

Annual Report 2018

İŞ PRIVATE EQUITY



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Contact Information

Company Profile

Reporting Period: January 1, 2018 - December 31, 2018

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

Headquarters: İstanbul

Founded: October 31, 2000

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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

İş Private Equity supports the sustainable growth of SMEs which offer growth potential by meeting their capital needs.

The company acts by taking into account of the difficulties in accessing financing resources by SMEs, which are the key players of the Turkish economy.

İş Private Equity in Brief

As “Turkey’s capital”, İş Private Equity is one of the leading and **exemplary companies** of its sector.

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 İstanbul stock exchange (BIST) with a market value of USD 57.8 million.

İş Private Equity is focused on contributing to the companies it invests in at all levels in their sustainable growth and corporate transformation process.

İş Private Equity takes care of the difficulties that SMEs, key players in the Turkish economy, face in accessing financial resources, and supports their sustainable growths by meeting the capital needs of SMEs with growth potential.

“Turkey’s capital”, İş Private Equity, invests in companies with its tangible and intangible assets, which it defines as “intelligent capital”. In this process, the

The BIST logo is displayed on an orange rectangular background. The letters "BIST" are in a bold, white, sans-serif font. Below the orange rectangle, there is a white triangular shape pointing downwards, and a brown triangular shape pointing upwards, creating a layered effect.

The shares of İş Private Equity are traded on the BIST.

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.

İş Private Equity achieved a higher average return in its exit performances by global and Turkish standards between 2000-2018.

Company provides every kind of 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 the development of companies 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 strategical roadmap, developing human resources and IT infrastructure.

İş Private Equity has invested in 17 companies over 18 years.

İş Private Equity invested in 17 companies in the 18 years from 2000 to 2018, and invested USD 150.8 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 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 13 people, as well as the strength and support of the İşbank Group.



a competent team

İş Private Equity has a manager pool with operational experience in the venture capital portfolio companies, and an investment team which is committed to each other, and who combine their local knowledge with a global vision.

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.

Our Vision

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

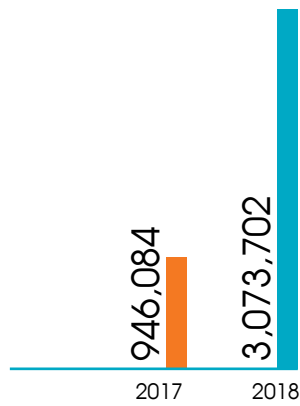


balanced risk

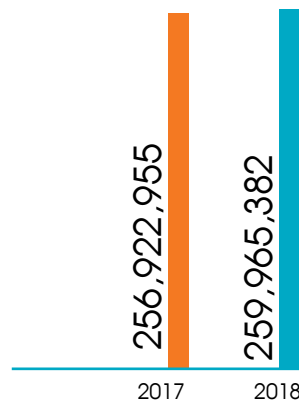
İş Private Equity takes actions that are risk-sensitive and prudent, planned and systematic, and assesses the opportunities with an approach that protects the assets of its stakeholders while pursuing the right strategies.

Key Indicators

Current Year Profit (TL)



Equity (TL)



1.18%

In 2018, İş Private Equity generated a Return on Equity of 1.18%.

Financial Highlights

TL	2017	2018	Change (%)
Current Assets	76,752,124	70,008,709	-8.79
Non-Current Assets	182,627,127	192,217,334	5.25
Short-Term Liabilities	2,209,972	1,963,165	-11.17
Long-Term Liabilities	246,324	297,496	20.77
Total Assets	259,379,251	262,226,043	1.10
Equity	256,922,955	259,965,382	1.18
Current Year Profit	946,084	3,073,702	224.89
% Return on Equity	0.37	1.18	
% Return on Assets	0.36	1.17	

Capital & Shareholding Structure

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

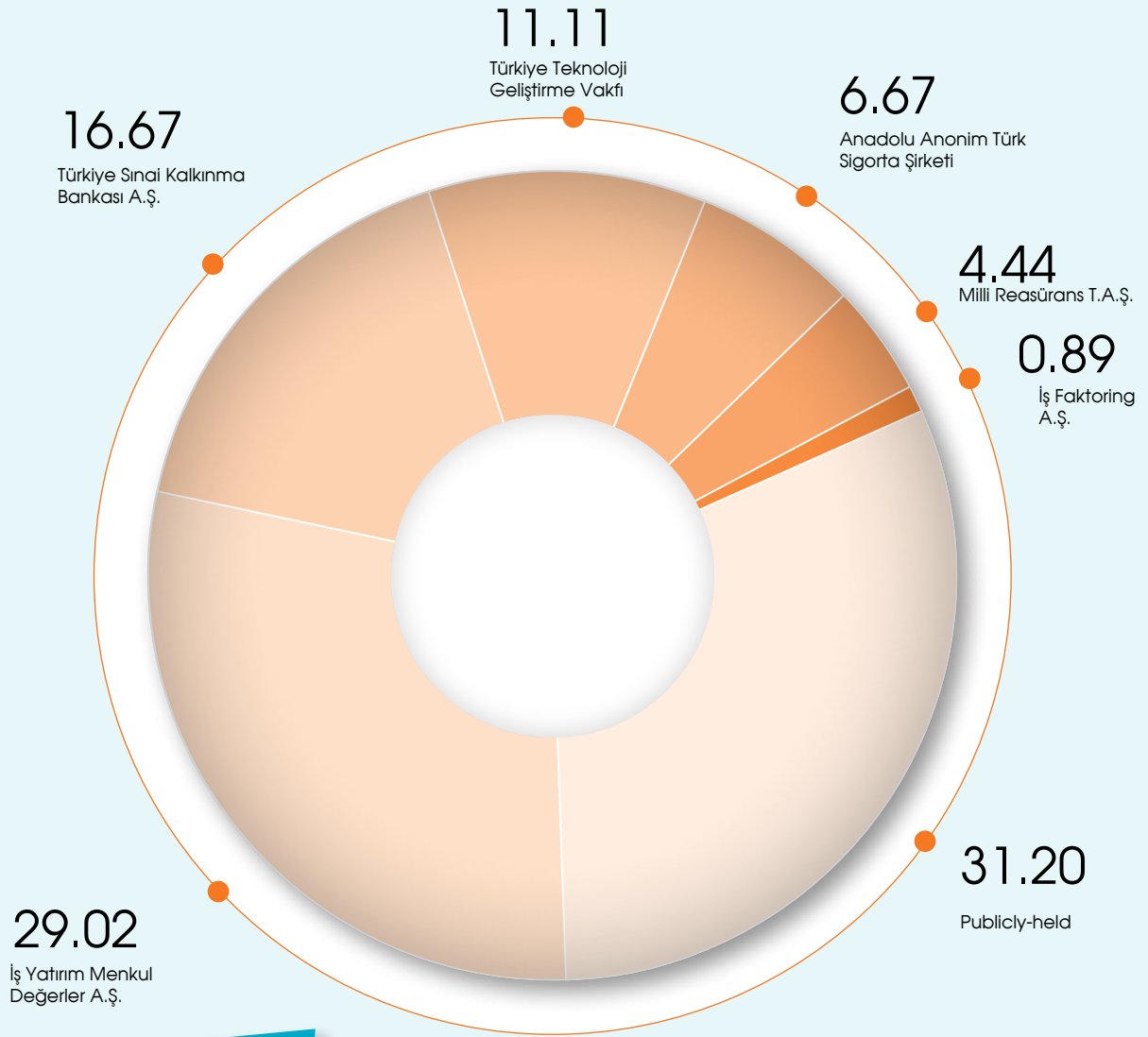
Shareholder	Group	Share (TL)
		2018
İş Yatırım Menkul Değerler A.Ş.	A	6,635,776
İş Yatırım Menkul Değerler A.Ş.	B	15,026,152
Türkiye Teknoloji Geliştirme Vakfı	B	8,294,719
Türkiye Sınai Kalkınma Bankası A.Ş.	B	12,442,079
Anadolu Anonim Türk Sigorta Şirketi	B	4,976,832
Milli Reasürans T.A.Ş.	B	3,317,888
İş Faktoring A.Ş.	B	663,578
Publicly-held	B	23,295,456
Total		74,652,480

In accordance with the decision taken by the Company's Board of Directors on June 27, 2016, a contract was signed with İş Yatırım Menkul Değerler A.Ş. on June 28, 2016 for the purpose of conducting market-making activities in the Company's shares traded on the Borsa İstanbul. İş Yatırım Menkul Değerler A.Ş. commenced market-making activities on June 29, 2016 under this agreement. Between January 1, 2018 and December 31, 2018, İş Yatırım Menkul Değerler A.Ş. sold shares with a nominal value of TL 105,984 from the publicly traded shares of the Company.

The Company does not have its own shares that it acquired.

İş Private Equity

2018 Shareholding Structure (%)



İş Private Equity's Investments in Numbers

Overview of the Fund

Total Assets
USD million

49.8

Total Investments
to Date
USD million

150.8

Investment Summary

Investments

17

Exits

11

Exclusive Transactions

9

Companies
Currently
in the
Portfolio

Total Turnover
USD million

188.2

Total Debt
USD million

42

Total Employment
People

990

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

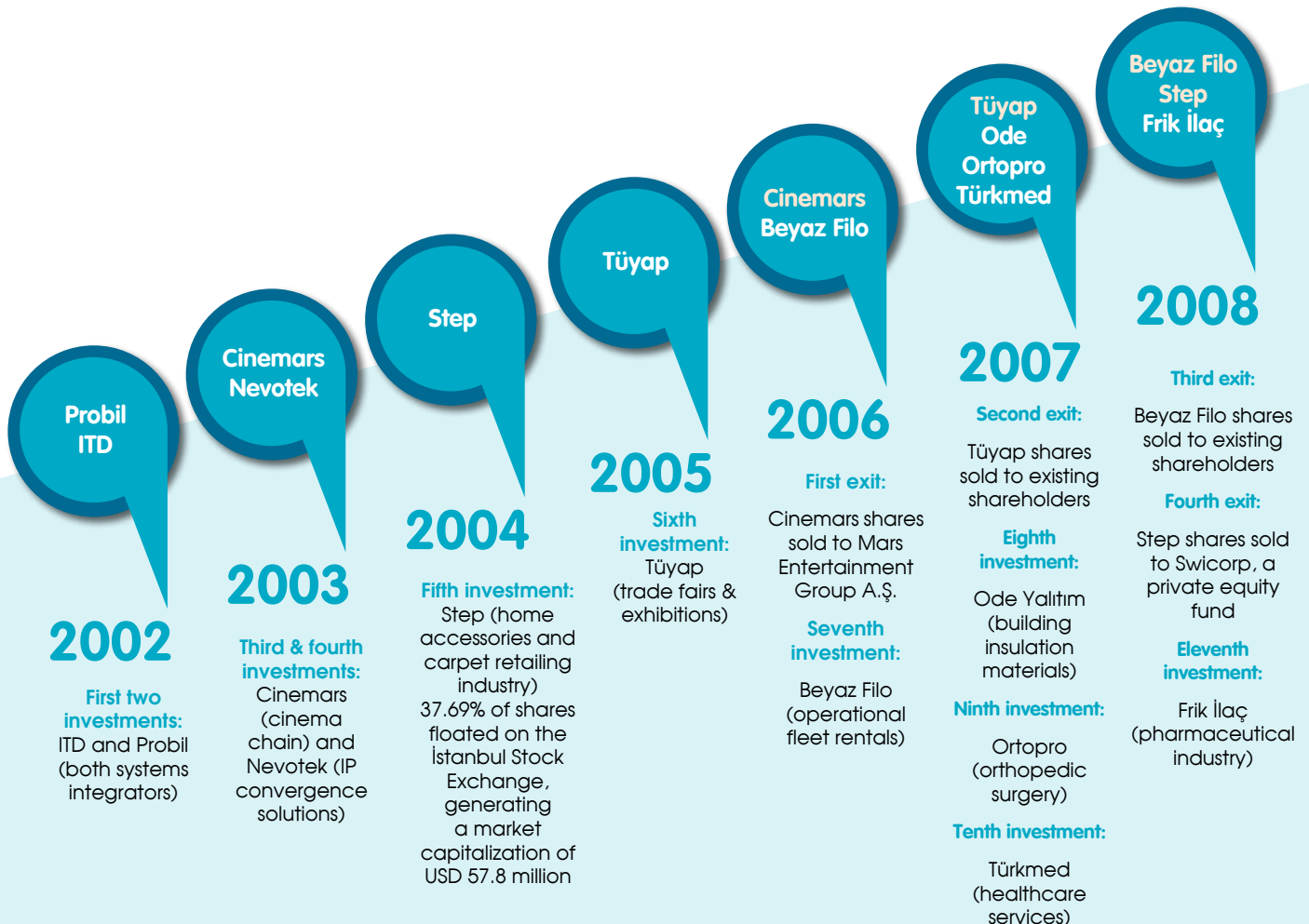
Money Multiple

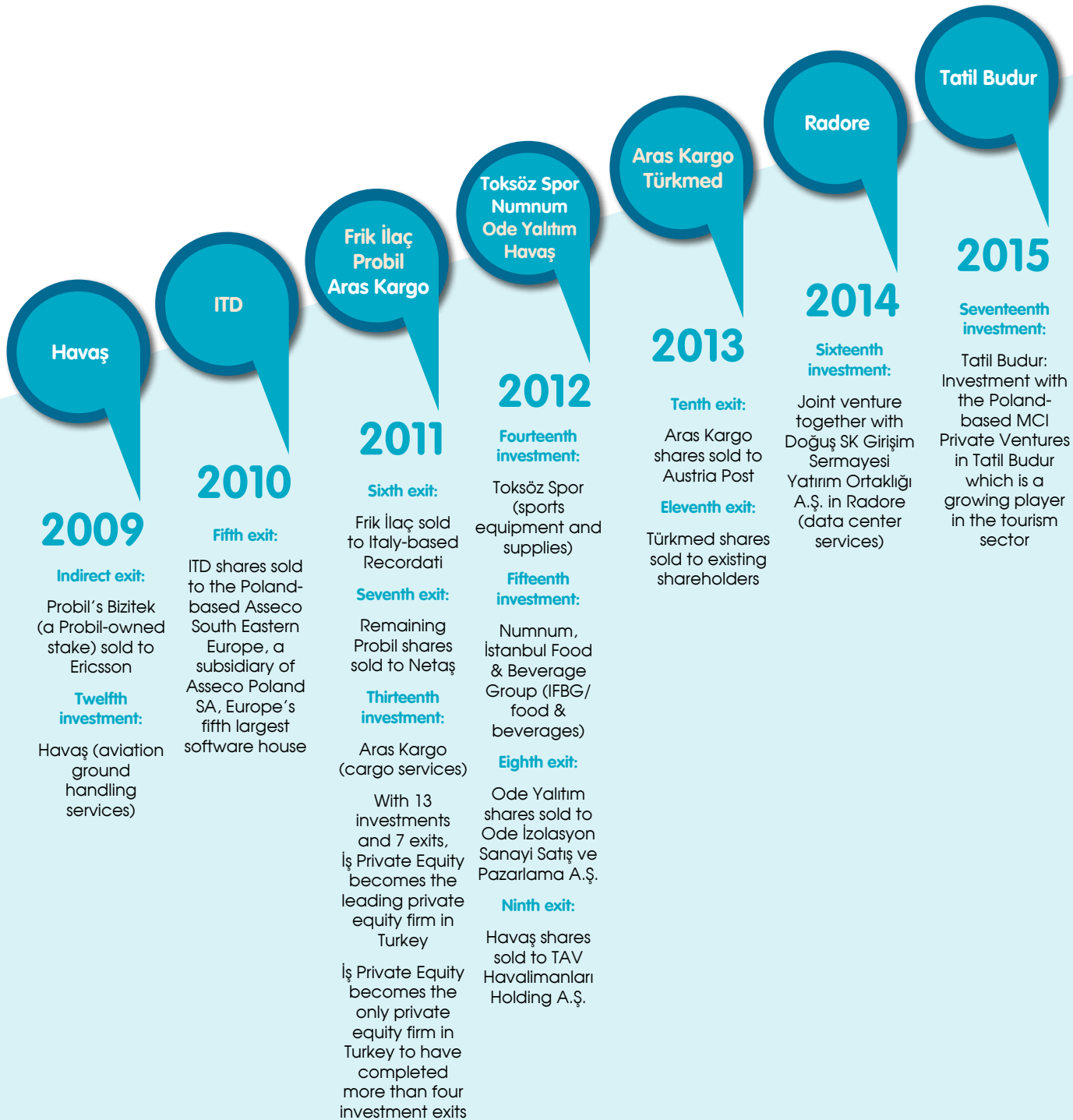
2.30x

Highlights from İş Private Equity's Corporate History

2016-2018

Investments under the portfolio continued, and we worked closely with the companies in the portfolio and continued to generate added value.





