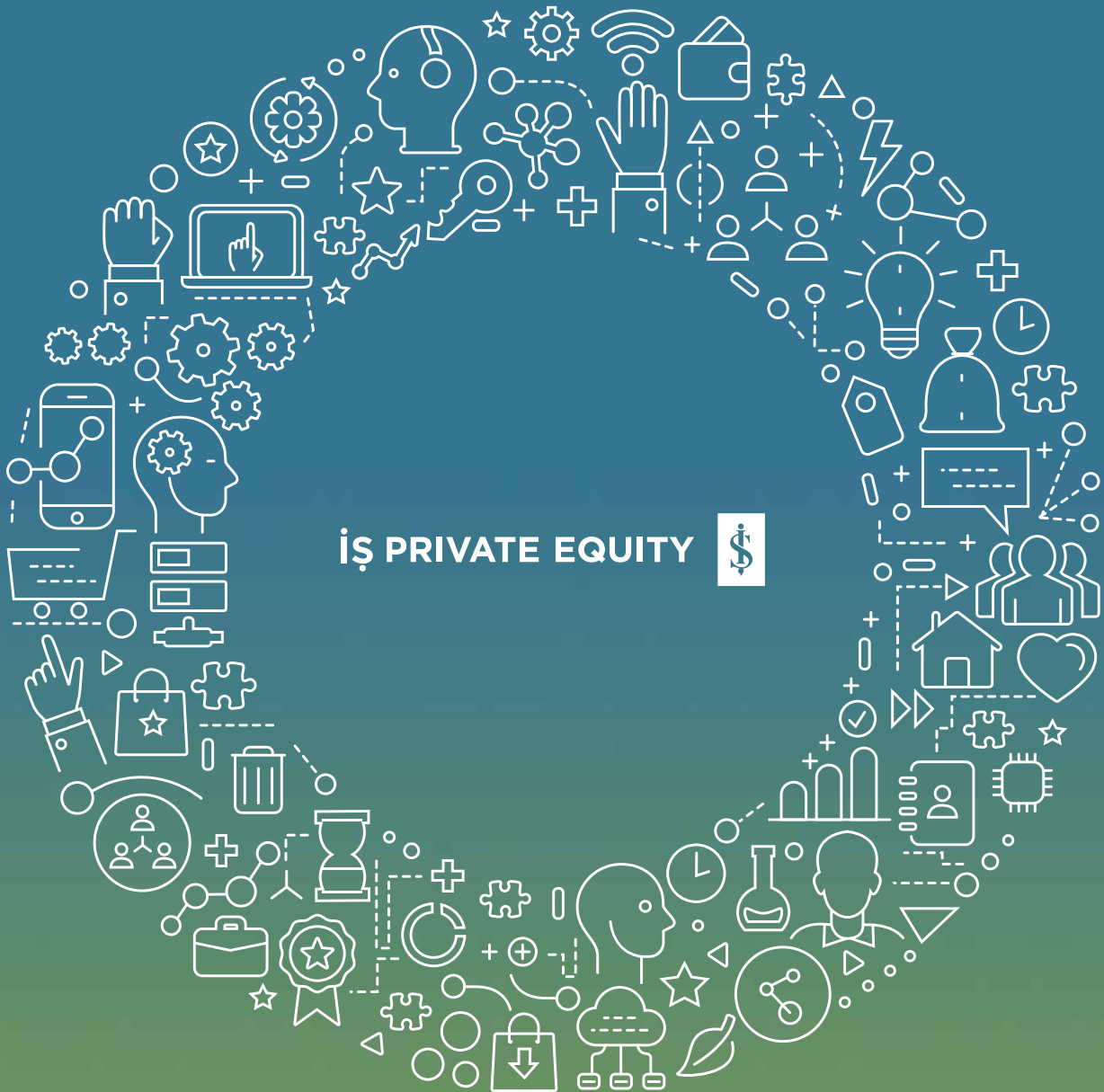


Annual Report 2019



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Company Profile

Reporting Period:
1 January 2019 - 31 December 2019
Trade Name:
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.
Headquarters: İstanbul
Founded: 31 October 2000
Contact Information:
İş Kuleleri Kule 2, Kat: 2
34330 Levent - İstanbul
Tel: +90 212 325 17 44
Fax: +90 212 270 58 08
Email: info@isgirisim.com.tr

Trade Registration: İstanbul 447258
MERSIS: 6578966933552116
Website: www.isgirisim.com.tr
Issued Capital: TL 74,652,480
Registered Capitalization: TL 250,000,000

For 19 years, we have been representing “smart capital”, which provides financing and added value in niche areas with growth potential, by partnering with medium-sized companies in the growth phase.

İş Private Equity in Brief

The establishment process of İş Private Equity

The İşbank Group started preparatory work to establish a private equity fund in 1999. In June 2000, the Group applied to the Capital Markets Board (CMB) to establish İş Risk Sermayesi Yatırım Ortaklığı A.Ş. In accordance with the CMB's decision taken on 5 October 2000, permission to carry out private equity activity was granted. On 31 October 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 Company provides every kind of strategical and directing contribution to companies from their institutionalization to their sustainable growth stage.

"intelligent capital"

İş Private Equity invests in companies with its tangible and intangible assets, which it defines as "intelligent capital"

“

As "Turkey's capital", İş Private Equity is one of the leading and exemplary companies of its sector.

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 19 years from 2000 to 2019, and invested USD 152.0 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 2019 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 10 people, as well as the strength and support of the İşbank Group.

17 companies

İş Private Equity invested in 17 companies in the 19 years.



İş Private Equity achieved a higher average return in its exit performances by global and Turkish standards between 2000-2019.

We Are Focused on Success and the Future

With our belief in sustainable growth and institutional transformation, we partner with the success stories of visionary players from different sectors.



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.

By forming participations in companies with high growth vision and motivation from competitive sectors, we increase their market values and we realize the exit at the right time.



Key Indicators

Total Assets

66

265,801,018

The total assets of İş Private Equity reached TL 265,801,018 at the end of 2019.

Equity

261,773,565

The equity of İş Private Equity maintained its strong level and increased to TL 261,773,565 at the end of 2019.

99

Financial Highlights

TL	2018	2019	Change (%)
Current Assets	70,008,709	72,522,198	3.59
Non-Current Assets	192,217,334	193,278,820	0.55
Short-Term Liabilities	1,963,165	2,314,705	17.90
Long-Term Liabilities	297,496	1,712,748	475.72
Total Assets	262,226,043	265,801,018	1.36
Equity	259,965,382	261,773,565	0.69
Current Year Profit	3,073,702	1,736,098	-43.51
Return on Equity (%)	1.18	0.66	
Return on Assets (%)	1.17	0.65	

