 2017

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1  
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#### IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies this relief, it shall disclose that fact. The amendments did not have an impact on the financial position or performance of the Company.

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

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- TFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some TFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.
- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.
- TAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### ii) Standards issued but not yet effective and not early adopted

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

#### TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. This standard is not expected to have a significant effect on the Company's financial statements.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

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#### TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

This standard is not expected to have a significant effect on the Company's financial statements.

#### TFRS 4 Insurance Contracts (Amendments):

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### TFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation issued by POA on December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The interpretation is not applicable for the Company and will not have an impact on the financial position or performance of the Company

#### TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

In December 2017, POA issued amendments to TFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:

- a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
- c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

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TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company

#### **TAS 40 Investment Property: Transfers of Investment Property (Amendments)**

In December 2017, POA issued amendments to TAS 40 'Investment Property'. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company

#### **TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)**

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

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

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

#### **Annual Improvements – 2010–2012 Cycle**

##### *IFRS 13 Fair Value Measurement*

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

#### **Annual Improvements – 2011–2013 Cycle**

##### **IFRS 16 Leases**

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

##### **IFRIC 23 Uncertainty over Income Tax Treatments**

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) whether an entity considers uncertain tax treatments separately;

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(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;

(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and

(d) how an entity considers changes in facts and circumstances.

An entity shall apply this Interpretation for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. If an entity applies this Interpretation for an earlier period, it shall disclose that fact. On initial application, an entity shall apply the interpretation either retrospectively applying IAS 8, or retrospectively with the cumulative effect of initially applying the Interpretation recognised at the date of initial application.

The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

#### IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### Prepayment Features with Negative Compensation (Amendments to IFRS 9)

In October 2017, the IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted.

The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB announced Annual Improvements to IFRS Standards 2015–2017 Cycle, containing the following amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- IAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- IAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Company expects no significant impact on its balance sheet and equity

### 3. SEGMENT REPORTING

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



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#### 4. RELATED PARTIES

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

##### Benefits provided to key management:

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

	December 31, 2017	December 31, 2016
Wage and other benefits	4.876.624	4.929.017
	<b>4.876.624</b>	<b>4.929.017</b>

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

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

Financial investments	December 31, 2017	December 31, 2016
Investment funds		
İş Portföy Hedef Hedge Fund	15.118.326	10.297.554
İş Portföy Second Stock Fund	2.705.411	3.463.030
İş Portföy İş Bank Subsidiary Index Share Fund	1.828.353	2.801.341
İş Portföy Private Sector Debt Fund	-	4.664.206
	<b>19.652.090</b>	<b>21.226.131</b>

Financial investments	December 31, 2017	December 31, 2016
Private sector bonds		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	7.663.275	7.681.050
İş Yatırım Menkul Değerler A.Ş.	967.090	974.020
İş Finansal Kiralama A.Ş.	2.342.575	-
	<b>10.972.940</b>	<b>8.655.070</b>

Financial investments	December 31, 2017	December 31, 2016
Shares quoted to stock Exchange		
İş Yatırım Ortaklığı A.Ş.	4.931.346	4.983.255
	<b>4.931.346</b>	<b>4.983.255</b>

Cash and cash equivalents	December 31, 2017	December 31, 2016
Türkiye İş Bankası A.Ş. time deposit	25.884.532	45.028.024
Türkiye İş Bankası A.Ş. demand deposit	11.427	2.215
İş Portföy Money Market Fund	1.021.251	-
	<b>26.917.210</b>	<b>45.030.239</b>

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		December 31, 2017			
		Receivables Current		Payables Current	
		Trade	Other	Trade	Other
Balances with related parties					
Anadolu Anonim Türk Sigorta Şirketi		-	-	(90.025)	-
İş Merkezleri Yönetim ve İşletim A.Ş.		-	-	(518)	-
Numnum Yiyecek ve İçecek AŞ		-	-	(124)	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.		-	-	(118)	-
		-	-	(90.785)	-
		December 31, 2016			
		Receivables Current		Payables Current	
		Trade	Other	Trade	Other
Balances with related parties					
Anadolu Anonim Türk Sigorta Şirketi		-	-	(2.262)	-
İş Merkezleri Yönetim ve İşletim A.Ş.		-	-	(3.676)	-
Numnum Yiyecek ve İçecek AŞ		-	-	(91)	-
İş Yatırım Menkul Değerler A.Ş.		-	-	(15.750)	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.		-	-	(118)	-
		-	-	(21.897)	-
		December 31, 2017			
		Receivables Non-current		Payables Non-current	
		Trade	Other	Trade	Other
Balances with related parties					
Other		-	150	-	-
		-	150	-	-
		December 31, 2016			
		Receivables Non-current		Payables Non-current	
		Trade	Other	Trade	Other
Balances with related parties					
Other		-	150	-	-
		-	150	-	-

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Transactions with related parties	January 1 – December 31, 2017						
	Interest received	Service expenses	Insurance expenses	Transaction and advisory commission expenses	Rent expenses	Dividend income	Other expenses
Numnum Yiyecek ve İçecek A.Ş.	-	-	-	-	-	-	(5.451)
Türkiye İş Bankası A.Ş.	3.612.239	(55.988)	-	(4.649)	(3.413)	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	(549.528)	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	(118.999)	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	(163.745)
Anadolu Anonim Türk Sigorta Şirketi	-	-	(105.434)	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	(20.139)	-	-	-	-	-
İş Yatırım Ortaklığı A.Ş.	-	-	-	-	-	648.861	-
	<b>3.612.239</b>	<b>(76.127)</b>	<b>(105.434)</b>	<b>(123.648)</b>	<b>(552.941)</b>	<b>648.861</b>	<b>(169.196)</b>
Transactions with related parties	January 1– December 31, 2016						
	Interest received	Service expenses	Insurance expenses	Transaction and advisory commission expenses	Rent expenses	Dividend income	Other expenses
Numnum Yiyecek ve İçecek A.Ş.	-	-	-	-	-	-	(6.228)
Türkiye İş Bankası A.Ş.	2.764.421	(58.806)	-	(4.145)	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	(516.106)	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	(129.006)	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	(163.221)
Anadolu Anonim Türk Sigorta Şirketi	-	-	(94.379)	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	(12.964)	-	-	-	-	-
İş Yatırım Ortaklığı A.Ş.	-	-	-	-	-	648.861	-
	<b>2.764.421</b>	<b>(71.770)</b>	<b>(94.379)</b>	<b>(133.151)</b>	<b>(516.106)</b>	<b>648.861</b>	<b>(169.449)</b>

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#### 5. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as at December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017	December 31, 2016
Cash on hand	1.441	192
Cash at banks	25.897.541	45.032.161
<i>Demand deposits</i>	13.009	4.137
<i>Time deposits with maturities less than 3 months</i>	25.884.532	45.028.024
B type liquid fund	1.021.251	-
Receivables from Takasbank money market transactions	2.452.990	702.389
	<b>29.373.223</b>	<b>45.734.742</b>

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

	December 31, 2017	December 31, 2016
Cash and cash equivalents	29.373.223	45.734.742
Less: Accrued interest	(60.058)	(28.412)
	<b>29.313.165</b>	<b>45.706.330</b>

As at 31 December 2017, the Company has no restricted deposits (December 31, 2016: None).