● Exits

● Investments

Message from the Chairman of the Board of Directors

The global economy continues to grow at a moderate pace.

Although it has been 10 years since the 2008 global financial crisis broke out, it would still be difficult to claim that the global economy has reached a sustainable equilibrium.

Although the growth in developed economies, and the USA in particular, continued with varying rates of growth observed during 2018, certain risks that might affect the global economy have once again emerged in the last six months. Geopolitical developments in a number of regions in the world, especially in the Middle East, movements restricting global trade on the back of strengthening protectionist tendencies, a rapid deterioration in the outlook of some developed markets and a tighter monetary and fiscal policies stand out as the main factors that could negatively affect global financial markets, indicating the risk of a potential slowdown in growth in 2019 and some short-term volatility in the markets. On the other hand, despite the decline observed in portfolio investments to developing countries, the general view in the markets is that there will be no significant deterioration in risk perception towards developing countries in 2019.

The IMF predicts that global economic growth in the 2018-2019 period will be similar to the levels recorded in 2017, balanced at a rate of 3.7%.

A difficult year for Turkey's economy in 2018, under the weight of challenging conditions at home and abroad

Turkey's economy displayed a strong growth performance in the first two quarters of 2018, with rates of 7.2% and 5.3%, respectively, continuing to positively decouple from other developing countries.

In the second half of the year, however, a deterioration in corporate balance sheets caused by the rapid devaluation of the Turkish lira, a tightening in financial conditions and the rise in interest rates put downward pressure on economic activity.

In the third quarter of the year, growth lost momentum, to be realized at 1.6%. In the same period, foreign demand and strength in exports continued, with the stabilization tendency in the economy becoming more apparent. At the same time, the recovery in Turkey's international relations, the rapid decline in oil prices due to supply-side developments and mounting expectations that the Fed would slow down its interest rate hikes all proved supportive in terms of TL assets.

Inflation started to climb after coming under cost pressures from the second quarter of the year and the deterioration in pricing behavior.

In the last quarter, some recovery was achieved in domestic demand with the support of temporary tax cuts, in addition to the balancing in exchange rates and a limited decline in interest rates.

The growth performance of the Turkish economy is expected to slow down in 2019, with economic growth in the coming period to depend on a number of factors such as the efforts to tackle inflation, stability in the monetary markets, the rising trend exports, continued structural reforms and increased tourism revenues, along with the international conjuncture.

İş Private Equity successfully completes 18 successful years of operation.

İş Private Equity, which combines the unwavering support of the İşbank Group, its professional

competencies and a sound corporate structure, continues its activities as the flag bearer of smart capital.

İş Private Equity has gone beyond providing a financial capital contribution and generates intellectual capital, which is embodied in its management and institutionalism approach and available to the companies it participates in. With the projects it has implemented, İş Private Equity has provided support to companies which have the goal of sustainable growth, at every stage from their establishment to the process of exit from the investment.

İş Private Equity takes risk sensitive and prudent, planned and systematic actions, and assesses opportunities with an approach that protects the assets of its stakeholders, as well adopting the right strategies.

With our belief that tremendous opportunities await us in terms of expanding the companies and our business in the period ahead, we will continue to invest in Turkey and contribute to Turkey's growth.

I have the greatest trust in the competent human resources at İş Private Equity and I would like to take this opportunity to thank them most sincerely. On behalf of myself and the Board of Directors, I would like to express my gratitude to our business partners and other stakeholders for their belief in us and their support in helping us grow together.



The Chairman of the Board of Directors



3.7%

IMF's projection for global
economic growth in 2018

Having completed 18 years of operations, İş Private Equity creates value by combining the unwavering support of the İşbank Group, which it is a member of, with its professional competencies and sound corporate structure.

Message from the CEO

Dear stakeholders,

İş Private Equity, which places the highest priority on providing sustainable growth for the companies it participates in and generating added value for the broadest stakeholder group possible, has wrapped up its 18th year of operations.

Entering partnerships which it deems to offer potential and whose investment story it believes in, İş Private Equity has participated in companies that operate in various business sectors since its establishment, from retail, IT, and health to exhibition services, and in those companies that are the leaders or leading representatives of their sectors.

The diversity of İş Private Equity's investment portfolio has led to the generation of a broad range of economic and social value. In the same period, İş Private Equity has adopted the basic concepts of institutionalization and sustainable growth, which it represents, as best practices in its subsidiaries, and has further accelerated its growth potential with its knowledge and by sharing its experience.

In 2018, İş Private Equity continued to provide the comprehensive contributions which the companies in which it participates need for growth. Focused on the development of brand value for its subsidiaries, increasing their competitive clout and strengthening their power to generate added-value, İş Private Equity extends its support to its portfolio companies within the scope of partnership rights and obligations.

In this context, in 2018, İş Private Equity transferred a total of TL 10.6 million to two companies, in which it is a partner; TL 5.8 million was transferred to one of our subsidiaries, and a capital payment of TL 4.75

million, which had been promised in 2017, was completed.

Supporting our subsidiaries regardless of market conditions is a cornerstone of our strategic and long-term investment perspective. Acting in line with this principle, İş Private Equity believes the capital contribution it realized in 2018 will boost the performance of its subsidiaries in 2019 and beyond.

İş Private Equity has participated in 17 companies to date and realized exits from 11 of them. İş Private Equity continued to assess exit and investment opportunities in 2018 with a proactive and analytical approach in light of global and national economic conditions.

Continued growth in our subsidiaries, where efficiency has developed in all aspects, in 2018.

We maintained our unwavering support for our subsidiaries that add value to Turkey's economy in 2018, with all of our subsidiaries increasing their operating profitability in TL terms, and we reaped the fruits of their work to improve efficiency.

In 2018, the total turnover of the companies in our portfolio increased by more than 30% in TL terms. In the same period, significant improvements were also observed in the profitability of our portfolio companies, which nearly tripled their EBITDA in TL terms. The fact that this financial performance came against a backdrop of a relative increase in the cost of financing, stands as a very valuable achievement in the eyes of all of us.

Our target for 2019 is to support and develop our existing subsidiary portfolio. In contrast, as "Turkey's smart capital", we will continue to assess potential exit and investment opportunities offered by the markets. İş Private Equity has the

financial power, knowledge and shareholder support required for new initiatives.

A stagnant year for our sector

The mergers and acquisitions market in Turkey rounded off a relatively stable year in 2018. Despite a 13% decrease in the number of transactions compared to 2017, total transaction volumes increased by 17%. In 2018, a year when the spotlight turned to large-scale transactions, a total of 256 transactions were realized with a combined volume of USD 12.0 billion.

Looking forward carefully and with determination

Before I end my message, I would like to share my findings on the current market conditions which surround us and may affect our progress to some extent.

Although the growth in developed economies continued throughout 2018, some risks that could negatively impact the global economy have increased recently. Protectionist policies and tariff wars that affect global trade, a deterioration in the outlook of some developed economies, a tightened monetary and fiscal policies could all adversely affect the global financial system in the near future.

It is against this backdrop that İş Private Equity enters its 19th year of operation as a strong and determined company.

In addition to the strong foundation we have built, our professional and highly competent human resources will enable us to advance towards our objectives in a risk focused but determined manner together with our subsidiaries also in the coming period, and will enable us to create value for our stakeholders.



19th year

İş Private Equity enters its 19th year with strength and determination.

I would like to thank our valuable stakeholders for their contributions.

İş Private Equity – Turkey’s Capital - will easily reach its future goals with the dedicated contributions of its competent management team and employees. In this context, our company, will continue to support SMEs that are the driver of the growth in Turkey’s economy.

I would like to end my message by expressing that we will need much more than we do today in the coming period in our efforts to build a more sustainable and more habitable future, while paying

tribute to the contributions and strong support of our stakeholders. I would like to extend my sincere thanks to our business partners, investors and employees on behalf of myself and our management team.

A. Murat Özgen
CEO



strong performance

İş Private Equity ranks first in the sector in terms of number of transactions with 17 investments generating high compound returns and multipliers, and 11 exits.

Macroeconomic Outlook¹

The implementation of protectionist trade measures in some countries, particularly in the United States, was one of the developments to suppress economic growth in 2018.

Global Economy

A year that passed under a cloud of global trade disputes

The global economy maintained its growth trend in 2018 to a large extent. However, the implementation of protectionist trade measures in some countries, especially in the United States, and the negative impact of these measures on global risk perceptions emerged as one of the most important developments suppressing economic growth.

The trade war, which was initiated in the USA, took on a severer form especially for China, which reciprocated in kind. Mutual trade measures put into effect have increased to a dimension that could

adversely impact global trade volume and economic activity.

The geopolitical risks centered on the Middle East and Syria in particular remained a focal point of attention throughout 2018. The reinstatement of US sanctions against Iran caused deterioration in the risk outlook.

The decisions and policies implemented by leading central banks throughout the world, that directly impacted the global economy and financial markets in 2018, were broadly realized in line with forecasts. The US Federal Reserve (Fed), which has been proceeding with its balance sheet downsizing process, raised interest rates four times. On the other hand, the Fed offered clear signals that it would follow a more moderate interest policy in 2019.

The European Central Bank (ECB), which decided to gradually reduce the size of its asset purchase program in 2018, ended its asset purchases at the end of the year. During the same period, the Bank announced that it could raise interest rates in the second half of 2019.

With only a short period of time remaining for the UK's exit process from the EU, statements from both the EU and the UK government indicated that the possibility of an exit without an agreement continued and had even become more likely. As the British Parliament rejected the agreement reached between Theresa May's government and the EU, this process assumed a bigger dimension. The EU Commission also announced the

4

times interest
rate rising

Fed, which has been balance sheet downsizing process, raised interest rates four times.

¹ Sources for this section: TurkStat, CBRT, İşbank

Macroeconomic Outlook

3.5%

The IMF predicts that the global economy would grow by 3.5% in 2019.

measures it would put in place in the event that the UK left the EU without an agreement.

Emerging markets affected by global liquidity conditions.

Sharp fluctuations were experienced in emerging markets throughout 2018 due to the tightened global liquidity conditions and the deterioration in risk perceptions.

According to the Institute of International Finance (IIF), portfolio investments in developing countries stood at USD 352 billion in the first 11 months of 2017; in the same period of 2018, they had virtually halved to USD 195 billion. Despite this decline, the consensus view in the markets was that there would be no additional deterioration in the risk perceptions towards developing countries in 2019.

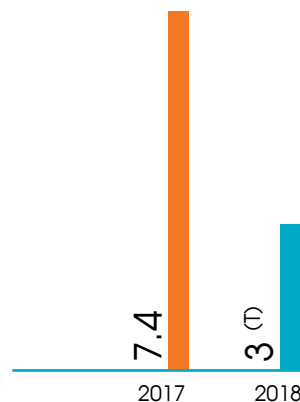
The World Economic Outlook Report published by the IMF in January 2019 emphasized that the expansion in the global economy was slowing down. The IMF maintained its prediction that global growth would

stand at 3.7% in 2018, despite the relatively weak performance in some Asian and European countries. On the other hand, the global economy is expected to grow by 3.5% in 2019 and by 3.6% in 2020.

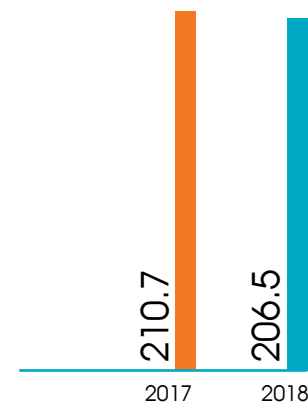
At this stage, with a priority of sharing a policy mutually, countries have been advised to adopt approaches that will facilitate trade and bring momentum to the global economy, rather than raising protectionist trade barriers further and destabilizing the already slowing global economy, and work in cooperation.

To ensure the sustainable and balanced growth of the world economy, it is important that all economies take measures that will strengthen fiscal and financial buffers and increase durability in an environment where the burden of debt is high and tight financial conditions are dominant, in addition to accelerating the potential production increase and increasing inclusiveness.

GDP (%)



Imports (USD billion) January-November



The Turkish Economy

A relative slowdown in the growth performance

Turkey's economy displayed a strong growth performance in the first half of year, with growth of 7.2% in the first quarter and 5.3% in the second quarter with the contribution of private consumption expenditures.

In the second half of the year, however, global developments triggered a rapid depreciation of the TL, raising concerns over corporate balance sheets, with inflationary pressure having restrictive effects on economic activity due to the tightening of financial conditions and consequently, the harsh rise in interest rates.

Against such a backdrop, growth performance lost momentum in the third quarter of the year and

declined to 1.6%. In the same period, a sharp contraction of 24% was observed in consumer durables expenditures which are relatively sensitive to exchange rates and interest rates.