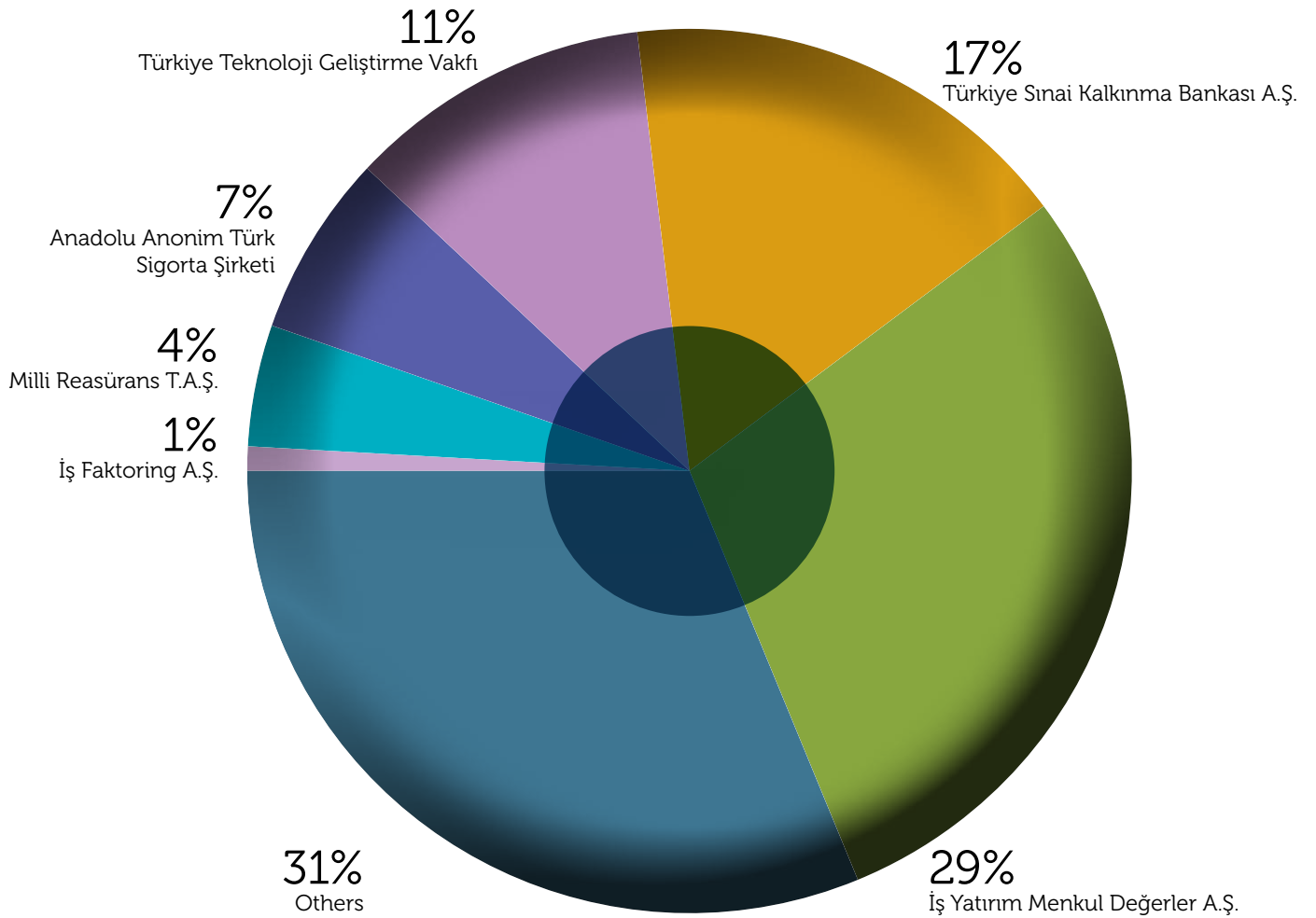
Capital & Shareholding Structure

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

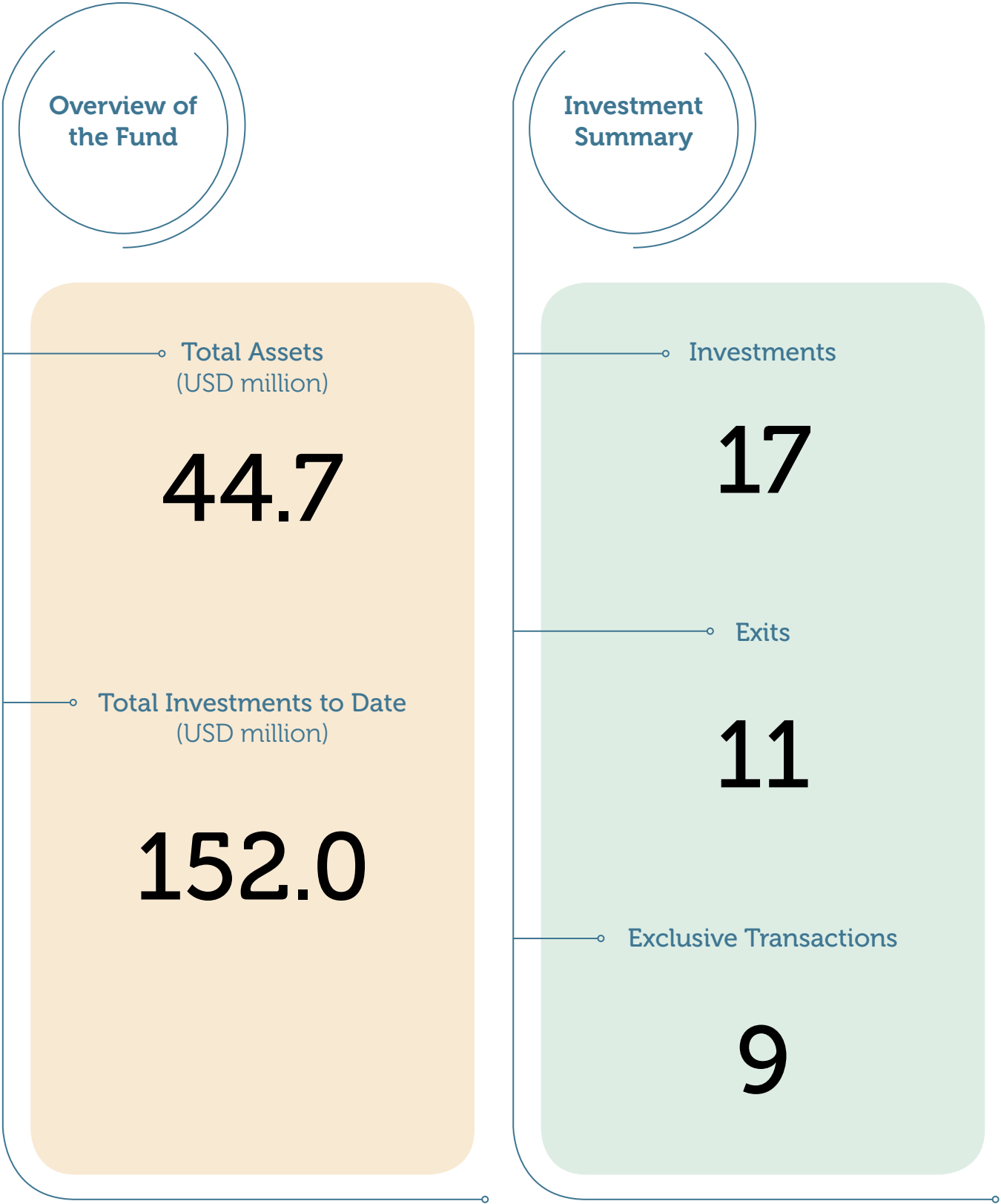
Shareholder	Group	Share (TL)
		2019
İş Yatırım Menkul Değerler A.Ş.	A	6,635,776
İş Yatırım Menkul Değerler A.Ş.	B	15,019,652
Türkiye Teknoloji Geliştirme Vakfı	B	8,294,719
Türkiye Sınai Kalkınma Bankası A.Ş.	B	12,442,079
Anadolu Anonim Türk Sigorta Şirketi	B	4,976,832
Milli Reasürans T.A.Ş.	B	3,317,888
İş Faktoring A.Ş.	B	663,578
Others	B	23,301,956
Total		74,652,480

In accordance with the decision taken by the Company's Board of Directors on 27 June 2016, a contract was signed with İş Yatırım Menkul Değerler A.Ş. on 28 June 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 29 June 2016 under this agreement. On 29 November 2019 the Company's commenced market-making activities ended. Between 1 January 2018 and 29 November 2019, İş Yatırım Menkul Değerler A.Ş. sold shares with a nominal value of TL 6,500 from the publicly traded shares of the Company. The Company does not have its own shares that it acquired.