As at 31 December 2017 and December 31, 2016 interest and maturity details of the bank deposits are as follows:

	December 31, 2017			
	Interest rate			Amount
	%	Maturity	Currency	TL
TL time deposit	15,00	February 7, 2018	TL	22.027.123
USD time deposit	3,40	January 9, 2018	USD	3.857.408
				<b>25.884.531</b>
	December 31, 2016			
	Interest rate			Amount
	%	Maturity	Currency	TL
TL time deposit	11,50	January 31, 2017	TL	25.015.751
TL time deposit	11,20	February 24, 2017	TL	20.012.273
				<b>45.028.024</b>

The exchange rate, interest rate risks and sensitivity analyzes for the Company's financial assets and liabilities are disclosed in Note 25.

As of December 31, 2017, the gross interest rate on the Takasbank money market transaction is 14,85% (December 31, 2016: 10,10%).

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## 6. FINANCIAL INVESTMENTS

## 6.1 Current financial investments

	December 31, 2017	December 31, 2016
Financial assets designated at fair value through profit or loss	46.433.800	72.854.247
	<b>46.433.800</b>	<b>72.854.247</b>
	<b>December 31, 2017</b>	
	<b>Nominal (*)</b>	<b>Fair value</b>
Private sector bonds	19.520.000	19.669.719
Government bonds	1.500.000	1.524.570
Investment funds	746.393.813	20.308.165
Shares quoted to stock exchange	5.190.891	4.931.346
		<b>46.433.800</b>
	<b>December 31, 2016</b>	
	<b>Nominal (*)</b>	<b>Fair value</b>
Private sector bonds	23.170.000	23.607.019
Government bonds	14.000.000	22.464.820
Investment funds	692.364.277	21.799.153
Shares quoted to stock exchange	5.190.891	4.983.255
		<b>72.854.247</b>

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

As at December 31, 2017, interest rates of private sector bonds and government bonds held for trading are between the rates 12,89% and 18,62% per annum (December 31, 2016: between 8,96% and 15,11% per annum).

## 6.2 Non-current financial investments

As of December 31, 2017 and December 31, 2016 details of investments held-to-maturity are as follows:

	December 31 2017	December 31 2016
Financial assets designated at fair value through profit or loss	182.581.033	139.314.730
	<b>182.581.033</b>	<b>139.314.730</b>

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

As of December 31, 2017 and December 31, 2016, the fair value detail of the Company's subsidiaries and associates (venture capital investments) is as follows:

	December 31, 2017	December 31, 2016
<b>Subsidiaries and associates name</b>		
Toksöz Spor	51.810.454	31.617.850
Ortopro	22.755.545	23.512.701
Numnum	37.762.151	36.189.989
Radore	17.943.585	18.301.605
Nevotek	23.832.898	15.980.785
Tatil Budur	28.476.400	13.711.800
	<b>182.581.033</b>	<b>139.314.730</b>



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As of 31 December 2017 and 31 December 2016, details of the Company's subsidiaries and associates (venture capital investments) are as follows:

Subsidiaries and associates	Acquisition date	Place of establishment and operation	Share (%)		
			December 31, 2017	December 31, 2016	Voting power
Nevotek (*)	September 30, 2003	Turkey	89,72	81,24	89,72
Ortopro (**)	December 10, 2007	Turkey	90,63	83,64	90,63
Toksöz Spor (***)	November 13, 2012	Turkey	88,27	55,00	88,27
Num Num	December 5, 2012	Turkey	83,57	83,57	83,57
Radore	December 1, 2014	Turkey	25,50	25,50	25,50
Tatil Budur	November 6, 2015	Turkey	20,00	20,00	20,00

(\*) Nevotek Bilişim Ses ve İletişim Sistemleri San. ve Tic. ("Nevotek") decided to increase the capital of TL 1.000.000 from internal sources (free of charge) and TL 1.000.000 from cash (extra) capital at the Extraordinary General Assembly Meeting held on September 7, the rights of other partners are limited. The total amount of TL 5,000,000, including TL 1,000,000 as an amount subject to capital increase and TL 4,000,000 as an emission premium, was paid to Nevotek on 08.09.2017. İş Girişim Sermayesi share in Nevotek has increased to 81.72% and 89.72%.

(\*\*) It has been decided to participate in capital increase of Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. ("Ortopro"), which is a subsidiary, amounting to TL 17.500.000 in the Board of Directors meeting of the Company dated 25.05.2017 and the share of the Company in Ortopro has increased to 90,63% from 83,64% through the use of pre-emptive rights, which are not used by the other shareholders of Ortopro. In this framework, balance capital commitment has dropped to TL 4.750.000 level following the total payment of TL 12.750.000, constituting of payments amounting to TL 7.136.365, TL 2.863.635 (pre-emptive rights not used by other shareholders) and TL 2.750.000 made to Ortopro on 15.06.2017, 20.06.2017 and 23.08.2017 respectively.

(\*\*\*) At the General Assembly meeting held on February 28, 2017, the capital reduction decision was taken and Toksöz's nominal capital amounting to TL 24.531.299 was reduced to TL 9.663.270 ("Toksöz"). At the meeting of the Board of Directors dated 6 April 2017, it was decided to participate in the increase of the paid-up capital of TL 9.663.270 by 283,7% and TL 27.500.000. The Company's share amounting to TL 15.125.000 was paid on April 28, 2017, On May 2, 2017, an additional TL 12.375.000 was paid to Toksöz and the share of the Company in Toksöz increased to 88,27% with the decision of the Company to use the right of preference which is not used by the other partners of Toksöz.