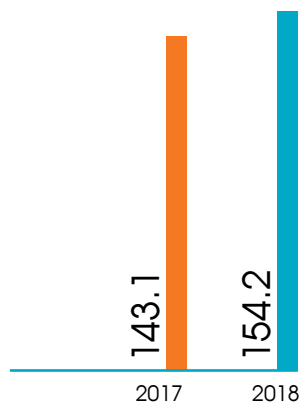
After what proved to be a difficult summer, the decline in oil prices due to supply-side developments and mounting expectations that the Fed could slow down its interest rate hikes brought some much needed support to TL assets. The Turkish Lira recovered some of its lost ground in the last quarter of 2018, and combined with a limited decline in interest rates as well as the temporary tax cuts applied, domestic demand posted a recovery.

The rate of unemployment stood at 11.4% in October, its highest level since March 2017.

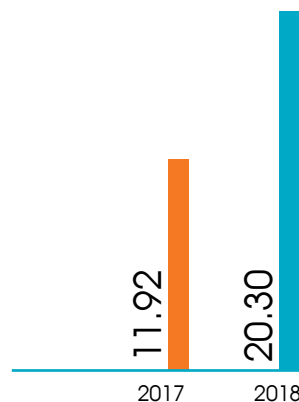
3%

CBRT expects the growth of Turkish economy would stand at 3% in 2018.

Exports (USD billion) January-November



CPI (%)



Macroeconomic Outlook



20.3%

CPI rounded off the year at 20.3% with the support of the program to tackle inflation.

Deterioration in inflation

Inflation, which stood at 11.9% at the end of 2017, remained stable for the first quarter of 2018. However, cost-side pressures started to be felt rapidly from the second quarter of the year.

The inflationary effect spread across the basket and pricing behavior deteriorated starting from August. The rise in the cost of imported goods in TL terms, resulting from the shift in exchange rates, triggered a spike in core inflation.

Food prices, in particular, increased from June. Meanwhile, with price hikes in natural gas and electricity in August and September, the annual rate of PPI inflation increased to 46.2% in September. The annual rate of increase in CPI inflation reached 25.2% in October.

CPI inflation, which retreated back to 21.6% as of November with the support of the program to tackle inflation, rounded off the year at 20.3%. The CBRT's current monetary policy stance is expected to be tightened further in 2019.

Fiscal performance and exports

The effects of the slowdown in economic activity were observed on the fiscal performance. While budget revenues increased by 20.2% in the January-November period, spending rose by 24%. The budget deficit more than doubled to TL 54.5 billion. The primary surplus stood at TL 17.3 billion, marking a decrease of 39.8% compared to the same period of the previous year.

Export volumes increased by 9.4% YoY in November, while imports plunged by 21.3% YoY, with the foreign trade deficit contracted by

89.8% compared to the same period of the previous year and continued to decline. The export-import coverage ratio, which was 69.1% in November 2017, reached 96% in November 2018.

According to figures for the last 12-months on a cumulative basis, the foreign trade deficit continues its downward trend.

In its meeting held on December 13, the CBRT kept the policy rate, which is one-week repo lending rate, unchanged at a rate of 24%. In the note published after the meeting, the CBRT pointed out that the process of stabilization in Turkey's economy had become apparent, adding that while domestic demand had slowed down due to the tightening in the monetary policy, external demand had supported growth. Stating that the tight monetary stance would be maintained, the CBRT reiterated the emphasis that additional monetary tightening could be carried out if needed.

Key indicators of Turkey's economy

	2016	2017	2018
GDP growth, %	3.2	7.4	3 ⁽¹⁾
CPI Inflation (e.o.p.), %	8.5	11.92	20.30
CPI Inflation (average), %	7.8	11.14	16.33
CAD (USD billion)	33	47	33 (1)
CAD, % of GDP	3.8	5.5	4.7 (1)
TL/USD (e.o.p)	3.53	3.77	5.26
TL/USD (average)	3.02	3.65	4.81
TL/Euro (e.o.p)	3.69	4.52	6.03
TL/Euro (average)	3.34	4.12	5.66
Basket (e.o.p)	3.61	4.16	5.65
Basket (average)	3.18	3.89	5.24
Euro/USD (e.o.p)	1.05	1.20	1.15
Euro/USD (average)	1.11	1.13	1.18
Money market rates, %	8.3	12.3	23.9
Benchmark 10-year TL bond rate	11.4	12.4	15.63

⁽¹⁾ as per CBRT

Sectoral Review

Global M&A volume reached **USD 3.53 trillion** in 2018.



Global M&A transaction volumes increased by 11.5% in 2018.

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

The World Merger and Acquisitions (M&A) Markets

According to Mergermarket.com's 2018 Global and Regional M&A report, global M&A transaction volumes reached their third highest level ever in 2018, at USD 3.53 trillion. M&A trading volumes in 2018 were observed to have increased by 11.5% when compared to 2017.

The US market realized its second most active year in terms of transaction volumes and number of transactions with USD 1.5 trillion of transactions (up from USD 1.3

trillion in 2017) with a total of 5,718 transactions.

The M&A trading volume in the Asia Pacific region, which accounts for 52.1% of the Chinese M&A market, reached USD 717.4 billion in 2018, also the second highest figure ever recorded.

Due to increased protectionism, state intervention and ongoing uncertainties, the European market stagnated in the second half of 2018, especially in the last quarter of the year, when it recorded its lowest trading volume since the first quarter of 2013. An increase of 6.4% was observed in terms of transaction volumes in Europe for the year as a whole when compared to 2017, with 11 transactions worth more than USD 10 billion realized in the first half of 2018, with a total of USD 989.2 billion in transactions realized.

In 2018, in parallel with 2017, transactions in energy and mining services, and industry and chemicals, accounted for a high weighted proportion of the total transactions in value terms.

The number of cross-border transactions realized in 2018 decreased by 6.6% in number compared to 2017, to 6,405. On the other hand, transaction volumes increased by 6.4%, reaching USD 1.35 trillion.

The M&A Markets in Turkey

According to the M&A Transactions report prepared by Deloitte, Turkey's M&A market enjoyed a relatively a stable year in 2018 despite the negative economic developments such as the fall in value of the TL and the surge in interest rates. Thanks to a small number of large-scale transactions and the strong transaction volume in the first half of the year, there was a 16.5% increase in transaction volumes when compared to 2017, with a total of USD 12.0 billion in transactions in 2018. The number of transactions realized in 2018, at 256, represents a decrease of 13.2% when compared to 2017.

In terms of the number of transactions, the internet and mobile services, technology and production sectors accounted for 46% of the transactions. On the basis of transaction volume, the financial services, logistics and transportation and media sectors were the three leading sectors.

In 2018, transactions of less than USD 100 million in value accounted for 91% of the total number of transactions, while the value of such transactions amounted to 21% of the total transaction volume. In 2018, the top ten transactions had a 63% share of in total transaction volumes, the highest level since 2012. The average transaction

Internet and mobile services, technology and production stood at the forefront of M&A activity.

12.0
USD billion

Total M&A transactions realized in Turkey as of the end of 2018.

Sectoral Review

By completing a total of 74 transactions, foreign investors maintained a level of transactions similar to the previous year.

3.2
USD billion

The sale of Denizbank to the Emirates NBD Bank was the single largest transaction realized in 2018.

amount in the top ten transactions stood at USD 752 million (2017: USD 510 million).

The sale of Denizbank, by the Russian Sberbank to the UAE-based Emirates NBD Bank for USD 3.2 billion, realized in 2018 but has not yet been finalized, ranks in first place among the top ten transactions with the highest value. With this transaction, transactions in the financial services sector accounted for an important share of transaction values. Among M&A transactions realized in 2018, privatizations created a volume of USD 1.0 billion with a total of 18 transactions. The majority of these transactions took place in the food and beverage and energy sectors, while the share of transactions in total transaction volume stood at 8%.

The total number of transactions involving foreign investors was similar to the previous year, remaining modest at 74 transactions. The transaction volume of foreign investors was doubled compared to 2016, which represented one of the historic bottom levels, with foreign strategic investors playing a dominant role in large transactions. Transactions involving foreign investors stood at USD 7.6 billion, accounting for 63% (2017: 53%) of the total transaction volume.

Financial investors, who have performed fewer transactions in recent years, adopted a cautious and selective strategic stance

in 2018 as well. In total, financial investors carried out the lowest transaction volume in the last decade, with 105 transactions in the order of USD 1 billion (2017: USD 2.6 million).

With the exit transactions of local funds through public offerings or through sales, early-stage investments carried out by venture capital and angel investors kept the market active throughout the year.

Financial investors, who accounted for 25% of all investments in 2017, had a share of only 8% in investments in 2018. While 82 out of the 105 transactions realized were completed by venture capital and angel investors, venture capital investors continued to act in a risk-sensitive manner in 2017 and completed the year with 14 transactions.

Transaction values of M&A deals in Turkey (2018)

Range	% Share of Total Number	% Share to Total Value
Over USD 500 mn	2	53
USD 250-500 mn	2	10
USD 100-250 mn	5	16
USD 50-100 mn	5	9
Below USD 50 mn	86	12
Total	100	100

Source: Deloitte M&A Transactions Value Range (2018)

Financial investors, who accounted for 25% of all investments in 2017, commanded a share of just 8% in 2018.

82

transactions

82 of the 105 transactions realized were completed by venture capital and angel investors.

Our Business Model

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

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.

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

The average compound return obtained by İş Private Equity, whose exit return stood at USD 166.9 million as of December 2018, from the exits was 26.46%.

İş Private Equity examines projects for the transactions of medium-sized companies in Turkey, taking investment and exit decisions as a result of an evaluation process based on objective criteria.

İş Private Equity examined 2,807 projects in total in its project assessment process between 2000 and 2018 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.

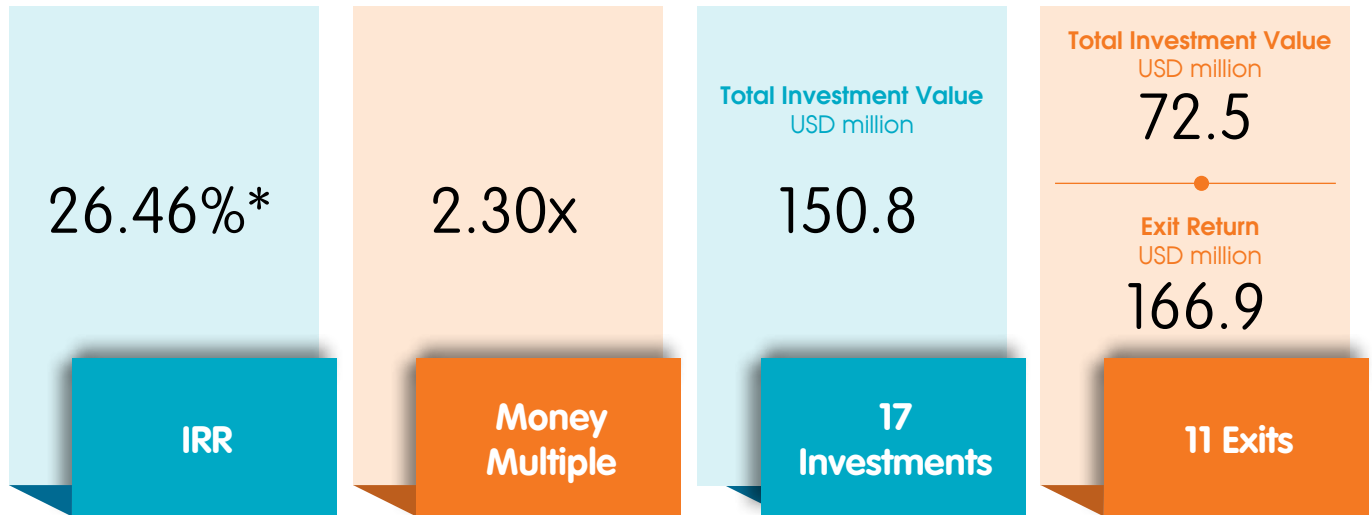
The 17 investments undertaken between 2000 and 2018 had a total volume of USD 150.8 million, while the total volume of the 11 exits was USD 72.5 million.

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.



The Companies in Our Portfolio



Tatil Budur



Radore



İYİ Group



Sportive



Ortopro



Nevotek

Tatil Budur

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

As one of the pillars of the Turkish tourism sector, Tatil Budur offers services in 50 cities for summer tourism, international tourism, culture and congress tourism.



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 50 cities.

Tatil Budur's service platform, www.tatilbudur.com was visited by 49 million people in 2018.

The call center, which provides services on a 24/7 basis, a widespread network of agencies and applications for corporate customers all serve as the focus of strength of services offered to customers by Tatil Budur and MCI.

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 45% growth in the domestic tourism branch in 2018, 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 2018, İş Private Equity held a 20% partnership with Tatil Budur.





After having achieved 60% growth in 2017, we rounded off 2018 - a difficult year marked by challenging macroeconomic conditions - with growth of more than 40% and increased operational efficiency. By the end of 2019, we aim to have expanded our business by 3 ½ times in the space of 3 years.

One of the issues that especially pleased me in 2018 was that despite all of the stress caused by these ambitious targets, there has been a significant increase in our employee satisfaction, and we obtained the Great Place To Work certificate. I would like to thank our shareholders, our team, our employees and, of course, our customers for all of their support.

Cenk Angin
General Manager

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



Radore

(Radore Veri Merkezi Hizmetleri A.Ş.)

The provider of individual and corporate data center services, Radore, in which İş Private Equity invested in 2014, continued its growth in 2018 and maintained 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 37% growth in 2018, Radore provides data center solutions to more than 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 m² 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 2018.





Radore, the Data Centre at the heart of Istanbul...

Radore, a modern data center, offers IT infrastructure which meets high standards and which cannot be set up by organizations within their own organizations, through its PCI / DSS, ISO 9001 and ISO 27001 quality and safety certifications. Radore has successfully implemented its growth strategy thanks to the driving force provided by its partnership with İş Private Equity. As such, it further improved its growth rate, from 30% in 2017 to 37% in 2018. In addition, the company achieved more than 100% growth for a third consecutive year in high value-

added services, such as cloud services and managed services, which companies need during digital transformation processes, and added many important corporate companies from different sectors to its references. As of the year end of 2018, Radore continued its growth with a staff of 74 people, a data center which meets Tier III and Tier II standards with a capacity of approximately 10,000 servers, providing services to more than 4,000 people and institutions.

Sadi Abalı
General Manager

From the General Manager of Radore...



The İYİ Group

(The İstanbul Food and Beverage Group)

The İyi Group, the value-creating brand of 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 2018, İş Private Equity held an 83.57% stake in the İYİ Group.





Hosting 5 different café and restaurant brands, the Istanbul Food and Beverage Group wound up the year 2018 with prestigious awards in the national and international arena, posting a performance which exceeded its targets, reaching a total of 20 branches in 6 provinces across Turkey.