Shareholding structure of İş Private Equity as of 2019 year-end (%)



İş Private Equity's Investments in Numbers



Companies Currently in the Portfolio

◦ Total Turnover
(USD million)

210.2

◦ Total Debt
(USD million)

56.5

◦ Total Employment
(People)

910

Exit Summary

◦ Investment Amount for the Exited
Companies
(USD million)

72.5

◦ Internal Rate of Return on a USD
Basis (IRR)

26.46%

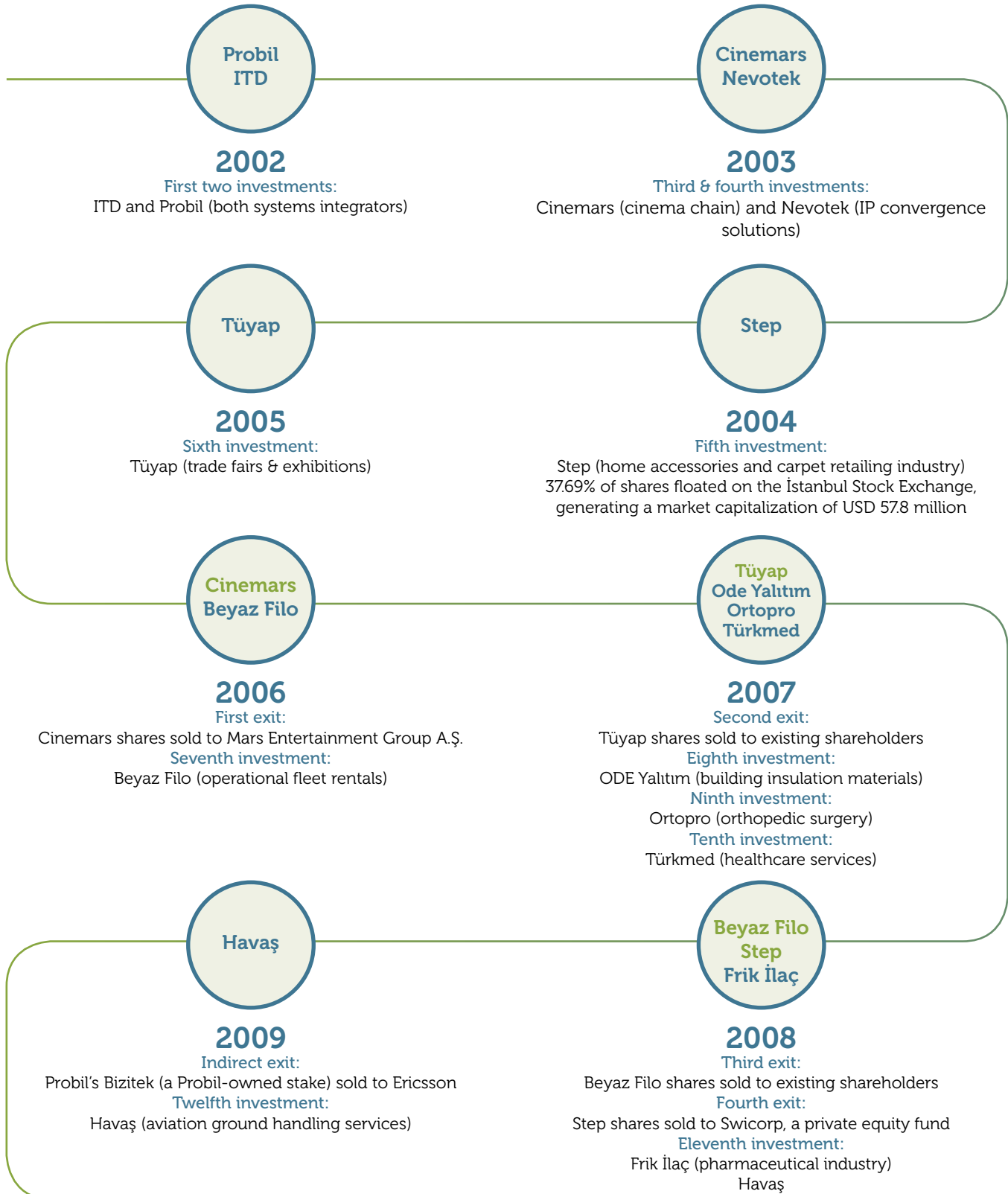
◦ Proceeds from Exits
(USD million)

166.9

◦ Money Multiple

2.30x

Highlights from İş Private Equity's Corporate History



ITD

2010

Fifth exit:

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

Frik İlaç
Probil
Aras Kargo

2011

Sixth exit:

Frik İlaç sold to Italy-based Recordati

Seventh exit:

Remaining Probil shares sold to Netaş

Thirteenth investment:

Aras Kargo (cargo services)

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

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

Aras Kargo
Türkmed

2013

Tenth exit:

Aras Kargo shares sold to Austria Post

Eleventh exit:

Türkmed shares sold to existing shareholders

Toksöz Spor
Numnum
ODE Yatırım
Havaş

2012

Fourteenth investment:

Toksöz Spor (sports equipment and supplies)

Fifteenth investment:

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

Eighth exit:

ODE Yatırım shares sold to ODE İzolasyon Sanayi Satış ve Pazarlama A.Ş.

Ninth exit:

Havaş shares sold to TAV Havalimanları Holding A.Ş.

Radore

2014

Sixteenth investment:

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

Tatil Budur

2015

Seventeenth investment:

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

2016-2019

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

A strong contribution

We believe the know-how we offer to our companies contributes to the expansion of institutionalization and sustainability in the business world.



Global growth loses momentum across the board

The rise of protectionist trends in global trade negatively impacted the global economic outlook in 2019.

By the third quarter, the volume of global trade had shrunk in real terms compared to the same period last year. Meanwhile, the weakening in Japan's and the Eurozone's foreign trade negatively affected industrial production around the world.

These developments paved the way for expectations of lower commodity prices and inflation, while bond yields declined. The central banks of developed countries, particularly the Fed and the ECB, started to cut interest rates, while emerging markets recorded some recovery in capital flows.

In line with the forecasts which we set out in our 2018 annual report, global growth lost momentum across the board. In its October 2019 report, the IMF lowered its forecast world economic growth to 3%, a reduction of 0.3 percentage points compared to its April 2019 forecast. This would mark the lowest rate of growth since 2008-2009.

The IMF also revised its growth forecast for 2020. According to the IMF, the world economy is expected to grow by 3.4% in 2020, with emerging economies other than China set to be the driving force of the recovery in growth.

Turkey's economy successfully completes its stabilization process.

Turkey's economy, where growth had stalled in August 2018, returned to growth in the 3rd quarter of 2019 after three quarters of stagnation. Throughout the year, weak private sector consumption and total investment spending dragged on growth, while public spending and foreign demand were the main factors supporting growth in the economy. On the other hand, the high contribution from the tourism sector played an important role in reducing the external imbalances of the Turkish economy in 2019.

The competitiveness of the TL and the moderation in domestic demand generally supported the overall improvement of inflation dynamics in 2019. While the Central Bank of Turkey (CBT) kept interest rates on hold in the first half of the year, volatility in financial markets was limited during the year as a result of the stabilization process in the economy. In the second half of the year, the CBT gradually reduced the policy rate from 24% to 12%, in an important step towards the revival of the markets.

Turkey's economy is projected to grow by 4% in 2020. While growth is expected to be driven by domestic demand, there is speculation that the CBT may move to cut interest rates again, and that it has more space to do so.

We're working for a stronger economy.

İş Private Equity rounded off its 19th year of operation by expanding the longstanding support it provides to its subsidiaries, which operate in sectors with high growth potential, and which distinguish themselves with their corporate competencies, strategies and brand power in all aspects.

The developments in global and national markets in recent years have unquestionably placed the importance of sustainability high on the list of priorities for economic actors. The sustainable and healthy functioning of the markets is directly related to the ability of economic actors, regardless of their scale, to take a resilient stance in volatile conjunctures and to move forward with their internal resources.

As a leader with its vision summed up in the discourse of "Turkey's capital", İş Private Equity adds value to the companies it participates in, going far beyond transferring capital.

We believe our intangible contribution and impact, which come to life in different fields such as corporate governance, strategic development, human resources planning, technological infrastructure and corporate transformation is as valuable as monetary capital. We believe that this know-how which we offer to our companies contributes to the spread of institutionalization and sustainability in the business world.

İş Private Equity, a member of the İşbank Group, strongly believes in Turkey's growth story, its dynamics and potential.

With our competent management teams and human resources, we are focused on achieving new growth and success stories in the coming period. We will continue to disburse our resources in the way most appropriate for meeting the needs of entrepreneurs. We will continue to improve our shareholder value by focusing on our portfolio management efforts.

I would like to thank our esteemed team for their efforts in our performance in 2019, along with the Board of Directors and all stakeholders for their valuable support.



Ms. Senar Akkuş
Chairman of the Board of Directors

Message from the CEO



Rounding off our 19th year of activity...

İş Private Equity completed its 19th year of operation as a private equity company with a solid financial structure and an efficient subsidiary portfolio.