Discounted cash flow method is used to determine fair values. Valuation model considers the present value of the expected payment, discounted using a risk adjusted discounted rate. The expected payment is determined by considering the possible scenarios of forecast earnings before interest tax depreciation and amortization ("EBITDA"), the amount to be paid under each scenario and the probability of each scenario. Subsidiaries' estimated annual revenue growth rate is between 1.9% with 5.5% estimated EBITDA ratio is between 3.3% with 49.9%, estimated risk adjusted discount rates are between 14.60% and 20.90%.

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

For the fair values of subsidiaries and associate of the Company, reasonably possible changes at 31 December 2017 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

#### Sensitivity analysis December 31, 2017

	Profit or (loss)	
	Increase	Decrease
Annual revenue growth rate (0.5% change)	6.279.678	(5.737.086)
EBITDA growth rate (0.5% change)	10.184.782	(10.182.556)
Risk adjusted discount rate (0.5% change)	(12.346.762)	13.351.347

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

As at 31 December 2017, the Company has pledged Group A shares belongs to Tolga Yalçınkaya, a shareholder of Ortopro, amounting to TL 2.526.595. The share of this shareholder capital is 6,59% in total (December 31, 2016: 11,5%).

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

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

#### 7. TRADE PAYABLES

As at December 31, 2017 and December 31, 2016, the details of the Company's trade payables are as follows:

	December 31 2017	December 31 2016
Short term trade payables		
Due to related parties	90.785	21.897
	<b>90.785</b>	<b>21.897</b>

#### 8. OTHER RECEIVABLES AND PAYABLES

##### a) Other Receivables:

As at 31 December 2017 and 31 December 2016, the details of the Company's other receivables are as follows:

	December 31 2017	December 31 2016
Long Term Other Receivables		
Deposits and guarantees given	150	150
	<b>150</b>	<b>150</b>

##### b) Other Payables:

As at December 31, 2017 and December 31, 2016, the details of the Company's other payables are as follows:

	December 31 2017	December 31 2016
Other short term payables		
Other miscellaneous payables	1.400	798
	<b>1.400</b>	<b>798</b>

#### 9. TANGIBLE ASSETS

For the years ended December 31, 2017 and December 31, 2016, the details of the Company's tangible assets are as follows:

	Furniture and Fixtures	Leasehold Improvements	Total
<b>Cost</b>			
Opening balances at January 1, 2017	468.987	1.056.400	1.525.387
Additions	7.861	4.696	12.557
Disposals	(7.803)	-	(7.803)
<b>Net carrying amount at December 31, 2017</b>	<b>469.045</b>	<b>1.061.096</b>	<b>1.530.141</b>
<b>Accumulated Depreciation</b>			
Opening balances at January 1, 2017	(406.037)	(1.037.746)	(1.443.783)
Charge for the year	(34.357)	(14.368)	(48.725)
Disposals	7.803	-	7.803
<b>Net carrying amount at December 31, 2017</b>	<b>(432.591)</b>	<b>(1.052.114)</b>	<b>(1.484.705)</b>
<b>Net carrying amount at December 31, 2017</b>	<b>36.454</b>	<b>8.982</b>	<b>45.436</b>
<b>Net carrying amount at January 1, 2017</b>	<b>62.950</b>	<b>18.654</b>	<b>81.604</b>

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In the current period, depreciation of TL 48.725 is included in general administrative expenses (January 1- December 31, 2016: TL 180.874)

	Furniture and Fixtures	Leasehold Improvements	Total
<b>Cost</b>			
Opening balances at January 1, 2016	459.084	1.056.400	1.515.484
Additions	26.343	-	26.343
Disposals	(16.440)	-	(16.440)
<b>Net carrying amount at December 31, 2016</b>	<b>468.987</b>	<b>1.056.400</b>	<b>1.525.387</b>
<b>Accumulated Depreciation</b>			
Opening balances at January 1, 2016	(370.070)	(909.279)	(1.279.349)
Charge for the year	(52.407)	(128.467)	(180.874)
Disposals	16.440	-	16.440
<b>Net carrying amount at December 31, 2016</b>	<b>(406.037)</b>	<b>(1.037.746)</b>	<b>(1.443.783)</b>
<b>Net carrying amount at December 31, 2016</b>	<b>62.950</b>	<b>18.654</b>	<b>81.604</b>
<b>Net carrying amount at January 1, 2016</b>	<b>89.014</b>	<b>147.121</b>	<b>236.135</b>

#### 10. INTANGIBLE ASSETS

For the years ended December 31, 2017 and December 31, 2016, the details of the Company's intangible assets are as follows:

	Computer software	Total
<b>Cost</b>		
Opening balances at January 1, 2017	75.054	75.054
Additions	-	-
<b>Net carrying amount at December 31, 2017</b>	<b>75.054</b>	<b>75.054</b>
<b>Accumulated Amortization</b>		
Opening balances at January 1, 2017	(70.757)	(70.757)
Charge for the year	(3.789)	(3.789)
<b>Net carrying amount at December 31, 2017</b>	<b>(74.546)</b>	<b>(74.546)</b>
<b>Net carrying amount at December 31, 2017</b>	<b>508</b>	<b>508</b>
<b>Net carrying amount at January 1, 2017</b>	<b>4.297</b>	<b>4.297</b>

In the current period, amortization charges amounting to TL 3.789 are included in general administrative expenses (31 December 2016: TL 25.735).

	Computer software	Total
<b>Cost</b>		
Opening balances at January 1, 2016	75.054	75.054
Additions	-	-
<b>Net carrying amount at December 31, 2016</b>	<b>75.054</b>	<b>75.054</b>
<b>Accumulated Amortization</b>		
Opening balances at January 1, 2016	(45.022)	(45.022)
Charge for the year	(25.735)	(25.735)
<b>Net carrying amount at December 31, 2016</b>	<b>(70.757)</b>	<b>(70.757)</b>
<b>Net carrying amount at December 31, 2016</b>	<b>4.297</b>	<b>4.297</b>
<b>Net carrying amount at January 1, 2016</b>	<b>30.032</b>	<b>30.032</b>

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For the years ended December 31, 2017 and December 31, 2016, the details of the Company's intangible assets are as follows:

#### 11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The shares of İş Girişim Sermayesi in Ortopro have been pledged in order to obtain a 5-year maturity loan for Ortopro from Yapı Kredi Bankası A.Ş. amounting to maximum of TL 20.000.000 (twenty million Turkish Lira) for the purpose of restructuring Ortopro's short-term loans.