As well as its inclusion in the list of the World's 50 Best Restaurants for a fourth consecutive year, Mikla rose to 44th place this year, reinforcing its position as one of our country's global brands. Also in Turkey, it won the 5th award in the İncili Guide, which is the sector's most prestigious award, and was chosen once again as Turkey's Best Restaurant.

2018 was the year of breakthroughs for our Kronotrop and Numnum brands. In addition to its new branches opened in Istanbul, our Kronotrop brand increased its number of branches to nine with the cafes opened in Antalya and Eskişehir. In addition to its branches in Istanbul, Ankara and Bursa, Numnum opened two new restaurants, one in Izmir and another in Antalya, in 2018.

Yours respectfully,

M. Necil Oyman
General Manager

From the General Manager of the Istanbul Food and Beverage Group...



The İYİ Group (The İstanbul Food and Beverage Group)

The İYİ Group offers its customers a range of innovative products and services with concepts ranging from fast-food and comfort-food to fine dining.

Highlights from the İYİ Group brands ...



Mikla

Mikla "from İstanbul" started its operations in October 2005. It is located on the top two floors of the Marmara Pera Hotel (Beyoğlu, İstanbul), 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 eight successful branches in İstanbul (Levent Kanyon, Ataşehir Brandium and Akasya Acıbadem), Ankara (Tepe Prime, Armada), Bursa (Podyum Park), Antalya (Agora Shopping Mall) and İzmir (Optimum Shopping Mall).





Trattoria Enzo

Trattoria Enzo, specializing in Italian home cooking, opened its doors at Akasya Acibadem 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 3rd generation coffee shop, Kronotrop, offers an outstanding coffee experience with its branches in Cihangir, Orjin Maslak Plaza, Emaar Shopping Mall, İstmarina Shopping Mall, Eskişehir, Antalya Agora Shopping Mall, Yıldız Technical University, Topağacı Nişantaşı and the international terminal at Atatürk Airport.



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 one branch in İstanbul Orjin Maslak.



Sportive

(Toksöz Spor Malzemeleri Ticaret A.Ş.)

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



Established in 1985, Sportive has accelerated its growth with the investment undertaken by İş Private Equity. The Company hosted 11 million customers in 25 stores in 13 provinces throughout 2018 and achieved 64% growth in EBITDA

(Earnings Before Interest Taxes, Depreciation and Amortization). In 2018, the return on investments made to the www.sportive.com.tr platform yielded 47% growth.



sportive



Sportive - Turkey's largest local, multi-brand and multi-channel retailer of sports products...

Sportive notched up a significant success with 64% EBITDA growth in 2018, reaching 11 million customers in 25 stores in 13 provinces. It provided wholesale sports products to 850 retailers of sports products, 315 sport clubs and 12 sporting federations throughout Turkey, with turnover increasing by 18% YoY to reach TL 210 million.

The online sales portal, Sportive.com.tr, which offers the fastest growing and the widest range of sporting brands in the country, grew by 47% in 2018, taking the total share of the company's sales made through the online channel to 10%.

The momentum that Sportive captured in 2018 was crowned with various awards as well as financial successes. To personally receive the award of Capital

Magazine'' 50 Most Powerful Women CEOs in Turkey and the Retail Sun- the Best Manager of the Year award, which is the sector's most prestigious award, was a great source of joy for me. In the Reputation and Brand Value Performance Measurement survey conducted by the Marketing Turkey magazine together with Akademetre, Sportive was ranked 3rd for the first time in its sector as the brand to increase its reputation most during the year.

Our main target for 2019 at Sportive is to maintain our profitable growth and increase the degree of commercial cooperation we will carry out in 2018 with the Sportive brand for Anadolu Efes, which is representing Euroleague.

Yours respectfully,

Zeynep Selgur
General Manager

From the General Manager of Sportive...



Ortopro

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

The leading domestic producer in the orthopedic surgery sector, Ortopro was established in 2002. The company obtained 60% of its 2018 turnover from exports.



Operating from its new generation production facilities in the Aegean Free Zone in Izmir since 2007, Ortopro is a manufacturer of orthopedic implants with one of the most innovative and comprehensive product portfolios 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 achieved approximately 40% growth in 2018 with 60% of its turnover derived from exports in 2018. The Company aims to continue its export growth in 2019 while maintaining its market share in the domestic market. The Ortopro product portfolio successfully passed the quality control processes and its products were found to be in compliance with global quality standards such as ISO 9001 and CE.





Growth in exports in 2018

For Ortopro, 2018 was the first year in which we started to see the results of the restructuring processes which we initiated in 2016.

With our strong and reputable dealer network which we have created in the domestic market in the last two years, we have achieved stable and sustainable monthly sales figures. We also achieved improvements in profitability when compared to 2017, despite the volatility in exchange rates.

Our sales figure in international markets grew to more than half of our turnover and provided a significant contribution to our profitability. We continued to grow in Latin American markets, especially Argentina. We carried

out sales to new markets such as Pakistan, Ukraine and Libya. We have taken steps to advance our sustainable growth going forward by increasing the number of countries to which we sell.

The EBITDA figures we achieved in 2018 reached a level that would indeed set a precedent in terms of market and industry averages.

We expect to continue our sustainable growth in 2019, especially in foreign markets.

Mehmet Özkan
General Manager

From the General Manager of Ortopro...



Nevotek

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

Exporting to international markets by developing software in Turkey, Nevotek's products are used in the accommodation, health, and maritime sectors in more than 40 countries.



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.

In 2018, Koridor, which is a subsidiary of Nevotek and based in the United States, had largely completed its product development process and began pilot studies with hotels. After the completion of pilot studies, it will provide services to hotels on the basis of a recurring revenue model through a 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. As of December 2018, the installation was completed at nearly 1,200 hotels in the IHG hotel chain.

İş Private Equity's share in Nevotek stood at 93.46% as of the end of 2018.



NEVOTEK

The IP Convergence Company



With 90% of its customers located abroad, Nevotek rose to 20th place among exporters in the IT sector in Turkey as of 2018.

Exporting to international markets by developing software in Turkey, Nevotek's products are used in the accommodation, health and maritime sectors in more than 40 countries. Our products, which are used in more than half a million hotels, hospitals and cabins worldwide, are expected to reach a wider customer base in 2019.

Tankut Turhan
General Manager

From the General Manager of Nevotek...



A success story: Step Carpet

İş Private Equity obtained a compound annual return of 19.04% in USD terms from its Step investment.



In the 2000s, marked by the rapid growth of the non-food retail sector in Turkey, business opportunities in the carpet sector, one of Turkey's traditional sectors enjoying a high level of recognition worldwide, attracted the interest of İş Private Equity.

The Step brand, which has been built up in the presence of the Şengör Family's extensive experience in the sector since 1919, and which rose to fame by combining the classic carpet

business with modern retail in the home textile marketing concept, the Step brand was evaluated as an investment opportunity which was in line with the goals and mission of İş Private Equity.

İş Private Equity invested USD 3.5 million in Step during the partnership period.

Having become a shareholder in 2004, İş Private Equity exited Step in 2008, transferring its shares to another venture capital fund in return for USD 6.7 million.



İş Private Equity obtained annual compound return of 19.04% in USD terms from its investment in Step.

The Theme of the Investment

In addition to its ambition of redefining carpet retailing, by having original design power and a business model, Step was adopted as an ideal investment opportunity by İş Private Equity, which would take Turkey's powerful image in carpeting forward with its rapidly rising brand recognition and its objective

of expanding into international markets.

In the domestic market, İş Private Equity was impressed by Step's objective of achieving a more significant share in the growing retail sector by harnessing its experience and innovative approach.

Value Generated with Investment

With the start of the İş Private Equity partnership with the Şengör Family, senior professionals,

A success story: Step Carpet

including the Financial Affairs Director, were incorporated into the company and a stronger organizational structure was established. At the same time, steps were taken to develop the information processing, accounting and reporting infrastructure.

With the İş Private Equity investment, importance was first of all attached to branding in order to achieve growth in international markets, one of the most important goals for all of Step's partners. The Stepevi brand, which includes products in designs and textures that can be described as a blend of modernity and Turkish authenticity, was launched. The store and corner concepts were developed for Stepevi by internationally renowned concept consultants.

Having had the opportunity to introduce itself in Vienna, London, Beirut, Amman, Kuwait and South Africa, Step also started exporting to well-known international furniture retail chains.

During the İş Private Equity investment, Step saw a 24-fold increase in its exports. As of 2007, the share of exports in Step's turnover, which was just 5.6% in 2003, had reached 40.8%. This export performance provided significant value to Turkey's economy.

In addition to exports, importance was given to domestic growth, and the number of stores increased from 14 before the investment from İş Private Equity to 26 after the investment.

A successful exit

Believing that its mission was completed at Step which had reached the domestic and international growth targets set out for it, İş Private Equity started the exit process in 2008. In this context, İş Private Equity completed the exit process with an offer received from a venture capital fund that carries out investments focused on the Middle East and Africa.

In a period dominated by the global economic crisis, İş Private Equity succeeded in generating USD 6.7 million in revenue from the sale of its shares in Step Carpet, equating to an annual compound return of 19.04% in USD terms.

The home accessories and carpet retailing sector

Field of Operation

19.04% -
1.93x

Return (USD IRR - Equity Multiplier)

6.7

USD million

Exit Amount

3.5

USD million

Investment Amount

2004 -
2008

Investment Period

Venture capital fund

Exit

In addition to collecting the financial fruits of the labor we carried out during the partnership process with İş Private Equity, we were able to attract the attention of foreign investors after the end of our partnership.



From the Partner of Step Carpet...

Thanks to our partnership with İş Private Equity, we have opened ourselves up to the world.

As the third generation representative of the Şengör family, which has been in the carpet business for three generations, in 2004, we decided to partner with İş Private Equity, one of the our country's most reputable venture capital organizations, to carry the Step brand - which is the most advanced, most contemporary interpretation of the Turkish carpet culture and a traditional Turkish carpet business - to the next stage, opening the brand to the world.

During our partnership with İş Private Equity, we carried out important work to carry our institutionalization to a higher level and to strengthen the financial management and system infrastructure.

When we partnered with İş Private Equity in 2004, we were a company

with a turnover of nearly USD 7 million at 34 locations, while at the time of our exit, we had evolved into an organization with a turnover of USD 25 million operating at 62 sales points.

We carried our vision beyond our country's borders by developing a concept that best suits our global goals, following a serious branding process. At the end of the partnership process, 40.8% of our turnover was derived from exports, bringing significant added value to our country.

First of all, Step became an example for the carpet sector with its retail model in Turkey. It then introduced the concept of fashion and luxury in carpets to the markets of developed economies with the Stepevi brand. At all stages in this process, we always felt the active contribution of our reliable partner, İş Private Equity, which valued our entrepreneurial skills, motivated

us and always supported us in achieving institutionalization and growth.

In addition to collecting the financial fruits of our labor during our partnership process with İş Private Equity, we have been able to attract the attention of foreign investors since the end of our partnership. The work carried out during the partnership period with İş Private Equity played an important role on the basis of the new targets, for which we will work together with the foreign capital we draw to our country to achieve.

As a result, we have undertaken a partnership with İş Private Equity which has resulted in success, based on mutual trust and understanding. We will always be proud to have cooperated with such an organization.

Yours respectfully,
Cem Şengör

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.

Uğur Özker left İş Private Equity to take up his duty at Girişim Sermayesi Portföy Yönetimi A.Ş. established on November 2, 2017. On the other hand, Metin Yılmaz left İş Private Equity for retirement.



1st row from left to right: S. Burak Bayhan, Burcu Perişanoğlu, A. Murat Özgen, Birsen Işık, Diğdem Erdoğan,

2nd row from left to right: Deniz Turuşlar, Buşra Göktekin, Başar Yenidünya, Cengiz Yönezer

3rd row from left to right: Koray Doğançay, Cemil Kahrıman, Erkan Yağcıoğlu, Burçe Kabatepe

Summary of 2018 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 2018, a total of TL 5,838,315 was paid to Nevotek and TL 4,750,000 was paid to Ortopro - amounts committed as capital. In addition, TL 589,100 was collected from one of the former partners of Tatil Budur within the framework of the purchase correction mechanisms.

As a result of these payments, İş Private Equity's cash portfolio decreased by TL 9,999,217.

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, 2018 is provided below.

Company	Stake (%)
Nevotek Bilişim Ses ve İletişim Sis. San. ve Tic. A.Ş.	93.46
Ortopro Tıbbi 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-2018, İş Private Equity had 13 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.

Annual General Meeting

İş Private Equity's Annual General Meeting for 2017 was held on 21 March 2018. 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 10, 2018.

69.98% 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

Within the scope of compliance with the Communiqué on Information Systems Management (VII-128.9) published by the Capital Markets Board on January 5, 2018, work was conducted as accompanied by the external consultancy service. The relevant communiqué did not result in any significant change that would directly or indirectly affect the Company's operations or the results of its operations.

Material Event Disclosures

A total of 29 material event disclosures were published by the Company on the Public Disclosure Platform during 2018.

R&D Activities

None.