Dear valued stakeholders,

A year of weaker growth in the global economy.

We left behind a year of slower growth in the global economy and a global decline in private equity investments.

In this process, protectionism emerged as one of the most important trends. According to UNCTAD data, 112 regulations supporting protectionism were implemented in 55 countries in 2018 alone. The total volume of global foreign direct investments declined to USD 1.3 trillion in 2019, a fall of 36% from their 2015 level of USD 2 trillion.

The downward trend in global foreign direct investments naturally had an impact on Turkey. While foreign direct investment entering our country stood at USD 18 billion in 2015, this amount decreased to USD 13 billion in 2018. In contrast, the transaction volumes in 2018 exhibited an increase of 13% compared to the USD 11.5 billion in 2017.

In 2019, mergers and acquisitions with a total amount of USD 5.3 billion were realized in Turkey. Although the volume of transactions decreased by 56% compared to 2018, the total number of transactions only fell by 9%, with a total of 233 transactions which were successfully closed.

Our country's economy displayed a successful stabilization performance in this process, and the negative effects of the volatilities observed in the second half of 2018 were largely eliminated. The recession in the economy was replaced by positive growth in the third quarter of the year. Harmonious cooperation and an attentive approach by the public authorities, the financial sector and the real sector played a key role in this result.

One of the positive developments of 2019 was the decrease in interest rates. According to the CBT's Electronic Data Distribution System, commercial loan interest rates, which had

risen as high as 35% in September 2018, declined to 14% in December, having exhibited a downward trend after the first half of 2019. This decline in interest rates led to a downward movement in resource costs, easing pressure on companies' cashflow positions.

In our opinion, our country's economy will gather momentum in 2020 thanks to the stabilization achieved in 2019, and will continue to move forward with determined steps on a path to growth.

We were unwavering in the strong support we provided to the companies which we participate in during 2019, in line with the requirement of our long-term perspective.

In its investment activities which it realizes under a medium-long-term perspective, İş Private Equity works to a strategic goal of working to ensure that the companies which it participates in progress on a sustainable growth track and develop their market values.

In line with this goal, our company continued to extend support in all aspects for its subsidiaries to improve their financial and operational performances in 2019.

It gives me great pleasure to report that the average turnover and EBITDA values of our subsidiaries have been progressing in a balanced manner even in what has been a relatively difficult year, while the growth rates achieved in 2019 were significantly higher than the annual rate of CPI inflation.

In the first half of the year, in particular, high financing costs and increased input costs could not be fully reflected to sales prices. Given that their cash flows were negatively affected by the rise in the operating capital needs of companies, the structural and strategic change which has been implemented has had a significant positive contribution on operational efficiency and been instrumental in the successful performance recorded by our subsidiaries.

On the other hand, during the year, İş Private Equity realized the capital transfer of a total of TL 6.8 million to one of its partner companies. We believe this capital transfer will contribute to the growth of our subsidiary in the coming period.

The success we achieved in 2019 is no coincidence. Success is achieved by transferring the qualifications encoded in our smart capital to our subsidiaries as intangible assets, and using them correctly. These assets can be listed as the carefully constructed strategy and goals, a competent senior management team and human resource structure, the corporate governance approach implemented with effectiveness, proactive risk management and strong technological infrastructure. Thanks to these assets, the companies in the portfolio distinguish themselves from the competition in their sectors.

In a period marked by stagnation in terms of mergers and acquisitions in global and national markets, following the division of Numnum Yiycek ve İçecek A.Ş., one of our subsidiaries, into three different companies through the full division method, the contracts which regulate the sale of shares of İş Private Equity in the Numnum restaurant operation and the Kronotrop coffee operation were signed simultaneously with two different investors in December. These two contracts, which we signed at a time when exit

transactions were extremely limited, once again stand as a clear demonstration of our experience and know-how when it comes to exiting investments.

The sale process for both brands is expected to be completed in the first half of 2020. The Mikla restaurant operations, which will remain in the İş Private Equity portfolio after the full division and relevant transfers, are also expected to continue to profit in 2020.

İş Private Equity will continue to assess possible investment and exit opportunities in 2020, when markets are expected to recover.

Our goal for 2020 is to support and develop our existing subsidiary portfolio in all aspects.

As our company enters its 20th year of operation, it has more of the financial power, know-how and stakeholder support needed for new initiations than it ever has.

The support and contribution of our stakeholders is our most valuable asset.

İş Private Equity believes in the dynamic economic structure and great potential of our country.

Although fluctuations are likely to be observed in the markets in the short term, in the medium and long term our country stands ready to generate tremendous value for all its stakeholders with its unrivalled geopolitical position, strong demographic structure, an industry which has proven its competitive clout on a global scale, a service sector which is organized at an advanced level, initiations in the field of R&D and innovation and a robust financial system.

As it enters its 20th year of operation, İş Private Equity will continue with determination to support the SMEs, which are the driving force of the Turkish economy, and to generate value for its stakeholders.

With our business model, which aims to provide an increasing contribution to the Turkish economy, and is expressed in the discourse of "Turkey's capital", we will redouble our efforts to boost the development of the private equity sector, as well as supporting our stakeholders.

With our assets, we will further embody our positive impact and contribution to the processes of sustainable growth of the companies which we participate in.

In addition to the strong and active support of the İşbank Group, our professional and highly competent human resources will provide us with the energy we need to progress towards our goals in the coming period, together with our subsidiaries.

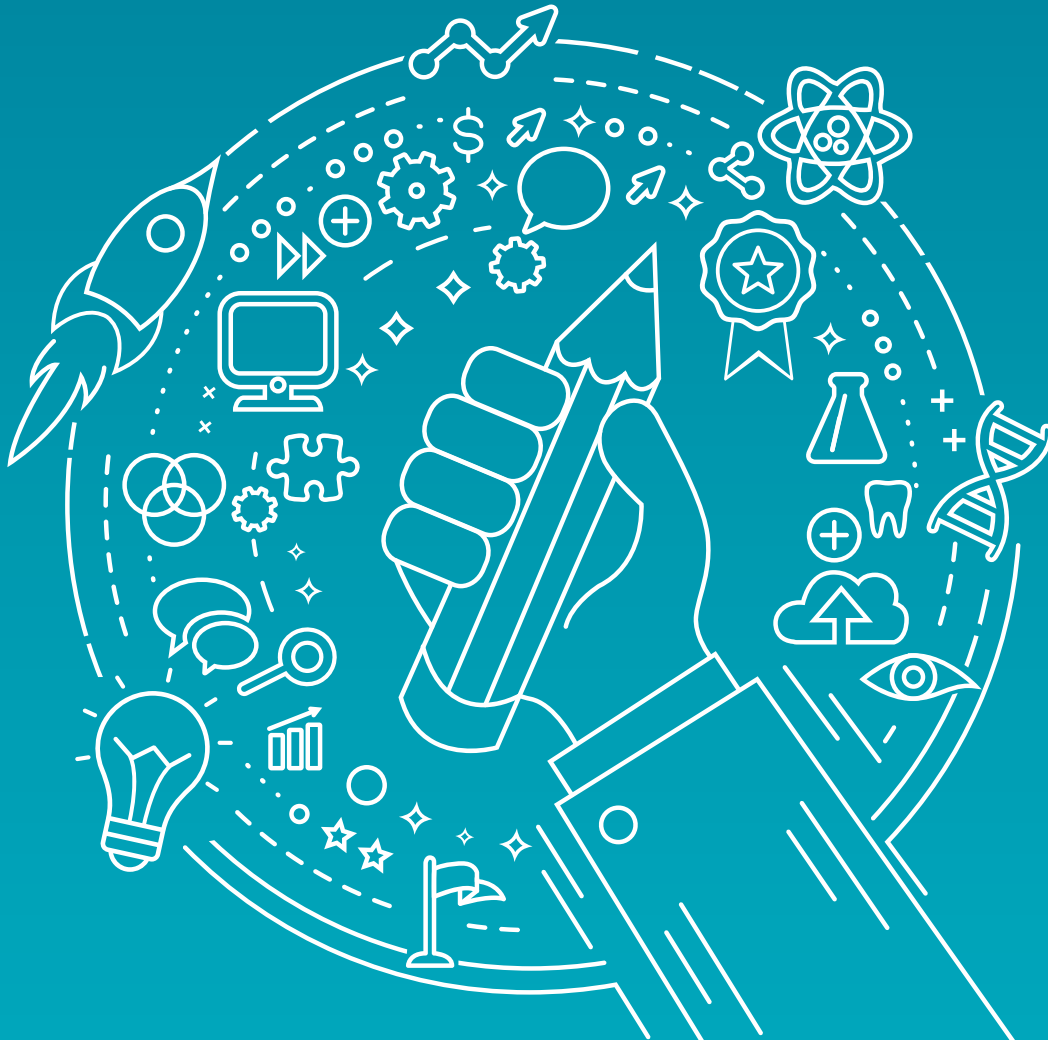
I would like to thank our stakeholders for their support and contributions, and extend my gratitude to our Board of Directors for their valuable guidance.