During the period, the Company became a defendant in the ordinary course of business. It is not expected that the case will have a significant negative impact on the Company's financial position or operating results.

#### 12. COMMITMENTS

Within the scope of the capital increase made to Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş., the Company has a capital commitment of subsidiaries amounting to TL 4.750.000. This amount will be paid within 24 months following the date of 22 June 2017, which is the registration date of the capital increase pursuant to TTK 459 and TTK 344. (December 31, 2016: None).

#### 13. EMPLOYEE BENEFITS

As at December 31, 2017 and December 31, 2016, the details of the Company's employee benefits are as follows:

	December 31, 2017	December 31, 2016
<b>Short term</b>		
Provision for employee bonuses	600.000	1.136.179
Vacation pay liability	616.323	575.802
	<b>1.216.323</b>	<b>1.711.981</b>
<b>Long term</b>		
Reserve for employee severance payments	246.324	114.231
	<b>246.324</b>	<b>114.231</b>

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

The reserve for severance pay liability as at 31 December 2017 is based on the monthly ceiling amounting to TL 4.732,48 (31 December 2016: TL 4.297,21).

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying statement of financial position as at December 31, 2017, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The provision at the end of the reporting period has been calculated assuming an annual inflation rate of 6.50% and a discount rate of 11.00% resulting in a net discount rate of approximately 4.23% (December 31, 2016: annual inflation rate of 6.15% and a discount rate of 10.80% resulting in a net discount rate of approximately 4.38%). The anticipated rate of forfeitures is also considered.

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The movement of provision for retirement pay provision:

	January 1- December 31 2017	January 1- December 31 2016
Provision as at January 1, 2017	114.231	133.848
Service cost	50.016	22.995
Interest cost	12.565	14.498
Severance indemnity paid	(114.615)	(62.745)
Actuarial Loss	184.127	5.635
Provision as at December 31, 2017	<b>246.324</b>	<b>114.231</b>

Actuarial differences are accounted for in comprehensive income.

The movement of provision for employee bonuses:

	January 1- December 31 2017	January 1- December 31 2016
Provision as at January 1, 2017	1.136.179	1.962.078
Charge for the year	582.551	550.000
Paid bonuses	(1.118.730)	(1.375.899)
Provision as at December 31, 2017	<b>600.000</b>	<b>1.136.179</b>

The movement of vacation pay liability:

	January 1- December 31 2017	January 1- December 31 2016
Provision as at January 1, 2017	575.802	502.915
Paid vacation liability	(151.976)	(106.185)
Charge for the year	192.497	179.072
Provision as at December 31, 2017	<b>616.323</b>	<b>575.802</b>

#### 14. PREPAID EXPENSES

As at 31 December 2017 and 31 December 2016, the details of the Company's prepaid expenses are as follows:

	January 1- December 31 2017	January 1- December 31 2016
Short Term		
Prepaid expenses	302.778	289.514
Job advances	9.968	6.229
	<b>312.746</b>	<b>295.743</b>

There is not any long term liability (31 December 2016: None).

#### 15. OTHER ASSETS AND LIABILITIES

As at December 31, 2017 and December 31, 2016, the details of the Company's other assets and liabilities are as follows:

	December 31 2017	December 31 2016
Other Current Assets		
Prepaid taxes and funds	632.355	519.890
	<b>632.355</b>	<b>519.890</b>



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	December 31 2017	December 31 2016
Other Short-Term Liabilities		
Accrued expenses	705.229	565.045
Taxes and funds payable	146.376	185.169
	<b>851.605</b>	<b>750.214</b>

There is not any long term liability (31 December 2016: None).

**16. EMPLOYEE BENEFITS PAYABLE**

As at 31 December 2017 and 31 December 2016, the details of the Company's liabilities related to employee benefits are as follows:

	December 31 2017	December 31 2016
Social security contributions payable	49.859	45.284
	<b>49.859</b>	<b>45.284</b>

**17. CAPITAL AND RESERVES****a) Share Capital**

As at 31 December 2017 and 31 December 2016, the capital structure of the Company is as follows:

Shareholder	Company	%	December 31 2017	%	December 31 2016
İş Yatırım Menkul Değerler A.Ş.	A	8,9	6.635.776	8,9	6.635.776
İş Yatırım Menkul Değerler A.Ş. <sup>(*)</sup>	B	20,3	15.132.136	20,5	15.300.180
Türkiye Sınai Kalkınma Bankası A.Ş.	B	16,7	12.442.079	16,7	12.442.079
Türkiye Teknoloji Geliştirme Vakfı	B	11,1	8.294.719	11,1	8.294.719
Other	B	12,0	8.958.298	12,0	8.958.298
Public held <sup>(*)</sup>	B	31,0	23.189.472	30,8	23.021.428
Nominal capital			<b>74.652.480</b>		<b>74.652.480</b>

<sup>(\*)</sup> In accordance with the decision of the Board of Directors Meeting held on 27 June 2016, a contract has been signed with İş Yatırım Menkul Değerler A.Ş. on June 28, 2016 in order to conduct market maker activities in the shares traded in Borsa İstanbul. In the scope of this contract, İş Yatırım Menkul Değerler A.Ş. started market maker activities as of June 29, 2017. Between January 1, 2017 and December 31, 2017, İş Yatırım Menkul Değerler A.Ş. sold its publicly traded shares with a nominal value of TL 168.044.

The Company's capital consists of 7.465.248.000 shares as of 31 December 2017 (31 December 2016: 7.465.248.000 shares). The nominal value of the shares is TL 0,01 per share (31 December 2016: TL 0,01 per share).

The nominal share capital of the Company amounting to TL 74,652,480 comprised of Group A and Group B shares, amounting to TL 6.635.776 and TL 68.016.704 respectively. Group A shareholders have the privilege during the BOD election to nominate four members of the total seven members. In addition, one of the members of the Board representing Group B, is elected among the candidates nominated by Türkiye Teknoloji Geliştirme Vakfı unless their share in issued capital is below TL 2.000.000.

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.

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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) Adjustment share capital

As of December 31, 2017 the Company's capital adjustment differences consist of inflation adjustment differences amounting to TL 21.606.400 resulting from application of inflation accounting until December 31, 2004 (December 31, 2016: TL 21.606.400).