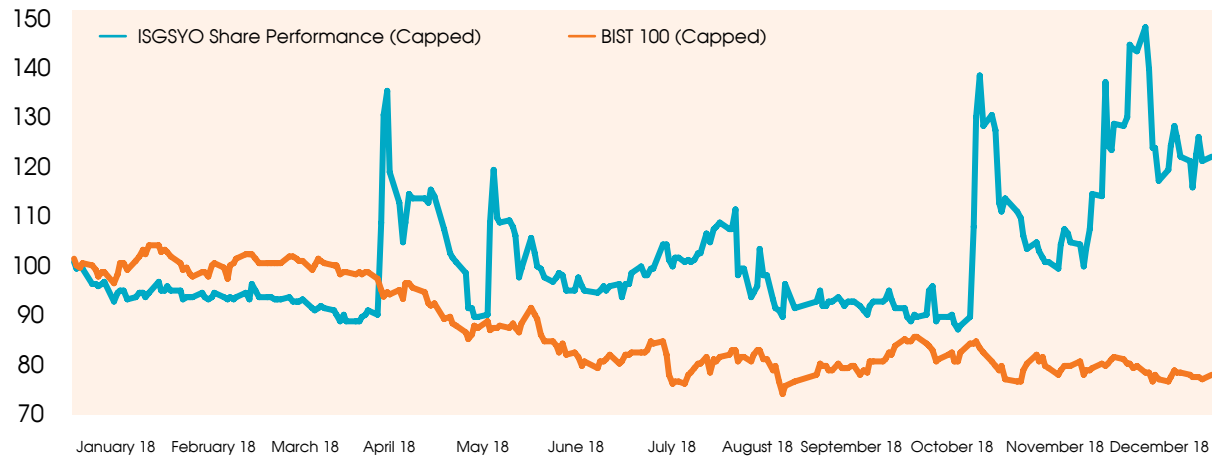
İş Private Equity at Borsa İstanbul

Market Value

TL	2018
Share Price (*)	2.04
Market Value	152,291,059

(*) 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

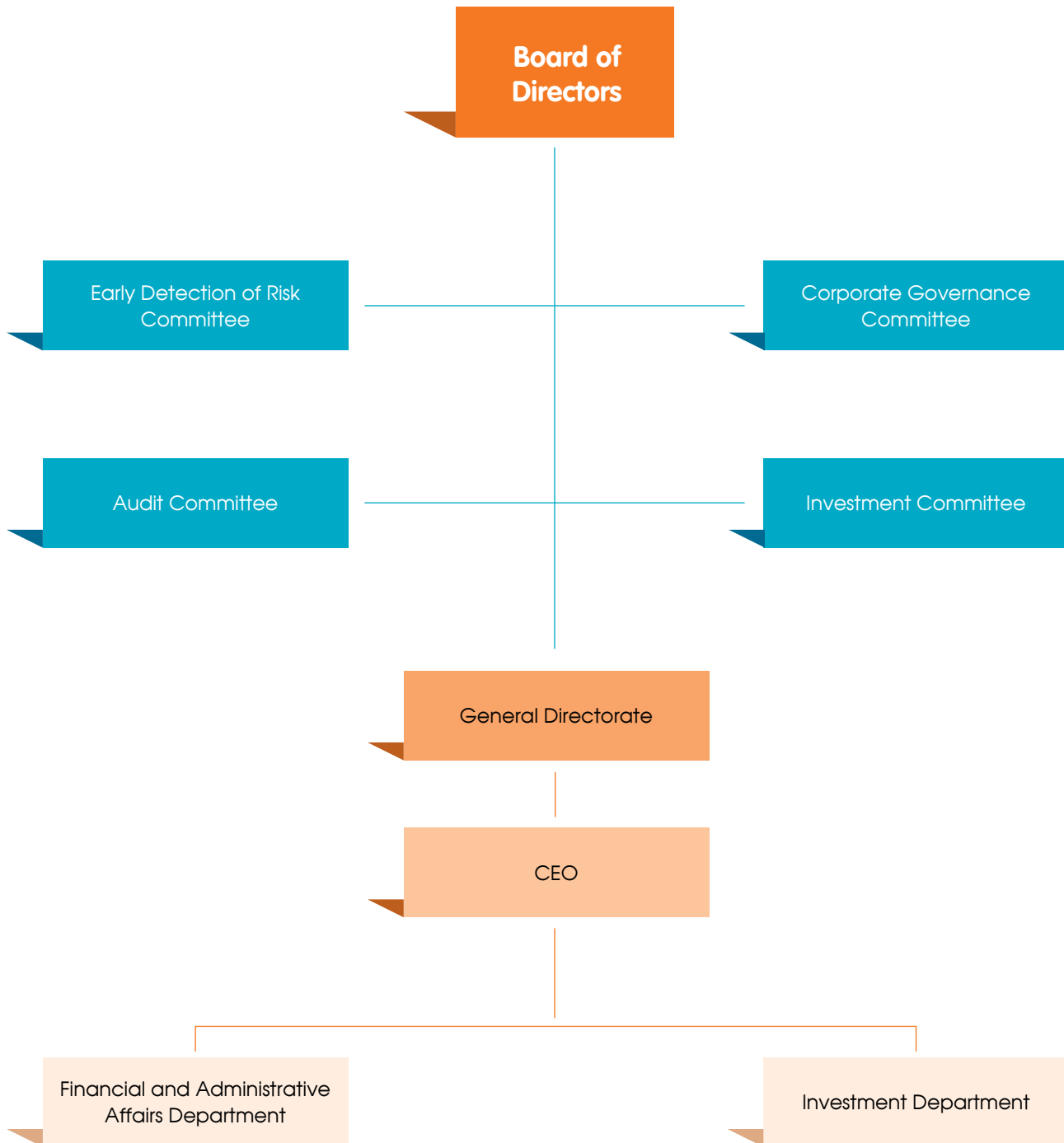
been paid as decided on at a General Meeting.

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 2018

The Communiqué on Information Systems Management (VII-128.9) was published by the Capital Markets Board on January 5, 2018.

Organizational Chart



Board of Directors

The members of the Board of Directors, who have been elected during the Company's 2017 Annual General Meeting held on March 21, 2018 to serve until the next Annual General Meeting, the external audit firm designated for 2018 and the latest management team is presented below.

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	21.03.2018
Ahmet Mete Çakmakçı	Deputy Chairman	21.03.2018
Barış Tunçsiper	Member	21.03.2018
Rıza İhsan Kutlusoy	Member	21.03.2018
Volkan Kublay	Member	21.03.2018
İhsan Elgin	Independent Member	21.03.2018
Selim Yazıcı	Independent Member	21.03.2018

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
Süleyman Burak Bayhan	Senior Managing Director	01.04.2016
Burçe Kabatepe	Director	01.04.2016
Koray Doğançay	Director	01.04.2016

* Senior Director Metin Yılmaz, who began working at İş Private Equity on December 1, 2015, retired on May 31, 2018.

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.

The Corporate Governance Compliance Reports were prepared by taking the Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) as a template in accordance with the Capital Markets Board's decision dated January 10, 2019 and numbered 2/49, and published on the KAP platform on the following address.

<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/1398-is-girisim-sermayesi-yatirim-ortakligi-a-s>

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

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). 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 November 28, 2018.

	Burcu Perişanoğlu	Diğdem Erdoğan
Phone	212 - 325 17 44	212 - 325 17 44
E-mail	bkalerder@isgirisim.com.tr	derdogan@isgirisim.com.tr
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 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.

Corporate Governance Principles Compliance Report

General Meetings

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

The Company's 2017 General Meeting took place in İstanbul. The meeting date and quorum are given below:

General Meeting	Date	Required Quorum (%)	Meeting Quorum (%)
Ordinary	March 21, 2018	25	69.98

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.

The Company did not provide any donations or grants during 2017, and information on this was provided in the 2017 Annual General 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 2018.

The meetings that were simultaneously held physically and electronically, shareholders participated just physically in the Annual General Meeting held in 2018.

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:

- 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,
- The private equity investments, which make up the core activity area of our Company, should be exited generating above-the-target yields,
- 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.

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 2018, 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. 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 although they are available on the Company's website, includes periodic financial statements and reports, as well

Corporate Governance Principles Compliance Report

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. The list of nominees for independent members of the Board of Directors were submitted for the approval of the Board of Directors with the decision taken by the Corporate Governance Committee on 9 March 2018. The decision to nominate them was taken by the Board of Directors on 13 March 2018 and 20 March 2018. Two of the four nominated candidates were elected as Independent Board Members in the Annual General Meeting held in 2018.

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 2018 is presented below.

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 reputation 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

Corporate Governance Principles Compliance Report

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), İş Portföy Yönetimi A.Ş. (Chairman) (2011-2013) and İş Yatırım Menkul Değerler A.Ş. (Chairman) (2018 -)

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 the Chairman of the Board of Directors at Mobiga Oyun Teknolojileri Sanayi ve Ticaret A.Ş. between 2008 and 2011. He served as Chairman of the Board of Directors at Teknoloji Yatırım A.Ş. between 2006 and 2018. He currently serves as a Board Member at this company. Since 2018, he has been a Board Member of the National Nanotechnology Research Center of Bilkent University (UNAM) and at the National Nanotechnology Research and Application Center in Sabancı University (SUNUM).

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 Gemport 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), 2016 - Efes Varlık Yönetimi (Chairman), 2016- İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (Member).

Barış Tunçsiper (Member)

Barış 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.

Prof. Dr. Selim Yazıcı (Independent Board Member)

Mr. Selim Yazıcı graduated from Department of Mechanical Engineering at Yıldız Technical University in 1992. He completed his post-graduate degree (1994) and PhD (1999) in the Department of Business Administration at the Faculty of Political Sciences at Istanbul University. He started his career as a production engineer in 1992. He started his academic career in the Department of Business Administration of the Faculty of Political Sciences at Istanbul University during his postgraduate studies. He became an Associate Professor in 2006 and a Professor in 2014. He teaches courses on the topics of business administration, management, organizational behavior, international operatorship, project management, entrepreneurship, digitalization, distance learning and business continuity management in undergraduate and graduate programs. He was a guest lecturer at the Institute of Banking and Insurance at Marmara University. Between 2009 and 2014, he was a member of the Board of Directors of the Faculty. Since 2012, he has been serving as the Vice President of the Department of Business Administration. Since 2016, he has been serving as the President of the Department of Management and Organization. He is the founding partner of the FinTech Istanbul platform, which was established in 2016 to place our country as a regional hub of Financial Technologies and to develop

FinTech initiatives. Mr. Selim Yazıcı currently serves as an Independent Board Member at İş Finansal Kiralama A.Ş.

İhsan Elgin (Independent Board Member)

Mr. İhsan Elgin graduated from the Department of Economics in Dokuz Eylül University in 2000 and completed an Executive MBA program at the Koç University in 2007. He started his career in the Department of human resources at Aygaz in 2000. He then worked as a manager in the departments of marketing and the CRM analytics. In 2007, he founded ClimateMinder, a start-up that develops technology products and services that meet the needs of producers in the agricultural field, and was appointed as Assistant General Manager. In 2011, Mr. İhsan Elgin took up duty in the foundation of the Entrepreneurship Factory, which is Turkey's first business acceleration program, with the support of the Özyeğin University. He served as a director at the university's entrepreneurship center. He has been serving as the founding partners of Core Strateji, a consulting company specializing in innovation management which was founded in 2015, and of Startups.watch, an online platform providing investment analysis services for the MENA region start-up ecosystem and which was founded in 2016. He continues to serve as a guest entrepreneur at Özyeğin University.

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. He has also held member seat on the boards of directors of companies in which our Company invests.

Süleyman Burak Bayhan (Senior Director)

Mr. Bayhan graduated from the Department of Business Administration Engineering at Istanbul Technical University, and holds a professional degree in corporate finance from the University of California in Berkeley. S. Burak Bayhan began his career in the Corporate Finance Department at Arthur Andersen Turkey. Before İş Private Equity, he took part in the strategy and inorganic growth projects at the Tesco Turkey. Joined İş Private Equity in December 2008, Mr. Burak Bayhan has currently been serving as the Senior Director in the investment team of Toksöz Spor ve Tatil Budur, which are among the current investments being undertaken by İş Private Equity. He was involved in the Aras Kargo, Havaş, Probil and Türkmed investments, the exits of which were carried out by İş Private Equity.

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

Corporate Governance Principles Compliance Report

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, 37 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 Selim Yazıcı (Head) and İhsan Elgin, 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 Selim Yazıcı (Head & Independent Member), Volkan Kublay and Burcu Perişanoğlu.

The Early Detection of Risk Committee is headed by independent Board member İhsan Elgin 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. The Company did not set a target at the 2017 Annual General Meeting.

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 3,845,242 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 2018; TL 5,800,704 was derived on interest income on deposits. The Company paid TL 453,120 for rental fees, TL 145,696 for insurance costs, TL 154,242 for office overhead expenses, TL 107,673 for transaction and commission and advisory expenses, TL 151,949 for service charges and TL 6,171 for other expenses, while TL 970,697 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 2018, 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 2018 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 2018 amounted to TL 3,485,242 gross.

Grants and Charitable Donations

The Company did not provide any donations or grants during 2018, and information on this will be provided in the 2018 Annual General Meeting.

Changes to the Articles of Association during the Reporting Period

None.

Events after the reporting period

There were no events bearing specific importance which occurred in the Company after the end of the operation year, which may affect the rights of shareholders, creditors and other related persons and organizations.

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 two lawsuits 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.

No special audit or public audit was conducted during the accounting period.

Ordinary General Assembly Meeting Agenda

March 15, 2019 Friday, 14:00 hours İş Kuleleri Kule: 1 Kat: 41 Levent / İstanbul

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 financial statements of the Company,
5. Discharge of the Board Members for their activities in 2018,
6. Discussing and deciding about the Board of Directors' proposal for the distribution of 2018 profits,
7. Election of the Board Members and determining the terms of their service,
8. Determining the remuneration of the Board Members,
9. Election of the Independent Audit Firm,
10. Authorization of the Board Members for carrying out the transactions provided under the Articles 395 and 396 of the Turkish Commercial Code,
11. Submitting information to the General Assembly on the principle no: 1.3.6 of the Corporate Governance Principles
12. Submitting information on the donations made within the year 2018,
13. Determination of the upper limit for donations to be made within the year 2019.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

2018 Profit Distribution Table (TL)

İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. 2018 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)	21,001,425.75	21,001,425.75
	If there are privileges for distribution of profits according to the articles of association, information on such privileges		
		None	
	Profit for the Period	Based on CMB	Based on Legal Records
3.	Taxes Payable	3,073,702.00	3,442,077.17
4.	Net Profit for the Period	0.00	0.00
5.	Losses in Prior Years (-)	3,073,702.00	3,442,077.17
6.	General Legal Reserves (-)	0.00	0.00
7.	Net Distributable Profit for the Period	172,103.86	172,103.86
8.	Donations during the Year (+)	2,901,598.14	3,269,973.31
9.	Net Distributable Profit for the Period Including Donations	0.00	0.00
10.	First Dividend to Shareholders	2,901,598.14	3,269,973.31
11.	- Cash		
	- Bonus Shares	0.00	0.00
	- Total	0.00	0.00
	Dividends Distributed to Owners of Privileged Shares	0.00	0.00
12.	Other Distributed Dividends	0.00	0.00
13.	- To Board Members	0.00	0.00
	- To Employees	0.00	0.00
	- To People Other than Shareholders	0.00	0.00
	Dividends Distributed to Owners of Redeemed Shares	0.00	0.00
14.	Second Dividend to Shareholders	0.00	0.00
15.	General Legal Reserves	0.00	0.00
16.	Statutory Reserves	0.00	0.00
17.	Special Reserves	0.00	0.00
18.	Extraordinary Reserves	0.00	0.00
19.	Other Resources to be Distributed	2,901,598.14	3,269,973.31
20.	Paid-in / Issued Capital	0.00	0.00

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Financial Statements as at and for the Year Ended 31 December 2018 with Independent Auditors' Report Thereon

Independent Auditor's Report



**Güney Bağımsız Denetim ve
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To the Shareholders of İş Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi,

A) Report on the audit of the financial statements

1) 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, 2018, 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, 2018 and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

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 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.

3) 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><i>Presentation of subsidiaries and associates in the financial statements and significant information disclosed</i></p> <p>As of December 31, 2018, fair value amount of the investment properties disclosed in the financial statements has been valued at TL 192.157.438 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>

4) 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.

5) 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.

B) 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 01.02.2019.

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 2018 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 Emre Çelik.