A. Murat Özgen
CEO

We Set Ourselves Apart with Our Experience and Vision

Our professional team, which manages the process from the realization of the investment to the exit, sets itself apart with its knowledge, experience, expertise and vision.



Macroeconomic Outlook

THE WORLD ECONOMY

A slowdown in global economic growth in 2019.

The slowdown in global economic activity, the first signs of which appeared in 2018, spread globally, particularly through the manufacturing industry, in 2019. In addition to the protectionist trade policies fueled by the trade war between the United States and China, geopolitical tensions in the Middle East and in different parts of the world have led to a decline in investor confidence and low investment spending on a world-scale.

While world trade volume declined in real terms, the contraction in foreign trade in Japan and in the Eurozone has been the main development affecting industrial production around the world. The impact on production served to lower commodity prices and inflation expectations through the demand channel.

While a decrease in share prices was observed worldwide, the central banks of the developed countries, especially the Fed and the ECB, veered towards interest rate cuts. The Fed started to cut policy interest rates in the second half 2019, lowering the policy interest rate by 75 basis points and reducing the upper band to 1.75% and the lower band to 1.50%. The European Central Bank (ECB) resumed long-term refinancing operations aimed at asset purchases, while lowering the deposit interest rate from -0.40% to -0.50%.

In this process, policy interest rates were also lowered in many developing economies.

Even though growth in the US economy slowed slightly in 2019, the US demonstrated a more positive outlook than had been predicted at the beginning of the year. The rate of inflation rate remained below the 2% target, and the recovery in the labor market continued.

European economies were focused on Britain's exit from the EU. Economic activity in the EU, where developments in the Brexit process were a source of constant debate, exhibited a weak performance.

In 2019, economic growth in the Chinese economy continued to decline as domestic demand weakened, with the pressure on exports caused by trade measures also taking toll. In other emerging markets, the growth performance offered a mixed picture.

In its October 2019 report, the IMF revised its forecast for the growth rate of the world economy. In its report, the IMF lowered its forecast for the growth rate of the world economy to 3%, a downward revision of 0.3 percentage points when compared to its April 2019 forecast. The also IMF revised its global growth forecast for 2020, setting out its projection of 3.4% growth for 2020, with developing economies outside China providing the highest contribution to this performance.

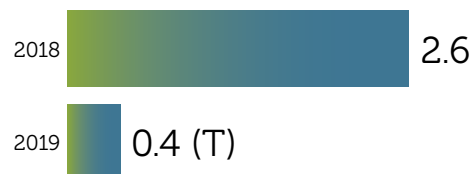
3%

The IMF revised its growth forecast for the world economy to 3% in its October 2019 report.

64

In its October 2019 report, the IMF set forth its expectation that the world economy would grow by around 3.4%, with developing economies other than China expected to contribute most to this performance.

GDP (%)



Imports (USD billion) January-November



Macroeconomic Outlook

THE ECONOMY IN TURKEY

The stabilization of economic activity becomes apparent.

Turkey's economy, which entered recession in the last quarter of 2018, contracted in the first two quarters of 2019 before returning to growth in the third quarter of the year, with a 0.9% rate of growth.

In the first six months of the year, net exports provided the greatest contribution to economic activity. Declining investment spending was one of the main factors to significantly suppress growth.

While the contribution of net exports turned negative in the third quarter of the year, economic activity revived with the positive contribution of consumption expenditures. The recovery in economic activity gained pace in the last quarter of the year. In addition to the CBT's interest rate cuts, the low base effect played a role in this acceleration.

Turkey's economy, which shrank by 0.9% in the first nine months of the year, is estimated to have reached a positive growth rate, albeit a limited one, in 2019.

Developments in the external balance

The slowdown observed in economic activity shaped the foreign balance data of 2019. During the first 10 months of the year, the volume of imports decreased by 12.8% while export volumes expanded by 2%, positively supporting the current account balance.

A combination of subdued domestic demand and the decline in oil prices paved the way for a current account surplus from June 2019, on the basis of 12-month cumulative data. The current account surplus reached a record USD 5.4 billion in September 2019.

In the months that followed, the upward trend in domestic consumption set the stage for an increase in imports, limiting the current account surplus.

Widening in the budget deficit

With local elections taking place throughout Turkey, decisions taken to stimulate the economy played a role in the wider budget deficit during 2019. The budget deficit reached TL 92.9 billion in the January-November 2019 period, widening by 70.4% compared to the same period of the previous year. During this period, both interest expenses and non-interest spending rose rapidly. The increase in tax revenues remained far short of the rate of inflation. However, one-off revenues helped keep the deterioration in the budget outlook under control.

Decline in inflation

In 2019, weak domestic demand conditions supported the relative stability of the TL. On the other hand, inflation tended to decline as a result of the high base effect and moderate trend in commodity prices.

0.9%

The economy returned to growth in the third quarter of the year, posting 0.9% growth

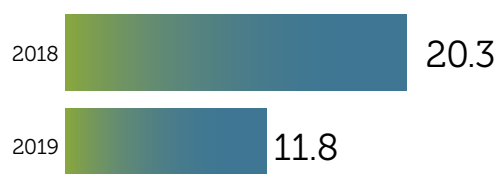
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Turkey's economy, which shrank by 0.9% in the first nine months of the year, is estimated to have wrapped up 2019 with a positive - albeit limited - growth rate.

Exports (USD billion) January-November



CPI (%)



The annual rate of consumer inflation, which fell to as low 8.55% in October - its lowest level since December 2016 - stood at 11.84% in December 2019. The annual increase in domestic Producer Price Index (PPI), which reflects cost inflation, stood at 7.36% as of December.

The CBT quickly lowered its policy interest rate in the second half of the year.

The improvement in inflation, which came during a period of favorable global liquidity conditions, supported the CBT's move to cut interest rates in the second half of 2019.

The policy interest rate, which stood at 24% at the beginning of 2019, was brought down to 12% with a total of 1,200 basis points of rate cuts in the months of July, September, October and December.

The CBT also focused on policies to promote financial stability with the changes it implemented in the required reserve ratios and applications throughout the year.

Looking to 2020...

Turkey's economy is expected to exhibit positive and healthy growth in 2020. As the economy returns to growth driven by reviving domestic demand, the current account balance is expected to slip back into a deficit in 2020, in contrast with the current account surplus in 2019.

While global developments continue to limit inflationary risks, food prices will remain a risk element which will need to be closely monitored. On the other hand, the CBT is thought to have more room for interest rate cuts. An environment of low interest rates is expected to have a positive impact on investments and economic activity through the activities of the financial sector.

Key indicators of Turkey's economy

	2017	2018	2019
GDP growth, %	7.4	2.6	0.4 (E)
CPI Inflation (e.o.p.), %	11.92	20.30	11.8
CPI Inflation (average), %	11.14	16.33	15.2
CAD (USD billion)	47	27.6	0 (E)
CAD, % of GDP	5.5	3.5	0 (E)
TL/USD (e.o.p)	3.77	5.26	5.94
TL/USD (average)	3.65	4.81	5.67
TL/Euro (e.o.p)	4.52	6.03	6.35
TL/Euro (average)	4.12	5.66	6.65
Basket (e.o.p)	4.16	5.65	6.15
Basket (average)	3.89	5.24	6.16
Euro/USD (e.o.p)	1.20	1.15	1.13
Euro/USD (average)	1.13	1.18	1.11
Money market rates, %	12.3	23.9	12.0
Benchmark 10-year TL bond rate	12.4	15.63	12.3

(E) According to the data provided by İş Yatırım Menkul Değerler A.Ş.