#### c) Dividend distribution:

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

#### d) Legal Reserves

In accordance with Turkish Commercial Code, legal reserves consist of first and second legal reserves. First legal reserves are generated by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of historical based paid-in share capital (not adjusted for the effects of inflation). Second legal reserve is generated by 10% over the total of cash dividend distribution after the first legal reserves and dividend distributions. The Company has performed transfer to legal reserves amounting to TL 183.168 in year 2017 in lieu of the decision of the Ordinary General Assembly Meeting dated 21 March 2017 (December 31, 2016: TL 212.030). As at December 31, 2017, the Company has legal reserves amounting to TL 20.883.474 (December 31, 2016: TL 20.700.306).

#### e) Retained Earnings

As at December 31, 2017, the Company has retained earnings amounting to TL 132.024.279. (December 31, 2016: TL 131.147.155)

#### 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 1<sup>st</sup> party dividends in cash.

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

In accordance with the resolutions dated 21 March 2017 in the General Assembly of the Company, it has been decided not to distribute dividends and TL 877.124 in retained earning has been reclassified to extraordinary reserves after deducting legal reserves (31 December 2016: None).

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## 18. REVENUE AND COST OF SALES

For the years ended December 31, 2017 and December 31, 2016 the details of the Company's revenue and cost of sales are as follows:

Revenue	January 1 – December 31 2017	January 1 – December 31 2016
Interest income from treasury bonds and private sector bonds	3.451.850	6.620.919
Investment security fair value gains (net)	3.150.440	3.279.405
Interest income on bank deposits	3.702.168	3.149.655
Investment security trading income (net)	1.909.782	832.682
Dividend income	648.861	648.861
Reverse repo and Takasbank interest income	467.111	300.163
Decrease in fair value of subsidiaries and associates (net)(Note 26)	(1.983.697)	(3.483.235)
	<b>11.346.515</b>	<b>11.348.450</b>

## 19. ADMINISTRATIVE EXPENSES

For the years ended December 31, 2017 and December 31, 2016, the details of the Company's administrative expenses are as follows:

	January 1- December 31 2017	January 1- December 31 2016
Personnel expenses	(5.338.565)	(5.113.750)
Audit and consultancy expenses	(1.263.161)	(893.520)
Rent expenses	(708.923)	(622.088)
Salaries of Board of Directors	(657.300)	(599.550)
Increase in provision for bonus expenses	(582.551)	(550.000)
Outsourcing expenses	(496.579)	(618.570)
Executive insurance	(299.046)	(294.466)
Increase in unused vacation provision expenses	(192.496)	(179.072)
Communication, electricity and stationary expenses	(171.603)	(172.033)
Representation expenses	(115.624)	(94.201)
Tax and dues	(99.319)	(606.609)
Increase in provision for employee termination benefits	(62.582)	(37.493)
Depreciation and amortization expenses	(52.514)	(206.609)
Other	(326.320)	(355.974)
	<b>(10.366.583)</b>	<b>(10.343.935)</b>

## 20. OTHER OPERATING INCOME AND EXPENSES

For the years ended December 31, 2017 and December 31, 2016, the details of the Company's other operating income and expenses are as follows:

	January 1- December 31, 2017	January 1- December 31, 2016
Other operating income		
Foreign exchange gains	559.770	244
Fixed assets sales	-	1.695
Other income and profits	31.516	170.485
	<b>591.286</b>	<b>172.424</b>

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	January 1- December 31, 2017	January 1- December 31, 2016
Other operating expenses		
Commissions paid	(68.204)	(115.467)
Foreign exchange losses	(556.747)	-
Other expenses and losses	(183)	(1.180)
	<b>(625.134)</b>	<b>(116.647)</b>

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

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

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

There are not any deferred tax assets or liabilities (31 December 2016: None).

#### 22. EARNINGS PER SHARE

	January 1- December 31, 2017	January 1- December 31, 2016
Earnings per share		
Weighted average number of shares available during the period (full amount)	74.652.480	74.652.480
<b>Total</b>	<b>74.652.480</b>	<b>74.652.480</b>
<b>Net profit for the year</b>	<b>946.084</b>	<b>1.060.292</b>
Basic and diluted earnings per share (TL 1 nominal value)	0,01267	0,01420

#### 23. EFFECTS OF FOREIGN EXCHANGE RATE CHANGES

The analysis of the effects of changes in foreign exchange in December 31, 2017 and December 31, 2016 is disclosed in Note 25.

#### 24. REPORTING IN HYPERINFLATIONARY ECONOMIES

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

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

##### *Capital risk management*

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

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

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*Financial risk factors*

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

*Credit risk management*

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

	Receivables					
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties	Cash and Cash Equivalents (**)	Financial Investments (***)
December 31, 2017						
Maximum credit risk exposure as at report date (*)	-	-	150	-	29.371.782	41.502.454
- The part of maximum risk under guarantee with collateral etc.						
A. Net book value of financial assets that are neither past due nor impaired	-	-	150	-	29.371.782	41.502.454
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-
- the part under guarantee with collateral etc.						
D. Net book value of impaired assets						
- Past due (gross carrying amount)						
- Impairment (-)						
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc	-	-	-	-	-	-
E. Elements including credit risk on off statement of financial position						

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

<sup>(\*\*)</sup> Cash on hand is excluded.

<sup>(\*\*\*)</sup> Shares quoted to stock exchange are excluded.



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	Receivables					
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties	Cash and Cash Equivalents <sup>(**)</sup>	Financial Investments <sup>(***)</sup>
December 31, 2016						
Maximum credit risk exposure as at report date <sup>(*)</sup>	-	-	150	-	45.734.550	67.870.992
- The part of maximum risk under guarantee with collateral etc.						
A. Net book value of financial assets that are neither past due nor impaired	-	-	150	-	45.734.550	67.870.992
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-
- the part under guarantee with collateral etc.						
D. Net book value of impaired assets						
- Past due (gross carrying amount)						
- Impairment (-)						
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Elements including credit risk on off statement of financial position						

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

<sup>(\*\*)</sup> Cash on hand is excluded.

<sup>(\*\*\*)</sup> Shares quoted to stock exchange are excluded.