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

Emre Çelik, SMMM
Associate Partner

February 1, 2019
Istanbul, Turkey

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İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Statement of Financial Position

as at 31 December 2018

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	(Audited) December 31, 2018	(Audited) December 31, 2017
ASSETS			
Current Assets			
Cash and cash equivalents	5	40.551.133	29.373.223
Financial investments	6	28.400.775	46.433.800
Prepaid expenses	14	380.949	312.746
Other current assets	15	675.852	632.355
TOTAL CURRENT ASSETS		70.008.709	76.752.124
Non-current Assets			
Other receivables	8	150	150
- Other receivables from related parties	4	150	150
Financial investments	6	192.157.438	182.581.033
Property, plant and equipment	9	59.746	45.436
Intangible assets	10	-	508
TOTAL NON-CURRENT ASSETS		192.217.334	182.627.127
TOTAL ASSETS		262.226.043	259.379.251

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 2018

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	Audited December 31, 2018	Audited December 31, 2017
LIABILITIES			
Current Liabilities			
Trade payables	7	89.223	90.785
- Due to related parties	4	89.223	90.785
Other payables	8	1.050	1.400
Liabilities related to employee benefits	16	49.492	49.859
Short-term provisions		1.224.667	1.216.323
- Short-term provisions for employee benefits	13	1.224.667	1.216.323
Other short-term provisions	15	598.733	851.605
TOTAL CURRENT LIABILITIES		1.963.165	2.209.972
Non-current Liabilities			
Long-term provisions		297.496	246.324
- Long-term provisions for employee benefits	13	297.496	246.324
TOTAL NON-CURRENT LIABILITIES		297.496	246.324
TOTAL LIABILITIES		2.260.661	2.456.296
EQUITY			
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		(221.037)	(189.762)
- Actuarial loss/gain funds		(221.037)	(189.762)
Share premium	17	7.000.000	7.000.000
Restricted reserves	17	21.001.426	20.883.474
Retained earnings	17	132.852.411	132.024.279
Net income for the period		3.073.702	946.084
TOTAL EQUITY		259.965.382	256.922.955
TOTAL LIABILITIES		262.226.043	259.379.251

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Statements of Profit of Loss and Other Comprehensive Income for the Periods Between January 1- December 31, 2018

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 January 1- December 31, 2018	Audited January 1- December 31, 2017
	Notes		
CONTINUING OPERATIONS			
Revenue	18	10.122.539	11.346.515
GROSS PROFIT		10.122.539	11.346.515
General Administrative Expenses (-)	19	(8.945.867)	(10.366.583)
Other Operating Income	20	2.572.773	591.286
Other Operating Expense (-)	20	(675.743)	(625.134)
OPERATING PROFIT/(LOSS)		3.073.702	946.084
PROFIT/(LOSS) BEFORE TAX		3.073.702	946.084
Tax (Expense)/Income	21	-	-
NET PROFIT/(LOSS)/INCOME FOR THE PERIOD		3.073.702	946.084
OTHER COMPREHENSIVE INCOME			
Amounts that not be reclassified to profit or loss		(31.275)	(184.127)
Defined benefit pension plan	12		
Actuarial gain/(loss)	13	(31.275)	(184.127)
OTHER COMPREHENSIVE INCOME		(31.275)	(184.127)
TOTAL COMPREHENSIVE INCOME		3.042.427	761.957
(Loss)/income per (1,000 shares)	22	0,04117	0,01267

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Statement of Changes in Equity

for the Periods Between January 1- December 31, 2018

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, 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

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, 2018	74.652.480	21.606.400	(189.762)	7.000.000	20.883.474	132.024.279	946.084	256.922.955
Transfers	17	-	-	-	117.952	828.132	(946.084)	-
Total comprehensive income		-	(31.275)	-	-	-	3.073.702	3.042.427
December 31, 2018	74.652.480	21.606.400	(221.037)	7.000.000	21.001.426	132.852.411	3.073.702	259.965.382

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, 2018

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) January 1– December 31, 2018	(Audited) January 1– December 31, 2017
	Notes		
A. Cash flow from operating activities			
Net loss for the period		3.073.702	946.084
Adjustments to reconcile net income			
Adjustments for depreciation and amortization expenses	9, 10	29.506	52.514
Adjustment for provision for employment termination benefits	13	736.668	837.628
Adjustments for other provisions		(212.913)	140.184
Adjustments for interest income	18	(5.800.704)	(3.702.168)
Fair value of financial receivables	18	(525.985)	(3.150.440)
Adjustments for the fair value gains of financial instruments	18, 26	422.810	1.983.697
Adjustment for gain on sale of property, plant and equipment	20	(208)	-
Changes in working capital		18.409.925	29.476.692
Adjustment for increase/(decrease) in financial investments		18.559.010	29.570.887
Adjustment for increase/(decrease) in other receivables		-	-
Adjustment for increase/(decrease) in prepaid expenses		(68.203)	(17.003)
Adjustment for increase/(decrease) in other payables to related parties		(1.562)	68.888
Adjustment for increase/(decrease) in employee benefits		(367)	4.575
Adjustment for increase/(decrease) in other payables to third parties		(350)	602
Adjustment for increase/(decrease) in other assets		(43.497)	(112.465)
Adjustment for increase/(decrease) in other liabilities		(35.106)	(38.792)
Cash flows provided by operating activities		16.132.801	26.584.191
Interest received		5.687.863	3.670.522
Acquisition of participations in associates and joint ventures	26	(9.999.215)	(45.250.000)
Payments for the provisions of employee benefits	13	(708.427)	(1.385.321)
Net cash from investing activities		11.113.022	(16.380.608)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(43.100)	(12.557)
Proceeds from disposal of tangible assets		1.441	-
Acquisition of tangible assets	9	(44.541)	(12.557)
Acquisition of intangible assets	10	-	-
Net cash from investing activities		(43.100)	(12.557)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	17	-	-
Net cash used in financing activities		-	-
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION (A+B+C)		11.069.922	(16.393.165)
DD DIFFERENCES (A+B+C)			
D. EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH			
NET INCREASE/(DECREASE) IN CASH EQUIVALENTS (A+B+C+D)		11.069.922	(16.393.165)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		29.313.165	45.706.330
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	40.383.087	29.313.165

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, 2018

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 İstanbul, Turkey. The registered address of the Company is İş Kuleleri Kule 2, Kat: 2, Levent, İstanbul. Türkiye İş Bankası A.Ş. is the ultimate shareholder of the Company. The Company's shares are traded in the İstanbul Stock Exchange since 2004.

The Company operates in private equity business.

Private equity: Investing in venture capital companies which are established or will be established in Turkey and has potential to grow and need Resources 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, 2018, the Company has 13 employees (December 31, 2017: 14 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, 2018 were approved by the Board of Directors and authorization for issue is given for publishing on February 1, 2019. 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, 2018 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 2.5.

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, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
US Dollar	5,2609	3,7719
Euro	6,0280	4,5155

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of and for the Year Ended December 31, 2018

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.)

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.

2.2 Changes in Accounting Policies

There is no change in the accounting policies of the Company except for the new and amended IFRS standards and TFRYK interpretations effective from 1 January 2018. The Company applied the simplified method and recognized the impairment in its financial statements on the date of initial adoption of TFRS 9 Financial Instruments standard, effective as of January 1, 2018

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.

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.

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.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of and for the Year Ended December 31, 2018

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 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.

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.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of and for the Year Ended December 31, 2018

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.)

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 and Note 6.

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. The company does not have any credit transactions as of December 31, 2018. (December 31, 2017:none)

As of the end of the reporting period the Company has no financial assets measured by amortized cost.

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.

Sale and repurchase agreements

Securities purchased under resale ("reverse repo"), the sale and repurchase price between the reverse repo portion corresponding to the period according to internal discount rate method, the difference by adding to the cost account cash and cash equivalents are recorded as receivable from reverse repo transactions.

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. If there is an indication of the kind referred to the Company determines the amount of impairment loss.

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 potential losses that might arise from future events to occur in the results, the possibility can not be recognized regardless of the height.

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.

The Company in the current period, "IFRS 9-Financial Instruments" in accordance with the provisions of fair value through the application of an impairment provision of financial assets that are monitored in other comprehensive income makes provisions for anticipated losses for bank deposits.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of and for the Year Ended December 31, 2018

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.)

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.

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.

In case the reporting period by the end of said to be evidence of conditions that existed incident or related incidents arise after the reporting period and requires the correction of these events in the financial statements, the Company restates its financial statements in accordance with the new situation. The company explains that matters mentioned events do not require restating the financial statements in disclose the related notes.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of and for the Year Ended December 31, 2018

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.)

Related Parties

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

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

Segment Reporting

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

Income Tax

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

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

Employee Benefits

Employee severance pay liability

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

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

Employee bonuses

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

Other short-term employee benefits

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

Post-employment plans

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

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.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of and for the Year Ended December 31, 2018

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.)

Share Capital and Dividends

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

2.5 Significant Accounting Estimates and Judgments

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

Estimates and underlying assumptions are 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")	30,3%	6,8%
Numnum Yiyecek ve İçecek A.Ş. ("Numnum")	32,4%	6,8%
Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş. ("Nevotek")	17,7%	1,9%
Radore Veri Hizmetleri Anonim Şirketi ("Radore")	31,5%	6,8%
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. ("Ortopro")	14,8%	1,9%
Tatilbudur Seyahat Acenteliği ve Turizm A.Ş. ("Tatil Budur")	35,4%	6,8%

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 has prepared its statement of financial position as at December 31, 2018 its statement profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity in comparison with the period ended December 31, 2017.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements as of and for the Year Ended December 31, 2018

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.)

2.7 Standards issued as of December 31, 2018 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, 2018 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, 2018. 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 2018 are as follows:

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 is effective for annual periods beginning on or after 1 January 2018. The standard don't have any impact of the standard on financial position and performance of the Company.

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. The impact of the standard on financial position or performance of the Company/the Group described in Note 5.

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 applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and did 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 19 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. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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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:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- 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 applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and did not have an impact on the 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 applied for annual periods beginning on or after 1 January 2018. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Annual Improvements to IFRSs - 2014-2016 Cycle

In December 2017, POA issued Annual Improvements to TFRS Standards 2014-2016 Cycle, amending the following standards:

- 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 applied for annual periods beginning on or after 1 January 2018.

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 16 Leases

In April 2018, POA has published a new standard, TFRS 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. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

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Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The Company is in the process of assessing the impact of the standard on the financial position and performance of the Company. The Company does not expect a significant impact on the overall balance sheet and equity.

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.

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 assessing the impact on the financial position and 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. The Company will wait until the final amendment to assess the impacts of the changes. The amendment is not applicable to the Company and will have no impact on the Company's financial position or performance.

TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 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;
- (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.

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Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- **TFRS 3 Business Combinations and TFRS 11 Joint Arrangements** — The amendments to TFRS 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 TFRS 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.
- **TAS 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.
- **TAS 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 amendments are effective from annual periods beginning on or after 1 January 2019, with early application permitted. The amendment is not applicable to the Company and will have no impact on the Company's financial position or performance.

Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019, early application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact. The amendment is not applicable to the Company and will have no impact on the Company's financial position or performance.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 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 is not applicable to the Company and will have no impact on the Company's financial position or performance.

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.

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. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit

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and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. 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.

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- *clarify the minimum requirements for a business;*
- *remove the assessment of whether market participants are capable of replacing any missing elements;*
- *add guidance to help entities assess whether an acquired process is substantive;*
- *narrow the definitions of a business and of outputs; and*
- *introduce an optional fair value concentration test.*

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. 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.

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. Overall, 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.

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, 2018	December 31, 2017
Wage and other benefits	3.845.242	4.876.624
	3.845.242	4.876.624

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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, 2018	December 31, 2017		
Investment funds				
İş Portföy Hedef Hedge Fund	8.240.400	15.118.326		
İş Portföy Second Stock Fund	2.232.395	2.705.411		
İş Portföy İş Bank Subsidiary Index Share Fund	1.856.295	1.828.353		
	12.329.090	19.652.090		
Financial investments	December 31, 2018	December 31, 2017		
Private sector bonds				
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	7.748.434	7.663.275		
İş Yatırım Menkul Değerler A.Ş.	-	967.090		
İş Finansal Kiralama A.Ş.	1.020.301	2.342.575		
İş Faktoring A.Ş.	1.533.608			
	10.302.343	10.972.940		
Financial investments	December 31, 2018	December 31, 2017		
Shares quoted to stock Exchange				
İş Yatırım Ortaklığı A.Ş.	4.723.711	4.931.346		
	4.723.711	4.931.346		
Cash and cash equivalents	December 31, 2018	December 31, 2017		
Türkiye İş Bankası A.Ş. time deposit	39.225.238	25.884.532		
Türkiye İş Bankası A.Ş. demand deposit	1.734	11.427		
İş Portföy Money Market Fund	932.953	1.021.251		
	40.159.925	26.917.210		
Balances with related parties	December 31, 2018			
	Receivables Current		Payables Current	
	Trade	Other	Trade	Other
Türkiye İş Bankası A.Ş.	-	-	(72.697)	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	(658)	-
İş Yatırım Menkul Değerler A.Ş.	-	-	(15.750)	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	-	(118)	-
	-	-	(89.223)	-

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		December 31, 2017					
		Receivables		Payables			
		Current		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, 2018					
		Receivables		Payables			
		Non-current		Non-current			
		Trade	Other	Trade	Other		
Balances with related parties		-	150	-	-		
Other		-	150	-	-		
		December 31, 2017					
		Receivables		Payables			
		Non-current		Non-current			
		Trade	Other	Trade	Other		
Balances with related parties		-	150	-	-		
Other		-	150	-	-		
		January 1 – December 31, 2018					
		Transaction and advisory					
		advisory					
Transactions with related parties	Interest received	Service expenses	Insurance expenses	commission expenses	Rent expenses	Dividend income	Other expenses
Numnum Yiyecek ve İçecek A.Ş.	-	-	-	-	-	-	(6.171)
Türkiye İş Bankası A.Ş.	5.800.704	(72.697)	-	(3.382)	(6.431)	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	(446.689)	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	(104.291)	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	(154.242)
Anadolu Anonim Türk Sigorta Şirketi	-	-	(145.696)	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	(79.252)	-	-	-	-	-
İş Yatırım Ortaklığı A.Ş.	-	-	-	-	-	970.697	-
	5.800.704	(151.949)	(145.696)	(107.673)	(453.120)	970.697	(160.413)

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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	-
	3.612.239	(76.127)	(105.434)	(123.648)	(552.941)	648.861	(169.196)

5. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as at December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
Cash on hand	1.058	1.441
Cash at banks	39.227.719	25.897.541
<i>Demand deposits</i>	<i>2.481</i>	<i>13.009</i>
<i>Time deposits with maturities less than 3 months</i>	<i>39.225.238</i>	<i>25.884.532</i>
B type liquid fund	932.953	1.021.251
Receivables from Takasbank money market transactions	394.256	2.452.990
Expected loss provision	(4.853)	-
	40.551.133	29.373.223

^(*) As at 31 December 2018, the Company has no restricted deposits (December 31, 2017: None).^(**) The company, as of December 31, 2018, within the scope of IFRS 9 Financial Instruments standard, amounting to a total of TL 4,853 for bank deposits has been recorded in the financial statements by calculating the expected loss provisions.