As one of the funds to conduct the highest number of exits in the private equity sector, we have achieved high average returns with our exit performance, in the context of global and Turkish standards.



Outlook for the Sector

An overview of Private Equity Legislation in Turkey

The first work for the creation of the private equity sector in Turkey was carried out by the public. However, our country was only introduced to private equity in a real sense when some private equity funds established abroad started to invest in Turkey.

The first legal regulations for private equity were made by the Capital Markets Board (CMB). With the communiqué Serial: VIII, No: 21 published on 6 July 1993, the Capital Markets Board permitted the establishment of private equity as an investment partnership. In addition, revenues of private equity companies established in this way are exempted from corporation tax and tax on withholding income.

The principles regarding the founders and establishment procedures of private equity investment trusts, the registration of their shares to the CMB and their public offering, their management and the qualifications to be sought in their managers, the areas of activity and portfolio limitations and the information which they will periodically disclose within the scope of public disclosure are regulated by the CMB's Serial: III, No: 48.3 Communiqué on Principles on Private Equity Investment Trusts.

The legal infrastructure for private equity investment funds was established for the first time in Turkey within the scope of novelties introduced by Capital Markets Law No. 6362, which was published in the Official Gazette no. 28513 and dated 30 December 2012.

The principles regarding the establishment, activities, sale of these funds to qualified investors within the scope of the authority given to the CMB by the Capital Markets Law were detailed with the Communiqué on Principles on Private Equity Investment Funds published in the Official Gazette no. 28870 and dated 2 January 2014.

The world merger and acquisition (M&A) markets

According to Mergermarket.com's 2019 Global and Regional M&A Report, the global M&A activity in 2019 stood at USD 3.33 trillion in terms of transaction volume with 19,322 transactions, marking a fall of 6.9% compared to 2018. Although this level was higher than the 2016 and 2017 levels, acquisitions slowed down significantly in the second half of the year.

Due to heightened geopolitical and economic uncertainty, trade wars and slowing global growth, transaction volumes fell by 21.9% in Europe to USD 770.5 billion in 2019, compared to USD 986.4 billion in 2018. Europe accounted for 23.1% of global transaction volume in 2019, the lowest share in its history, according to the Mergermarket records.

Despite the fall in global M&A transactions in 2019, the USA's market share in global transaction volumes increased from

47.2%

The USA's market share in global transaction volume increased from 43.3% in 2018 to 47.2% in 2019.



According to Mergermarket.com's 2019 Global and Regional M&A Report, global M&A activity fell by 6.9% with respect to 2018 to stand at USD 3.33 trillion in terms of transaction volume in 2019, with 19,322 transactions.

Outlook for the Sector

43.3% in 2018 to 47.2% in 2019. The volume of transactions, which stood at USD 1.55 trillion in 2018, increased to USD 1.57 trillion in the number of transactions of 5,757 in 2019.

Excluding Japan, a total of USD 565.3 billion in M&A volume was realized in 3,735 transactions in the Asia and the Pacific Region in 2019. The year 2019 was closed with the lowest transaction volume since 2013 and the lowest number of transactions since 2014. The region's global market share fell from 20.4% in 2018 to 17% in 2019. The global market share of the China and Hong Kong region, which has the highest contribution to M&A activity in Asia, decreased from 11.4% to 8.8% in the same period (51.8% of the region). The transaction volume decreased by 27.6% YoY to USD 294.5 billion with the number of transactions decreasing by 17.2% YoY to 1,735.

The industrial and chemicals sector, which was the second largest in terms of value in 2018, became the largest sector in 2019 with a total transaction volume of USD 523.8 billion. The Pharmaceuticals, Medical and Biotechnology Sector, which was the fourth largest sector in terms of value in 2018, closed 2019 as the second largest sector with a total transaction volume of USD 477.2 billion.

Cross-border transactions realized in 2019 decreased by 6.2% in value terms compared to 2018, with USD 1.27 trillion in transactions. The average size of the transactions (of those whose value was announced) edged up from USD 353 million in 2018 to USD 389 million in 2019.

Private Equity Funds accounted for 27.5% of the global M&A activity in 2019 in value terms - the third year in a row when its proportion was over 25%.

The Turkish M&A market

In parallel with the slowdown in the global M&A market, the Turkish M&A market stagnated in 2019 according to the M&A Transactions Report prepared by Deloitte. In 86 of the total of 233 transactions, a transaction volume of around USD 3.3 billion was announced.

In 2019, the M&A transaction volume, which stood at USD 12 billion in 2018, slumped to USD 5.3 billion, a decrease of 56% year-on-year based on the estimated value of deals with undisclosed values. No major changes were observed in the number of transactions.

The annual transaction volume of foreign investors, which was approximately USD 7.6 billion in 2018, fell by 55%, including estimates of undisclosed values, to approximately USD 3.4 billion - one of the lowest levels historically. Nevertheless, foreign investors contributed 64% to annual deal volumes - exceeding the 57% average over the past decade. With 71 transactions, foreign investors only accounted for 30% of the annual total number of transactions.

64%

Foreign investors provided a 64% contribution to annual deal volume, exceeding the 57% average over the past decade.

“

The Turkish M&A market stagnated in 2019. In 86 of the total 233 transactions, a transaction volume of around USD 3.3 billion was announced.

Moreover, the annual transaction volume of Turkish investors stood at approximately USD 1.9 billion (including estimates of undisclosed values) with 162 transactions. These results pointed to a decline of 57% in transaction volume and 11% in the number of transactions, compared to 2018. Turkish investors accounted for 36% and 70% of the total annual transaction volume and number of deals, respectively.

Small and medium-sized market transactions make up the majority of overall M&A activities, but based on the values disclosed, the largest ten transactions accounted for about 50% of the total annual transaction volume, including estimates of undisclosed values.

Among the transactions realized in 2019, the acquisition of the Third Bosphorus Bridge and the North Marmara Highway by the Chinese Trade Group was the largest. This transaction stood at USD 688.5 million, alone accounting for 13% of the total annual transaction volume.

Financial investor-backed transactions shrank in 2019 when compared to the last few years. Financial investors signed 87 deals with a total transaction volume of USD 0.9 billion, including estimates for undisclosed values, corresponding to the lowest level in a decade. On the other hand, their contribution to the total number of annual transactions stood at 37% due to the abundance of small transactions.

Private equity companies, which realized 9 transactions in total, had difficulty finding attractive targets and focused on the performance of portfolio companies. The share of private equity companies in the total number of transactions of financial investors declined to its lowest level, at just 10%, in 2019.

The largest transaction among financial investors and the second largest transaction of the year was the Mayhoola-Boyrer Retail transaction, with a size of approximately USD 405.2 million.

The most targeted sectors were the technology sector (48 transactions), internet and mobile services (32 transactions) and energy (24 transactions), accounting for 45% of the total number of annual deals.

The number of deals in technology, internet and mobile services mainly stemmed from early-stage investments of private equity companies and angel investors. When estimates of undisclosed values are included, the infrastructure alone represented 22% of the total annual deal volume, while the manufacturing industry rose to second place, comprising 15% of the total annual deal value.

In the sectors ranking first in terms of the value of the deals, the majority of the transaction volume was collected in several transactions.