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#### Liquidity risk management

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

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

#### December 31, 2017

Contractual maturity	Carrying Value	Contractual cash flows (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Trade payables	90.785	90.785	90.785	-	-	-
Other payables (*)	706.629	706.629	706.629	-	-	-
<b>Total liabilities</b>	<b>797.414</b>	<b>797.414</b>	<b>797.414</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

#### December 31, 2016

Contractual maturity	Carrying Value	Contractual cash flows (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Trade payables	21.897	21.897	21.897	-	-	-
Other payables (*)	565.843	565.843	565.843	-	-	-
<b>Total liabilities</b>	<b>587.740</b>	<b>587.740</b>	<b>587.740</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

#### Market risk management

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

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

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

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## Notes to the Financial Statements

### As of and for the Year Ended December 31, 2017

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

#### Foreign currency risk management

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

The foreign currency denominated assets and liabilities of monetary and non-monetary items as at December 31, 2017 are as follows:

	TL (Functional currency)	US Dollar	Euro	Other
<b>December 31, 2017</b>				
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets	3.857.408	1.022.670	-	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	3.857.408	1.022.670	-	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	3.857.408	1.022.670	-	-
9. TOTAL ASSETS	3.857.408	1.022.670	-	-
10. Trade Payables	-	-	-	-
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	(290.903)	(74.924)	(1.838)	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. SHORT TERM LIABILITIES	(290.903)	(70.924)	(1.838)	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. LONG TERM LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	(290.903)	(74.924)	(1.838)	-
19. Off balance sheet derivatives net asset/liability position (19a-19b)	-	-	-	-
19a. Active off balance sheet derivative (foreign currency)	-	-	-	-
19b. Active off balance sheet derivative (foreign currency)	-	-	-	-
20. Net foreign currency asset liability position	3.566.505	947.746	(1.838)	-
21. Net foreign currency asset/(liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a))	3.566.505	947.746	(1.838)	-
22. Fair value of derivative instruments used in foreign Currency hedge	-	-	-	-
23. Hedged portion of foreign currency assets	-	-	-	-
24. Hedged portion of foreign currency liabilities	-	-	-	-
23. Export	-	-	-	-
24. Import	-	-	-	-

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Notes to the Financial Statements

## As of and for the Year Ended December 31, 2017

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(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

## December 31, 2016

	TL (Functional currency)	US Dollar	Euro	Other
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets	-	-	-	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	-	-	-	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	-	-	-	-
10. Trade Payables	-	-	-	-
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	(253.806)	(65.044)	(1.838)	(4.188)
12b. Other Non-Monetary Liabilities	-	-	-	-
13. SHORT TERM LIABILITIES	(253.806)	(65.044)	(1.838)	(4.188)
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. LONG TERM LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	(253.806)	(65.044)	(1.838)	(4.188)
19. Off balance sheet derivatives net asset/liability position (19a-19b)	-	-	-	-
19a. Active off balance sheet derivative (foreign currency)	-	-	-	-
19b. Active off balance sheet derivative (foreign currency)	-	-	-	-
20. Net foreign currency asset liability position	(253.806)	(65.044)	(1.838)	(4.188)
21. Net foreign currency asset/(liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a))	(253.806)	(65.044)	(1.838)	(4.188)
22. Fair value of derivative instruments used in foreign Currency hedge	-	-	-	-
23. Hedged portion of foreign currency assets	-	-	-	-
24. Hedged portion of foreign currency liabilities	-	-	-	-
23. Export	-	-	-	-
24. Import	-	-	-	-

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Notes to the Financial Statements

### As of and for the Year Ended December 31, 2017

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(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

#### *Foreign currency risk sensitivity analysis*

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

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

December 31, 2017				
	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 - US Dollar net asset/liability	357.480	(357.480)	-	-
2- Portion secured from US Dollar (-)			-	-
<b>3- US Dollar net effect (1 +2)</b>	<b>357.480</b>	<b>(357.480)</b>	-	-
10% appreciation/depreciation of TL against Euro				
4 – Euro net asset/liability	(830)	830	-	-
5 – Portion secured from Euro (-)			-	-
<b>6- Euro net effect (4+5)</b>	<b>(830)</b>	<b>830</b>	-	-
10% appreciation/depreciation of TL against other currencies				
7- Other foreign currency net asset/liability	-	-	-	-
8- Portion secured from other currency (-)	-	-	-	-
<b>9- Other currency net effect (7+8)</b>	<b>-</b>	<b>-</b>	-	-
<b>TOTAL (3 + 6 +9)</b>	<b>356.650</b>	<b>(356.650)</b>	-	-

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Notes to the Financial Statements

## As of and for the Year Ended December 31, 2017

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

December 31, 2016				
	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 - US Dollar net asset/liability	(22.890)	22.890	-	-
2- Portion secured from US Dollar (-)			-	-
<b>3- US Dollar net effect (1 +2)</b>	<b>(22.890)</b>	<b>22.890</b>	-	-
10% appreciation/depreciation of TL against Euro				
4 – Euro net asset/liability	(682)	682	-	-
5 – Portion secured from Euro (-)			-	-
<b>6- Euro net effect (4+5)</b>	<b>(682)</b>	<b>682</b>	-	-
10% appreciation/depreciation of TL against other currencies				
7- Other foreign currency net asset/liability	(1.809)	1.809	-	-
8- Portion secured from other currency (-)	-	-	-	-
<b>9- Other currency net effect (7+8)</b>	<b>(1.809)</b>	<b>1.809</b>	-	-
<b>TOTAL (3 + 6 +9)</b>	<b>(25.381)</b>	<b>25.381</b>	-	-

Interest rate risk

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

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

Interest Position Table		
	December 31, 2017	December 31, 2016
<b>Fixed interest rate instruments</b>		
Financial assets		
Financial assets at fair value through profit or loss	10.946.255	29.601.800
Time deposits	25.884.531	45.028.024
Takasbank money market receivables	2.452.990	702.389
	<b>39.283.776</b>	<b>75.332.213</b>
<b>Floating interest rate instruments</b>		
Financial assets		
Financial assets at fair value through profit or loss	10.248.033	16.470.039
	<b>10.248.033</b>	<b>16.470.039</b>



İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Notes to the Financial Statements

### As of and for the Year Ended December 31, 2017

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(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

Fixed and variable income securities that are classified as designated at fair value through profit and loss in the Company's statement of financial position are exposed to price risk depending on interest rate changes. As at 31 December 2017 and 31 December 2016 according to the analysis that the Company calculated, effect on fixed and variable income securities' market value and the Company's net profit/loss, under the assumption that all other variables remain constant, in the case of 1% interest rate increase or decrease of TL denominated securities and Eurobonds, presented below:

December 31, 2017			
Type of risk	Risk rate	Direction of risk	Effect on net profit
Interest rate risk	1%	Increase	(139.223)
		Decrease	141.904
December 31, 2016			
Type of risk	Risk rate	Direction of risk	Effect on net profit
Interest rate risk	1%	Increase	(1.105.149)
		Decrease	1.149.665

#### Other price risks

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

According to the statement of financial position as at December 31, 2017, in case of 10% increase/decrease, if all the other variables remain constant, in the value of stock investment that are in the Company's portfolio, with the effect of equity investment designated at fair value through profit or loss and stock-indexed investment fund, net profit would be TL 493.135 (December 31, 2016: TL 498.326) lower/higher.