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

	December 31, 2018	December 31, 2017
Cash and cash equivalents	40.551.133	29.373.223
Less: Accrued interest	(172.899)	(60.058)
Expected loss provision	4.853	-
	40.383.087	29.313.165

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As at 31 December 2018 and December 31, 2017 interest and maturity details of the bank deposits are as follows:

	December 31, 2018			
	Interest rate %	Maturity	Currency	Amount TL
TL time deposit	23,50	February 14, 2019	TL	39.225.238
				39.225.238
	December 31, 2017			
	Interest rate %	Maturity	Currency	Amount TL
TL time deposit	15,00	February 7, 2018	TL	22.027.124
USD time deposit	3,40	January 9, 2018	USD	3.857.408
				25.884.532

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, 2018, the gross interest rate on the Takasbank money market transaction is 23,75% (December 31, 2017: 14,85%).

6. FINANCIAL INVESTMENTS

6.1 Current financial investments

	December 31, 2018	December 31, 2017
Financial assets designated at fair value through profit or loss	28.400.775	46.433.800
	28.400.775	46.433.800
	December 31, 2018	
	Nominal (*)	Fair value
Private sector bonds	11.420.000	11.347.974
Investment funds	351.649.545	12.329.090
Shares quoted to stock exchange	5.190.891	4.723.711
		28.400.775

(*) 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.

	December 31, 2017	
	Nominal (*)	Fair value
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
		46.433.800

(*) 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, 2018, interest rates of private sector bonds and government bonds held for trading are between the rates 22,02% and 28,66% per annum (December 31, 2017: between 12,89% and 18,62% per annum).

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6.2 Non-current financial investments

As of December 31, 2018 and December 31, 2017 details of investments held-to-maturity are as follows:

	December 31, 2018	December 31, 2017
Financial assets designated at fair value through profit or loss	192.157.438	182.581.033
	192.157.438	182.581.033

Financial assets designated at fair value through profit or loss

As of December 31, 2018 and December 31, 2017, the fair value detail of the Company's subsidiaries and associates (venture capital investments) is as follows:

	December 31, 2018	December 31, 2017
Subsidiaries and associates name		
Toksöz Spor	53.493.385	51.810.454
Ortopro	32.155.483	22.755.545
Numnum	35.444.544	37.762.151
Radore	18.361.275	17.943.585
Nevotek	22.462.751	23.832.898
Tatil Budur	30.240.000	28.476.400
	192.157.438	182.581.033

As of 31 December 2018 and 31 December 2017, 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 (%)		Voting power
			December 31, 2018	December 31, 2017	
Nevotek (*)	September 30, 2003	Turkey	93,46	89,72	93,46
Ortopro (**)	December 10, 2007	Turkey	90,63	90,63	90,63
Toksöz Spor	November 13, 2012	Turkey	88,27	88,27	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. and Tic. ("Nevotek") decided to increase the capital of 8.011.856 TL from internal sources (free of charge) and 5.838.315 TL from cash (extra) capital by increasing amount 13.850.171 TL to 16.062.271 TL at the Extraordinary General Assembly Meeting held on November 1. The total amount of the capital namely is nominal capital cost was paid by İş Girişim Sermayesi. The rights of other partners are limited. İş Girişim Sermayesi share in Nevotek has increased to 89.72% and 93.46%.

(**) 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. 4.750.000 TL Capital cost was paid to the company.

(***) Tatilbudur Seyahat Acenteliği ve Turizm A.Ş. ("Tatil Budur") signed with the shareholders participated in the capital, transfer of shares and shareholders agreement and related fields within the framework of the additional protocol to the place of purchase price adjustment mechanisms, total amount of 589.100 TL collected by the amount of 326.040 TL from transferred owner of Ahmet Kara and Beşir Kara and the amount of 263.060 TL from Timuçin Kuş.

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 6,8% estimated EBITDA ratio is between 1.8% with 39,3%, estimated risk adjusted discount rates are between 14,8% and 35,4%.

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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 2018 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

Sensitivity analysis December 31, 2018	Profit or (loss)	
	Increase	Decrease
Annual revenue growth rate (0.5% change)	6.337.274	(5.845.660)
EBITDA growth rate (0.5% change)	11.535.900	(11.356.449)
Risk adjusted discount rate (0.5% change)	(14.498.814)	15.787.946

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 2018, the Company has pledged Group A shares belongs to Tolga Yalçinkaya, a shareholder of Ortopro, amounting to TL 2.526.595. The share of this shareholder capital is 6,59% in total (December 31, 2017: 6,59%).

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 described in Note 11.

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, 2018 and December 31, 2017, the details of the Company's trade payables are as follows:

	December 31 2018	December 31 2017
Short term trade payables		
Due to related parties	89.223	90.785
	89.223	90.785

8. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

As at 31 December 2018 and 31 December 2017, the details of the Company's other receivables are as follows:

	December 31 2018	December 31 2017
Long Term Other Receivables		
Deposits and guarantees given	150	150
	150	150

b) Other Payables:

As at December 31, 2018 and December 31, 2017, the details of the Company's other payables are as follows:

	December 31 2018	December 31 2017
Other short term payables		
Other miscellaneous payables	1.050	1.400
	1.050	1.400

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9. TANGIBLE ASSETS

For the years ended December 31, 2018 and December 31, 2017, the details of the Company's tangible assets are as follows:

	Furniture and Fixtures	Leasehold Improvements	Total
Cost			
Opening balances at January 1, 2018	469.045	1.061.096	1.530.141
Additions	44.541	-	44.541
Disposals	(3.750)	-	(3.750)
Net carrying amount at December 31, 2018	509.836	1.061.096	1.570.932
Accumulated Depreciation			
Opening balance at January 1, 2018	(432.591)	(1.052.114)	(1.484.705)
Period Cost ^(*)	(27.163)	(1.835)	(28.998)
Disposals	2.517	-	2.517
Closing balance at December 31, 2018	(457.237)	(1.053.949)	(1.511.186)
Net carrying amount at December 31, 2018	52.599	7.147	59.746
Net carrying amount at January 1, 2018	36.454	8.982	45.436
Cost			
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)
Closing balance at December 31, 2017	469.045	1.061.096	1.530.141
Accumulated Depreciation			
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
Closing balance at December 31, 2017	(432.591)	(1.052.114)	(1.484.705)
Net carrying amount at December 31, 2017	36.454	8.982	45.436
Net carrying amount at January 1, 2017	62.950	18.654	81.604

^(*) In the current period, depreciation of TL 28.998 is included in general administrative expenses (January 1- December 31, 2017 TL 48.725)

^(**) As at 31 December 2018 and 2017, there is no pledge on tangible assets.

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10. INTANGIBLE ASSETS

For the years ended December 31, 2018 and December 31, 2017, the details of the Company's intangible assets are as follows:

	Computer software	Total
Cost		
Opening balances at January 1, 2018	75.054	75.054
Additions	-	-
Net carrying amount at December 31, 2018	75.054	75.054
Accumulated Amortization		
Opening balances at January 1, 2018	(74.546)	(74.546)
Charge for the year	(508)	(508)
Closing balance at December 31, 2018	(75.054)	(75.054)
Net carrying amount at December 31, 2018	-	-
Net carrying amount at January 1, 2018	508	508

(*) In the current period, amortization charges amounting to TL 508 are included in general administrative expenses (31 December 2017: TL 3.789).

(**) As at 31 December 2018 and 2017, there is no pledge on tangible assets.

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

For the years ended December 31, 2018 and December 31, 2017, 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.

İş Girişim Sermayesi is a subsidiary of Tatil Budur Travel Agency and Turizm A.Ş. ("Tatil Budur") of the capital, a total of 160,000 shares of 20%, to 81 600 units, with Tail Budur and Türkiye İş Bankası A.Ş. (the Bank) has been pledged in favor of the Bank in order to constitute the guarantee of all kinds of debts arising and to be incurred under the limited cash and non-cash general loan agreement signed between TL 52.000.000.

İş Girişim Sermayesi, a subsidiary of Toksöz Sporting Goods Trading Inc. ("Toksöz") all of the shares will be where the owner of the capital and found Toksöz Türkiye İş Bankası A.Ş. ("the Bank") used/uses that loans has been pledged in favor of the Bank as a guarantee of all kinds of debts arising and to be born.

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The Company's subsidiary Toksöz Spor Malzemeleri Ticaret A.Ş. in the case no. 2017/372, which was opened in the 3rd Commercial Court of First Instance, the decision regarding the capital reduction taken in the extraordinary general assembly dated 28/02/2017 and the resolution regarding the capital increase taken in the extraordinary general assembly dated 07/04/2017 it was decided to cancel. Against the decision Toksöz Spor Malzemeleri Ticaret A.Ş. has been appealed by the Istanbul Regional Court of Justice in the 12th Legal Department.

No collateral, pledge or mortgage has been provided by the Company for its own debt.

The Company has been a party to two lawsuits within the period of ordinary activities as defendant. These lawsuits are not expected to have a significant negative impact on the financial position or results of the Company.

12. EMPLOYEE BENEFITS

As at December 31, 2018 and December 31, 2017, the details of the Company's employee benefits are as follows:

	December 31, 2018	December 31, 2017
Short term		
Provision for employee bonuses	600.000	600.000
Vacation pay liability	624.667	616.323
	1.224.667	1.216.323
Long term		
Reserve for employee severance payments	297.496	246.324
	297.496	246.324

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 60th article of the current Social Insurance Law's numbered 506 together with amendments dated 6 March 1981, numbered 2422, dated 25 August 1999 and numbered 4447, the 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 2018 is based on the monthly ceiling amounting to TL 5.434,42 (31 December 2017: TL 4.732,48).

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, 2018, 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 11.30% and a discount rate of 16.00% resulting in a net discount rate of approximately 4.22% (December 31, 2017: annual inflation rate of 6.50% and a discount rate of 11.00% resulting in a net discount rate of approximately 4.23%). The anticipated rate of forfeitures is also considered.

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The movement of provision for retirement pay provision:

	January 1- December 31, 2018	January 1- December 31, 2017
Provision as at January 1, 2018	246.324	114.231
Service cost	26.323	22.995
Interest cost	39.412	14.498
Severance indemnity paid	(45.838)	(62.745)
Actuarial Loss	31.275	184.127
Provision as at December 31, 2018	297.496	246.324

Actuarial differences are accounted for in comprehensive income.

The movement of provision for employee bonuses:

	January 1- December 31, 2018	January 1- December 31, 2017
Provision as at January 1, 2018	600.000	1.136.179
Charge for the year	600.000	582.551
Paid bonuses	(600.000)	(1.118.730)
Provision as at December 31, 2018	600.000	600.000

The movement of vacation pay liability:

	January 1- December 31, 2018	January 1- December 31, 2017
Provision as at January 1, 2018	616.323	575.802
Paid vacation liability	(62.589)	(151.976)
Charge for the year	70.933	192.497
Provision as at December 31, 2018	624.667	616.323

13. PREPAID EXPENSES

As at 31 December 2018 and 31 December 2017, the details of the Company's prepaid expenses are as follows:

	January 1- December 31, 2018	January 1- December 31, 2017
Short Term		
Prepaid expenses	378.705	302.778
Job advances	2.244	9.968
	380.949	312.746

There is not any long term liability (31 December 2017: None).

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14. OTHER ASSETS AND LIABILITIES

As at December 31, 2018 and December 31, 2017, the details of the Company's other assets and liabilities are as follows:

	December 31, 2018	December 31, 2017
Other Current Assets		
Prepaid taxes and funds	675.852	632.355
	675.852	632.355
Other Short-Term Liabilities		
Accrued expenses	487.462	705.229
Taxes and funds payable	111.271	146.376
	598.733	851.605

There is not any long term liability (31 December 2017: None).

15. EMPLOYEE BENEFITS PAYABLE

As at 31 December 2018 and 31 December 2017, the details of the Company's liabilities related to employee benefits are as follows:

	December 31, 2018	December 31, 2017
Social security contributions payable	49.492	49.859
	49.492	49.859

16. CAPITAL AND RESERVES

a) Share Capital

As at 31 December 2018 and 31 December 2017, the capital structure of the Company is as follows:

Shareholder	Company	%	December 31 2018	%	December 31 2017
İş Yatırım Menkul Değerler A.Ş.	A	8,9	6.635.776	8,9	6.635.776
İş Yatırım Menkul Değerler A.Ş. ^(*)	B	20,1	15.026.152	20,3	15.132.136
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 ^(*)	B	31,2	23.295.456	31,0	23.189.472
Nominal capital			74.652.480		74.652.480

^(*) 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, 2018, İş Yatırım Menkul Değerler A.Ş. sold its publicly traded shares with a nominal value of TL 105.984.

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The Company's capital consists of 7.465.248.000 shares as of 31 December 2018 (31 December 2017: 7.465.248.000 shares). The nominal value of the shares is 0,01 TL per share (31 December 2017: 0,01 TL 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.

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, 2018 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, 2017: 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. The company has share premium in the amount of 7.000.000 as of December 31, 2018. (December 31, 2017: 7.000.000 TL)

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 117.952 in year 2018 in lieu of the decision of the Ordinary General Assembly Meeting dated 21 March 2018 (December 31, 2017: TL 183.168). As at December 31, 2018, the Company has legal reserves amounting to TL 21.001.426 (December 31, 2017: TL 20.883.474). Company's profit distribution of the Turkish Commercial Code and Capital Markets operate in accordance with the regulations in legislation.

e) Retained Earnings

As at December 31, 2018, the Company has retained earnings amounting to TL 132.852.411. (December 31, 2017: TL 132.024.279)

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Dividend distribution::

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

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

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

In accordance with the resolutions dated 21 March 2018 in the General Assembly of the Company, it has been decided not to distribute dividends and TL 828.132 in retained earning has been reclassified to extraordinary reserves after deducting legal reserves (31 December 2017: None).