Transaction values of M&A deals in Turkey (2019)

Range	% Share of Total Number	% Share to Total Value
Over USD 500 mn	0	13
USD 250-500 mn	1	21
USD 100-250 mn	4	27
USD 50-100 mn	4	11
Below USD 50 mn	91	28
Total	100	100

Source: Deloitte's M&A Transactions in 2019 report

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

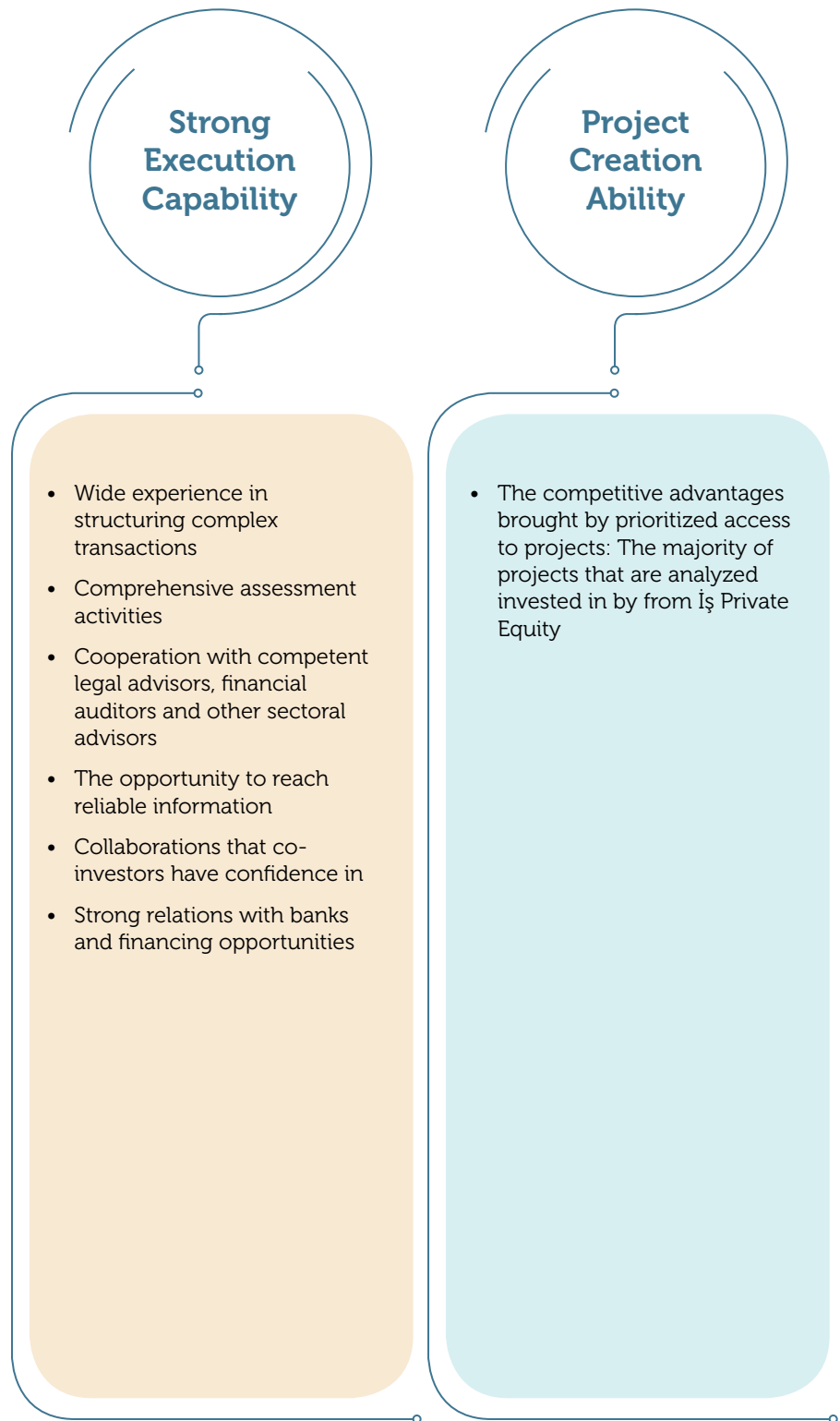
İş Private Equity's competence in developing solutions which meet the requirements of each project's specific structure is a product of its investment strategy, which is both focused and flexible.

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



Value for Companies in the Portfolio

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

Local Know-How and Enterprise

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

A Proven Historical Performance

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

Investments and Exits

İş Private Equity 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 2,826 projects in total in its project assessment process between 2000 and 2019 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 2019 had a total volume of USD 152.0 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 2019. The compounded return of İş Private Equity's exits, on the other hand, is 26.46%.

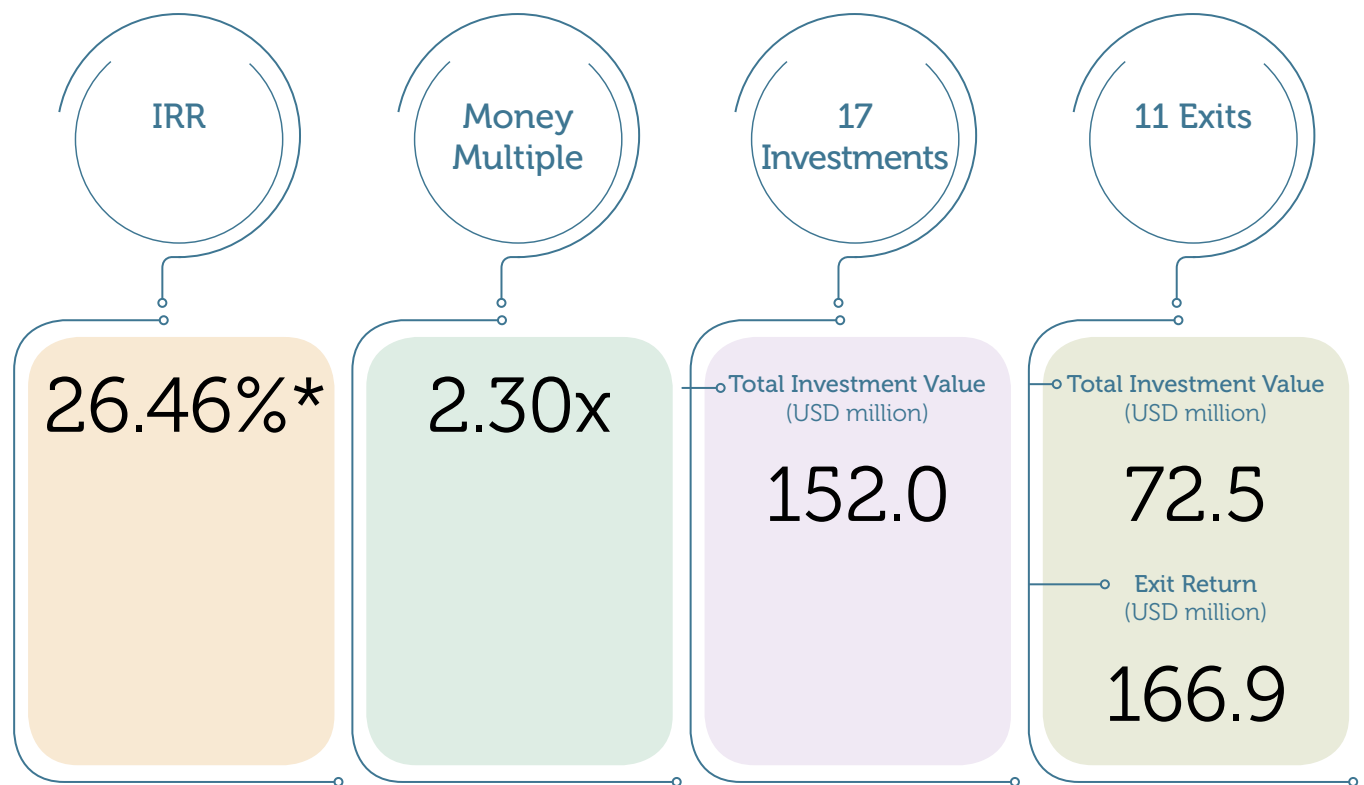
As a result of exits, the realization multiple stands at 2.30x in USD basis.

26.46%

As of December 2019. The compounded return of İş Private Equity's exits is 26.46%.

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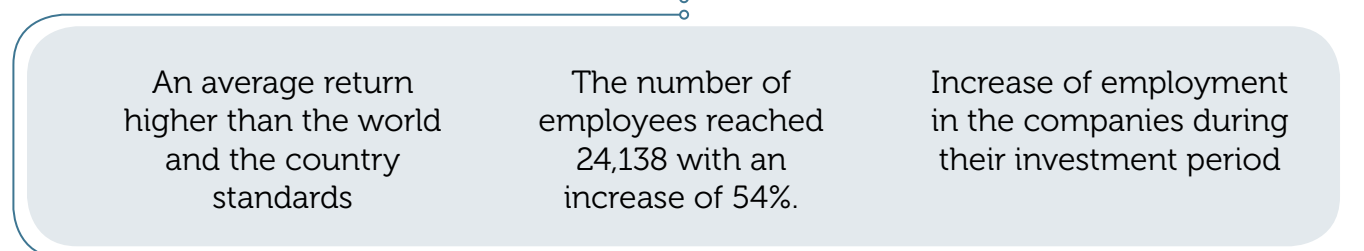
The 17 investments undertaken between 2000 and 2019 had a total volume of USD 152.0 million, while the total volume of the 11 exits was USD 72.5 million.