According to the statement of financial position as at December 31, 2017, in case of 1% increase/decrease, if all the other variables remain constant, in the value of investment fund that are in the Company's portfolio, with the effect of investment funds designated at fair value through profit or loss, net profit would be TL 213.294 (December 31, 2016: TL 217.992) lower/higher.

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## Notes to the Financial Statements

## As of and for the Year Ended December 31, 2017

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(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

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

December 31, 2017	Financial assets measured with effective interest method	Loans and receivables	Financial assets and liabilities at fair value through profit or loss	Other financial liabilities measured with effective interest method	Carrying amount	Fair Value	Note
<u>Financial assets</u>							
Cash and cash equivalents	29.373.223	-	-	-	29.373.223	29.373.223	5
Financial investments	-	-	229.014.833	-	229.014.833	229.014.833	6
<u>Financial liabilities</u>							
Trade payables	-	-	-	90.785	90.785	90.785	7
Other financial liabilities (*)	-	-	-	706.629	706.629	706.629	8-15
December 31, 2016	Financial assets measured with effective interest method	Loans and receivables	Financial assets and liabilities at fair value through profit or loss	Other financial liabilities measured with effective interest method	Carrying amount	Fair Value	Note
<u>Financial assets</u>							
Cash and cash equivalents	45.734.742	-	-	-	45.734.742	45.734.742	5
Financial investments	-	-	212.168.977	-	212.168.977	212.168.977	6
<u>Financial liabilities</u>							
Trade payables	-	-	-	21.897	21.897	21.897	7
Other financial liabilities(*)	-	-	-	565.843	565.843	565.843	8-15

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

## Fair value of financial instruments

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

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Notes to the Financial Statements

### As of and for the Year Ended December 31, 2017

Convenience Translation of Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

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

	December 31 2017	Fair value hierarchy at the end of the reporting period		
		Level 1	Level 2	Level 3
		TL	TL	TL
Financial assets				
Financial asset at fair value through profit or loss	229.014.833	46.433.800	-	182.581.033
Cash and cash equivalents				
B type liquid funds	1.021.251	1.021.251		
<b>Total</b>	<b>230.036.084</b>	<b>47.455.051</b>	<b>-</b>	<b>182.581.033</b>

	December 31 2016	Fair value hierarchy at the end of the reporting period		
		Level 1	Level 2	Level 3
		TL	TL	TL
Financial assets				
Financial asset at fair value through profit or loss	212.168.977	72.854.247	-	139.314.730
Cash and cash equivalents	212.168.977	72.854.247	-	139.314.730

The movement table for level 3 real values is as follows:

Subsidiaries and participation	2017	2016
Balance at 1 January	139.314.730	131.859.770
Additions	-	938.195
Disposals	-	
Capital increase	45.250.000	10.000.000
Include in revenue income/(expense)		
Changes in fair value	(1.983.697)	(3.483.235)
<b>Balance at 31 December</b>	<b>182.581.033</b>	<b>139.314.730</b>

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

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### As of and for the Year Ended December 31, 2017

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(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

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

Nevotek Bilişim Ses ve İletişim Sistemleri San. and Tic. ("Nevotek") decided to increase its capital by TL 1.000.000 from internal sources (free of charge) and TL 1.000.000 from cash (extra) capital at the extraordinary general assembly meeting held on September 7, the rights of other partners are limited. The total amount of TL 5.000.000, including TL 1.000.000 as an amount subject to capital increase and TL 4.000.000 as an emission premium, was paid to Nevotek on 08.09.2017. İş Venture Capital's share in Nevotek has increased to 81,24% and 89,72%.

It has been decided to participate in capital increase of Ortopro Tibbi Aletler Sanayi ve Ticaret A.Ş. ("Ortopro"), which is a subsidiary, amounting to TL 17.500.000 in the Board of Directors meeting of the Company dated 25.05.2017 and the share of the Company in Ortopro has increased to 90,63% from 83,64% through the use of pre-emptive rights, which are not used by the other shareholders of Ortopro. In this framework, balance capital commitment has dropped to TL 4.750.000 level following the total payment of TL 12.750.000, constituting of payments amounting to TL 7.136.365, TL 2.863.635 (pre-emptive rights not used by other shareholders) and TL 2.750.000 made to Ortopro on 15.06.2017, 20.06.2017 and 23.08.2017 respectively.

At the General Assembly meeting held on February 28, 2017, the capital reduction decision was taken and Toksöz's nominal capital amounting to TL 24.531.299 was reduced to TL 9.663.270 ("Toksöz"). At the meeting of the Board of Directors dated 6 April 2017, it was decided to participate in the increase of the paid-up capital of TL 9.663.270 by 283,7% and TL 27.500.000. The Company's share amounting to TL 15.125.000 was paid on April 28, 2017, On May 2, 2017, an additional TL 12.375.000 was paid to Toksöz and the share of the Company in Toksöz increased to 88.27% with the decision of the Company to use the right of preference which is not used by the other partners of Toksöz.

#### 28. EVENTS AFTER THE REPORTING PERIOD

There are no events after reporting period.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