17. REVENUE AND COST OF SALES

For the years ended December 31, 2018 and December 31, 2017 the details of the Company's revenue and cost of sales are as follows:

	January 1 – December 31, 2018	January 1 – December 31, 2017
Revenue		
Interest income on bank deposits	5.800.704	3.702.168
Interest income from treasury bonds and private sector bonds	2.453.050	3.451.850
Dividend income	970.697	648.861
Investment security fair value gains (net)	525.984	3.150.440
Reverse repo and Takasbank interest income	363.854	467.111
Decrease in fair value of subsidiaries and associates (net)(Note 26)	(422.810)	(1.983.697)
	10.122.539	11.346.515

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18. ADMINISTRATIVE EXPENSES

For the years ended December 31, 2018 and December 31, 2017, the details of the Company's administrative expenses are as follows:

	January 1- December 31, 2018	January 1- December 31, 2017
Personnel expenses	(4.640.652)	(5.338.565)
Salaries of Board of Directors	(735.000)	(657.300)
Outsourcing expenses	(684.137)	(496.579)
Audit and consultancy expenses	(625.131)	(1.263.161)
Rent expenses	(624.768)	(708.923)
Increase in provision for bonus expenses	(600.000)	(582.551)
Executive insurance	(302.887)	(299.046)
Communication, electricity and stationary expenses	(141.234)	(171.603)
Representation expenses	(87.665)	(115.624)
Increase in unused vacation provision expenses	(70.933)	(192.496)
Increase in provision for employee termination benefits	(65.735)	(62.582)
Tax and dues	(44.903)	(99.319)
Depreciation and amortization expenses	(29.506)	(52.514)
Other	(293.316)	(326.320)
	(8.945.867)	(10.366.583)

19. OTHER OPERATING INCOME AND EXPENSES

For the years ended December 31, 2018 and December 31, 2017, the details of the Company's other operating income and expenses are as follows:

	January 1- December 31, 2018	January 1- December 31, 2017
Other operating income		
Foreign exchange gains	2.440.123	559.770
Fixed assets sales	208	-
Other income and profits	132.442	31.516
	2.572.773	591.286
Other operating expenses		
Commissions paid	(49.960)	(68.204)
Foreign exchange losses	(620.930)	(556.747)
Other expenses and losses	(4.853)	(183)
	(675.743)	(625.134)

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20. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

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

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

21. EARNINGS PER SHARE

	January 1- December 31, 2018	January 1- December 31, 2017
Earnings per share		
Weighted average number of shares available during the period (full amount)	74.652.480	74.652.480
Total	74.652.480	74.652.480
Net profit for the year	3.073.702	946.084
Basic and diluted earnings per share (TL 1 nominal value)	0,04117	0,01267

22. EFFECTS OF FOREIGN EXCHANGE RATE CHANGES

The analysis of the effects of changes in foreign exchange in December 31, 2018 and December 31, 2017 is disclosed in Note 24.

23. 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.

24. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Capital risk management

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

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

Financial risk factors

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

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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			
December 31, 2018	Related Parties	Third Parties	Related Parties	Third Parties	Cash and Cash Equivalents (**)	Financial Investments (***)
Maximum credit risk exposure as at report date (*)	-	-	150	-	40.550.075	23.677.064
- 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	-	40.550.075	23.677.064
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-
- the part under guarantee with collateral etc.						
D. Net book value of impaired assets						
- Past due (gross carrying amount)						
- Impairment (-)						
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Elements including credit risk on off statement of financial position						

^(*) Deposits and guarantees and collaterals are excluded since they are not financial assets.^(**) Cash on hand is excluded.^(***) Shares quoted to stock exchange are excluded.

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	Receivables					
	Trade Receivables		Other Receivables			
December 31, 2017	Related Parties	Third Parties	Related Parties	Third Parties	Cash and Cash Equivalents ^(*)	Financial Investments ^(**)
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						

^(*) Deposits and guarantees and collaterals are excluded since they are not financial assets.^(**) Cash on hand is excluded.^(***) Shares quoted to stock exchange are excluded.

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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, 2018

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	89.223	89.223	89.223	-	-	-
Other payables (*)	488.512	488.512	488.512	-	-	-
Total liabilities	577.735	577.735	577.735	-	-	-

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

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	-	-	-
Total liabilities	797.414	797.414	797.414	-	-	-

(*) 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.

Foreign currency risk management

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

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The foreign currency denominated assets and liabilities of monetary and non-monetary items as at December 31, 2018 are as follows:

	TL (Functional currency)	US Dollar	Euro	Other
December 31, 2018				
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	(152.342)	(28.957)	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. SHORT TERM LIABILITIES	(152.342)	(28.957)	-	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. LONG TERM LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	(152.342)	(28.957)	-	-
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	(152.342)	(28.957)	-	-
21. Net foreign currency asset/(liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a))	(152.342)	(28.957)	-	-
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23. Hedged portion of foreign currency assets	-	-	-	-
24. Hedged portion of foreign currency liabilities	-	-	-	-
23. Export	-	-	-	-
24. Import	-	-	-	-

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	TL (Functional currency)	US Dollar	Euro	Other
December 31, 2017				
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	-	-	-	-
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)	(74.924)	(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	-	-	-	-

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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, 2018			
	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	(15.234)	15.234	-	-
2- Portion secured from US Dollar (-)			-	-
3- US Dollar net effect (1 +2)	(15.234)	15.234	-	-
10% appreciation/depreciation of TL against Euro				
4 – Euro net asset/liability	-	-	-	-
5 – Portion secured from Euro (-)			-	-
6- Euro net effect (4+5)	-	-	-	-
10% appreciation/depreciation of TL against other currencies				
7- Other foreign currency net asset/liability	-	-	-	-
8- Portion secured from other currency (-)	-	-	-	-
9- Other currency net effect (7+8)	-	-	-	-
TOTAL (3 + 6 +9)	(15.234)	15.234	-	-

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	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 (-)			-	-
3- US Dollar net effect (1 +2)	357.480	(357.480)	-	-
10% appreciation/depreciation of TL against Euro				
4 – Euro net asset/liability	(830)	830	-	-
5 – Portion secured from Euro (-)			-	-
6- Euro net effect (4+5)	(830)	830	-	-
10% appreciation/depreciation of TL against other currencies				
7- Other foreign currency net asset/liability	-	-	-	-
8- Portion secured from other currency (-)	-	-	-	-
9- Other currency net effect (7+8)	-	-	-	-
TOTAL (3 + 6 +9)	356.650	(356.650)	-	-

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.

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Interest positions at the December 31, 2018 and December 31, 2017 are as follows:

Interest Position Table

	December 31, 2018	December 31, 2017
Fixed interest rate instruments		
Financial assets		
Financial assets at fair value through profit or loss	2.553.910	10.946.255
Time deposits	39.225.238	25.884.531
Takasbank money market receivables	394.256	2.452.990
	42.173.403	39.283.776
Floating interest rate instruments		
Financial assets		
Financial assets at fair value through profit or loss	8.794.064	10.248.033
	8.794.064	10.248.033

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 2018 and 31 December 2017 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, 2018			
Type of risk	Risk rate	Direction of risk	Effect on net profit
Interest rate risk	1%	Increase	(32.405)
		Decrease	32.793
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

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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, 2018, 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 472.371 (December 31, 2017: TL 493.135) lower/higher.

According to the statement of financial position as at December 31, 2018, 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 132.620 (December 31, 2017: TL 213.294) lower/higher.

25. FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)

December 31, 2018	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	40.551.133	-	-	-	40.551.133	40.551.133	5
Financial investments	-	-	220.558.213	-	220.558.213	220.558.213	6
<u>Financial liabilities</u>							
Trade payables	-	-	-	89.223	89.223	89.223	7
Other financial liabilities (*)	-	-	-	488.512	488.512	488.512	8-14

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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	8-14

(*) 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).

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

	December 31 2018	Fair value hierarchy at the end of the reporting period		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets				
Financial asset at fair value through profit or loss	220.558.213	28.400.775	-	192.157.438
Cash and cash equivalents				
B type liquid funds	932.953	932.953		
Total	221.491.166	29.333.728	-	192.157.438

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	December 31 2017	Fair value hierarchy at the end of the reporting period		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial assets				
Financial asset at fair value through profit or loss	229.014.833	46.433.800	-	182.581.033
B type liquid funds	1.021.251	1.021.251		-
Cash and cash equivalents	230.036.084	47.455.051	-	182.581.033

The movement table for level 3 real values is as follows:

Subsidiaries and participation	2018	2017
Balance at 1 January	182.581.033	139.314.730
Additions	-	-
Disposals	-	-
Adjustment mechanism	(589.100)	-
Capital increase	10.588.315	45.250.000
Include in revenue income/(expense)		
Changes in fair value	(422.810)	(1.983.697)
Balance at 31 December	192.157.438	182.581.033

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

26. 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 the capital of 8.011.856 TL from internal sources (free of charge) and 5.838.315 TL from cash (extra) Capital by increasing amount 13.850.171 TL to 16.062.271 TL at the Extraordinary General Assembly Meeting held on November 8. The total amount of the capital namely is nominal capital cost was paid by İş Girişim Sermayesi. The rights of other partners are limited. İş Girişim Sermayesi share in Nevotek has increased to 89.72% and 93.46%.

(**) 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, 4.750.000 TL Capital cost was paid to the company.

(***) Tatilbudur Seyahat Acenteliği ve Turizm A.Ş. ("Tatil Budur") signed with the shareholders participated in the capital, transfer of shares and shareholders agreement and related fields within the framework of the additional protocol to the place of purchase price adjustment mechanisms, total amount of 589.100 TL collected by the amount of 326.040 TL from trasfered owner of Ahmet Kara and Beşir Kara and the amount of 263.060 TL from Timuçin Kuş.

27. EVENTS AFTER THE REPORTING PERIOD

There are no events after reporting period. (December 31, 2017: None.)

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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	31.12.2018 (TL)	31.12.2017 (TL)
A	Monetary and Capital Market Instruments	20/1-(b)	68.951.908	75.807.023
B	Private Equity Investments	20/1-(a)	192.157.438	182.581.033
C	Subsidiaries in Portfolio Management and Advisory Companies	20/1-(d) and (e)	-	-
D	Other Assets		1.116.697	991.195
E	Total Assets	3/1-(a)	262.226.043	259.379.251
F	Financial Borrowings	29	-	-
G	Provisions, Contingent Assets and Liabilities	20/2-(a)	-	-
H	Equity		259.965.382	256.922.955
I	Other Liabilities		2.260.661	2.456.296
E	Total Liabilities and Equity	3/1-(a)	262.226.043	259.379.251
Other Financial Information				
	Investments in Financial Market Instruments	Regulations	31.12.2018 (TL)	31.12.2017 (TL)
A1	1. Financial Market Instruments	20/1-(b)	29.737.935	49.908.040
	A- Government Bonds		-	1.524.570
	TRT060121T16		-	-
	TRT110718T18		-	1.524.570
	B- Private Sector Bonds		11.347.973	19.669.718
	Akfen Holding A.Ş.		1.045.630	1.053.160
	Aksa Enerji Üretim A.Ş.		-	-
	Creditwest Faktoring A.Ş.		-	-
	İş Finansal Kiralama A.Ş.		1.020.301	2.342.575
	Deva Holding A.Ş.		-	1.531.598
	İş Gayrimenkul Yatırım Ortaklığı A.Ş.		7.748.434	7.663.275
	İş Yatırım Menkul Değerler A.Ş.		-	967.090
	İş Faktoring A.Ş.		1.533.608	-
	Orfin Finansman A.Ş.		-	6.112.020
	C-Takasbank Stock Market		394.208	2.452.990
	D- Investment Funds		13.262.043	21.329.416
	İYD İş Portföy Second Stock Fund		2.323.395	2.705.411
	Tİ3 İş Bankası Subsidiaries Index Share Fund		1.856.295	1.828.353
	İYB Taaleri Portföy Variable Fund		-	656.074
	İYR İş Portföy Target Hedge Fund		8.240.400	15.118.326
	TBV İş Portföy Private Sector Debt Fund		-	-
	Tİ1 İş Portföy Money Market Fund		932.953	1.021.251
	E- Stocks		4.723.711	4.931.346
	İş Yatırım Ortaklığı A.Ş.		4.723.711	4.931.346
A2	TL and FX Denominated Term-Demand Deposits/Private Current - Sharing Account	20/1-(b)	39.223.973	25.898.981
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	2.497.645	3.058.309

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PORTFOLIO LIMITATIONS, FINANCIAL LIABILITY AND TOTAL EXPENSE LIMIT CONTROL TABLE: FOR SHAREHOLDERS THOSE OFFERING THEIR SHARES TO PUBLIC					
	Portfolio Restrictions ^(*)	Regulations	31.12.2018	31.12.2017	Min./Max. Rate
1	Monetary and Capital Market Instruments	22/1- (b)	26,29	29,23	≤65%
2	Financial Market Instruments	22/1- (c)	11,34	19,24	
	A- Government Bonds		-	0,59	
	TRT060121T16		-	-	≤10%
	TRT110718T18		-	0,59	≤10%
	B- Private Sector Bonds		4,33	7,58	≤10%
	Akfen Holding A.Ş.		4,40	0,41	≤10%
	Aksa Enerji Üretim A.Ş.		-	-	≤10%
	Creditwest Faktoring A.Ş.		-	-	≤10%
	İş Finansal Kiralama A.Ş.		0,39	0,90	≤10%
	Deva Holding A.Ş.		-	0,59	≤10%
	İş Gayrimenkul Yatırım Ortaklığı A.Ş.		2,95	2,95	≤10%
	İş Yatırım Menkul Değerler A.Ş.		-	0,37	≤10%
	Orfin Finansman A.Ş.		-	2,36	≤10%
	Timur Gayrimenkul A.Ş.		-	-	≤10%
	C- Takasbank Stock Market		0,15	0,95	≤10%
	D- Investment Funds		5,06	8,22	
	IYD İş Portföy Second Stock Fund		0,85	1,04	≤10%
	Tİ3 İş Bankası Subsidiaries Index Share Fund		0,71	0,70	≤10%
	IYB Taaleri Portföy Variable Fund		-	0,25	≤10%
	IYR İş Portföy Target Hedge Fund		3,14	5,83	≤10%
	TBV İş Portföy Private Sector Debt Fund		-	-	≤10%
	Tİ1 İş Portföy Money Market Fund		0,36	0,39	≤10%
	E- Stock		1,80	1,90	≤10%
	İş Yatırım Ortaklığı A.Ş.		1,80	1,90	≤10%
	Private Equity Investments	22/1- (b)/(ğ)	73,28	70,39	≥35%
	Participation in Portfolio Management Company	22/1- (ç)	-	-	≤10%
	Collective Investment Institutions Established Abroad	22/1-(e)	-	-	≤49%
	Combination of Debt and Equity Financing	22/1- (h)	-	-	≤25%
	Non-Listed Shares of Publicly Traded Private Equity Companies	22/1- (f)	-	-	≤25%
	TL and FX Denominated Term-Demand Deposits/ Private Current - Sharing Account ^(*)	22/1- (i)	14,96	9,98	≤20%
3	Face Values of Short-Term Borrowings and Debt Instruments ^(*)	29	-	-	≤50%
4	Face Values of Long-Term Borrowings and Debt Instruments	29	-	-	≤20%
5	Pledged, Collateral and Mortgages	22/1- (d)	-	-	≤10%
6	Outsourced Services Expenses	26/1	0,95	1,18	≤2,5%

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

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