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

PORTFOLIO LIMITS, FINANCIAL DEBT and TOTAL EXPENSE COSTS				
	Financial Statement Captions	Regulations	31.12.2017 (TL)	31.12.2016 (TL)
A	Monetary and Capital Market Instruments	20/1-(b)	75.807.023	118.588.989
B	Private Equity Investments	20/1-(a)	182.581.033	139.314.730
C	Subsidiaries in Portfolio Management and Advisory Companies	20/1-(d) and (e)	-	-
D	Other Assets		991.195	901.684
E	Total Assets	3/1-(a)	259.379.251	258.805.403
F	Financial Borrowings	29	-	-
G	Provisions, Contingent Assets and Liabilities	20/2-(a)	-	-
H	Equity		256.922.955	256.160.998
I	Other Liabilities		2.456.296	2.644.405
E	Total Liabilities and Equity	3/1-(a)	259.379.251	258.805.403
	<b>Other Financial Information</b>	<b>Regulations</b>	<b>31.12.2017 (TL)</b>	<b>31.12.2016 (TL)</b>
	Investments in Financial Market Instruments	20/1-(b)		
	1. Financial Market Instruments		49.908.040	73.556.635
	A- Government Bonds		1.524.570	22.464.820
	TRT060121T16		-	22.464.820
	TRT110718T18		1.524.570	-
	B- Private Sector Bonds		19.669.718	23.607.019
	Akfen Holding A.Ş.		1.053.160	666.666
	Aksa Enerji Üretim A.Ş.		-	2.541.825
	Creditwest Faktoring A.Ş.		-	2.027.560
	İş Finansal Kiralama A.Ş.		2.342.575	-
	Deva Holding A.Ş.		1.531.598	1.522.098
	İş Gayrimenkul Yatırım Ortaklığı A.Ş.		7.663.275	7.681.050
	İş Yatırım Menkul Değerler A.Ş.		967.090	974.020
	Orfin Finansman A.Ş.		6.112.020	6.162.960
	Timur Gayrimenkul A.Ş.		-	2.030.840
	C-Takasbank Stock Market		2.452.990	702.389
	D- Investment Funds		21.329.416	21.799.152
	IYD İş Portföy Second Stock Fund		2.705.411	3.463.030
	Tİ3 İş Bankası Subsidiaries Index Share Fund		1.828.353	2.801.341
	IYB Taaleri Portföy Variable Fund		656.074	573.021
	IYR İş Portföy Target Hedge Fund		15.118.326	10.297.554
	TBV İş Portföy Private Sector Debt Fund		-	4.664.206
	Tİ1 İş Portföy Money Market Fund		1.021.251	-
	E- Stocks		4.931.346	4.983.255
	İş Yatırım Ortaklığı A.Ş.		4.931.346	4.983.255
A2	TL and FX Denominated Term-Demand Deposits/Private Current - Sharing Account	20/1-(b)	25.898.981	45.032.352
B1	Collective Investment Institutions Established Abroad	21/3-(c)	-	-
B2	Combination of Debt and Equity Financing	21/3-(f)	-	-
B3	Non-Listed Shares of Publicly Traded Private Equity Companies	21/3-(e)	-	-
B4	Special Purpose Company	21/3-(g)	-	-
C1	Participation in Portfolio Management Company	20/1-(e)	-	-
C2	Participation in Consulting Company	20/1-(d)	-	-
F1	Short-Term Loans	29/1	-	-
F2	Long-Term Loans	29/1	-	-
F3	Short-Term Borrowing Instruments	29/1	-	-
F4	Long-Term Borrowing Instruments	29/1	-	-
F5	Other Short-Term Financial Borrowings	29/1	-	-
F6	Other Long-Term Financial Borrowings	29/1	-	-
G1	Pledged	20/2-(a)	-	-
G2	Collateral	20/2-(a)	-	-
G3	Mortgages	20/1-(a)	-	-
I	Outsourced Services Expenses	26/1	3.058.309	2.794.868

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

## Notes to the Financial Statements

## As of and for the Year Ended December 31, 2017

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PORTFOLIO LIMITATIONS, FINANCIAL LIABILITY AND TOTAL EXPENSE LIMIT CONTROL TABLE: FOR SHAREHOLDERS THOSE OFFERING THEIR SHARES TO PUBLIC					
	Portfolio Restrictions <sup>(*)</sup>	Regulations	31.12.2017	31.12.2016	Min./ Max. Rate
1	Monetary and Capital Market Instruments	22/1- (b)	29,23	45,82	≤ 65%
	Financial Market Instruments	22/1- (c)	19,24	28,42	
	A- Government Bonds		0,59	8,68	
	TRT060121T16		-	8,68	≤ 10%
	TRT110718T18		0,59	-	≤ 10%
	B- Private Sector Bonds		7,58	9,12	≤ 10%
	Akfen Holding A.Ş.		0,41	0,26	≤ 10%
	Aksa Enerji Üretim A.Ş.		-	0,98	≤ 10%
	Creditwest Faktoring A.Ş.		-	0,78	≤ 10%
	İş Finansal Kiralama A.Ş.		0,90	-	≤ 10%
	Deva Holding A.Ş.		0,59	0,59	≤ 10%
	İş Gayrimenkul Yatırım Ortaklığı A.Ş.		2,95	2,97	≤ 10%
	İş Yatırım Menkul Değerler A.Ş.		0,37	0,38	≤ 10%
	Orfin Finansman A.Ş.		2,36	2,38	≤ 10%
	Timur Gayrimenkul A.Ş.		-	0,78	≤ 10%
	C- Takasbank Stock Market		0,95	0,27	≤ 10%
	D- Investment Funds		8,22	8,42	
	IYD İş Portföy Second Stock Fund		1,04	1,34	≤ 10%
	Tİ3 İş Bankası Subsidiaries Index Share Fund		0,70	1,08	≤ 10%
	IYB Taaleri Portföy Variable Fund		0,25	0,22	≤ 10%
	IYR İş Portföy Target Hedge Fund		5,83	3,98	≤ 10%
	TBV İş Portföy Private Sector Debt Fund		-	1,80	≤ 10%
	Tİ1 İş Portföy Money Market Fund		0,39	-	≤ 10%
	E- Stock		1,90	1,93	≤ 10%
2	İş Yatırım Ortaklığı A.Ş.		1,90	1,93	≤ 10%
3	Private Equity Investments	22/1- (b)/(ğ)	70,39	53,83	≥ 35%
4	Participation in Portfolio Management Company	22/1- (ç)	-	-	≤ 10%
5	Collective Investment Institutions Established Abroad	22/1-(e)	-	-	≤ 49%
6	Combination of Debt and Equity Financing	22/1- (h)	-	-	≤ 25%
7	Non-Listed Shares of Publicly Traded Private Equity Companies	22/1- (f)	-	-	≤ 25%
8	TL and FX Denominated Term-Demand Deposits/Private Current - Sharing Account <sup>(*)</sup>	22/1- (i)	9,98	17,40	≤ 20%
9	Face Values Of Short-Term Borrowings and Debt Instruments <sup>(*)</sup>	29	-	-	≤ 50%
10	Face Values Of Long-Term Borrowings and Debt Instruments	29	-	-	≤ 200%
11	Pledged, Collateral and Mortgages	22/1- (d)	-	-	≤ 10%
12	Outsourced Services Expenses i	26/1	1,18	1,08	≤ 2,5%

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



# *Contact Information*

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