Added Value to the Exited Companies during an Investment Phase of 4 Years in Average



High Return



The Companies in Our Portfolio

Tatil Budur



Radore



The İYİ Group



Sportive



Ortopro



Nevotek



Tatil Budur

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

“

Although we achieved 28% growth in turnover in 2019, the steep increase in prices in the domestic market had a negative impact on consumer demand in hotel bookings.



From the General Manager of Tatil Budur...



The tourism sector was buffeted by macroeconomic developments, the marginal rise in credit card commissions and borrowing interest rates and the 2019 local elections. Although we achieved 28% growth in turnover in 2019, the steep increase in prices in the domestic market had a negative impact on consumer demand in hotel bookings. The tourism sector left behind what was a difficult year.

2020 will be the year of change and transformation for Tatil Budur. In 2020, our main focus will be the following:

- Automating the processes and efficiency in operational and systemic fields
- In the field of marketing, optimization, differentiation and brand positioning
- Improvement and development of the IT processes

I would like to thank our shareholders, our team and our employees for all of their support during this difficult period.

Onur OTRUŞ
General Manager



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 69 cities.

Tatil Budur's service platform, www.tatilbudur.com took 49 million hits from 19 million people in 2019.

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 1,672 domestic 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 30% growth in the domestic tourism branch in 2019, 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 2019, İş Private Equity held a 20% partnership with Tatil Budur.

Radore

(Radore Veri Merkezi Hizmetleri A.Ş.)

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Radore achieved 22% turnover growth in 2019 thanks to the growth strategy implemented successfully on the track towards institutionalization, which began with private equity investment.



From the General Manager of Radore...



Radore is Turkey's fastest growing independent data center...

With a data center which is Turkey's fastest growing independent data center to meet Tier II and Tier III standards with a capacity of 10,000 servers, Radore provides the most appropriate environment and services to businesses in terms of full compliance with the laws and communiqués issued for the domestic hosting of data as a local solution provider, in addition to server hosting, server and hardware rental, cloud server services, CDN, value-added management services, domain name and shared web hosting services.

Radore achieved 22% turnover growth in 2019 thanks to the growth strategy implemented successfully on the track

towards institutionalization, which began with private equity investment.

At the same time, in 2019, it undertook extensive changes in the management and sub-staff, and under its new organizational structure, it became much more robust and agile for the coming period. Radore supports all of these activities with additional technical infrastructure investments such as adjustments to the network infrastructure and the commissioning of the new disaster recovery infrastructure located in Ankara. Radore aims to set itself apart in the Turkish market thanks to its competitive new products and services, in addition to its targets for projects with much larger volume.

Barbaros Özdemir
General Manager



Radore, a third-generation data center with a total capacity of 10,000 servers on a total area of 2,760 m², 1,040 m² of which is white space at the MetroCity Shopping Mall, has offered server hosting, server and hardware rental, server and hardware rental, cloud server services, CDN, value-

added management services, domain name and shared web hosting services to its customers with its technical infrastructure designed for critical business applications since 2004.

Radore holds the quality and safety certifications such as PCI/DSS, ISO

9001, ISO 27001, and continues to grow with its team of 62 staff together with its customer base which extended to 4,000 people and institutions as of the end of 2019. The partnership rate of İş Private Equity in Radore was 25.50% as of the end of 2019.

The İYİ Group

(The İstanbul Food and Beverage Group)

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The İstanbul Food and Beverage Group maintained its growth for a third year in 2019, reaching its financial and strategic goals. It left behind a successful year, in which we witnessed record turnover and profitability.



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



The Istanbul Food and Beverage Group maintained its growth for a third year in 2019, reaching its financial and strategic goals. It left behind a successful year, in which we witnessed record turnover and profitability.

Mikla also ranked 52nd on the list of the World's Best Restaurants this year. Mikla, which has been on the most respected list of the world of gastronomy for the fifth time in a row, remained one of Turkey's world-famous brands.

Numnum, one of our brands, reached a network of 10 branches in 6 provinces with branches opened in Watergarden Istanbul and the 01 Burda Shopping Mall Adana during the year.

In addition to the outstanding performance which it demonstrated in the e-commerce and wholesale channels, our Kronotrop brand continued to grow rapidly in the retail channel as well. It increased its number of active branches to

13 with branches opened in Moda, Caddebostan, Ataşehir Metropol, Boyner Metropol, Ankara and Adana in Istanbul. It will have reached 16 branches in 7 provinces with the opening of the Istanbul Emaar Square, Izmit and Isparta branches in the first months of 2020. Work on these branches is nearing completion.

Pizzeria Enzo, a sub-business model of our Trattoria Enzo brand, started operating at the Istanbul New Airport during the year and met our expectations with its high performance.

I would like to thank my colleagues, business partners and the board of directors, who have a share in our successful year.

Yours respectfully,

M. Necil Oyman
General Manager



The İYİ Group was established in 1996 under the guidance of Mehmet Gürs. As of the end of 2019, İŞ Private Equity held an 83.57% stake in the İYİ Group.

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. Mikla, the flagship of the İYİ Group, demonstrated its success by ranking 52nd on the World's Best Restaurants list, and continued to be one of Turkey's most famous world-wide brands. Two new Numnum restaurants were opened

in 2019, one in the Watergarden Shopping Mall in Istanbul and one in Adana, bringing the total number of restaurants to ten. Kronotrop, where coffee operations are carried out, will continue to grow rapidly, and had reached 16 branches as of January 2020.

Sportive

(Toksöz Spor Malzemeleri Ticaret A.Ş.)

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Sportive, Turkey's largest local, multi-brand and multi-channel sports retail company, achieved 20.4% sales growth and increased its turnover to TL 253 million in 2019.



From the General Manager of Sportive...



Sportive, Turkey's largest local, multi-brand and multi-channel sports retail company, achieved 20.4% sales growth and increased its turnover to TL 253 million in 2019.

Sportive welcomed 13 million customers to its 25 stores in 13 provinces in 2019, and at sportive.com.tr. It became a leader in its field by providing wholesale sport equipment to 910 sports retailers, 211 sports clubs and 12 Sports Federations throughout Turkey.

Sportive.com.tr, the country's fastest-growing e-commerce website offering the widest range of sports brands, achieved 34% growth in 2019.

The Youth and Sports Ministry of the Republic of Turkey carried out all product supply for elite national athletes with the Sportive branded products specially designed for them at the 2019 European Youth Olympic Summer Games held in Baku and the European Games held in Minsk.

In team sports, the Sportive brand posted 32% growth. Anadolu Efes, which we have been sponsoring for

two years, took part in the finals with a Turkish brand for the first time in its history in the Euroleague Final Four. Millions of viewers in 193 countries watched our basketball players live on air with a Turkish brand. Anadolu Efes and Pınar Karşıyaka, the first two teams of the 2019-2020 Tahincioğlu Basketball Super League, continue to compete in the Turkish and European cups with Sportive branded products.

Our priority in our roadmap for 2020 is to grow efficiently in the omni-channel, which constitutes retail and e-commerce as a whole, to increase our number of top league teams both at a national level and throughout Turkey for the Sportive brand, and to increase our sales by 40% in our distributions of Arena and the Nike Accessories Turkey.

In view of these priorities, our main target is to increase our EBITDA by 25%.

Yours respectfully,

Zeynep Selgur
Sportive
General Manager



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 grew approximately 20% in 2019 with a

turnover of TL 253 million. In 2019, turnover achieved through www.sportive.com.tr increased 34%.

Ortopro

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

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Ortopro's growth in 2019 exceeded 20% with more than 50% of its turnover derived from exports in 2019.



From the General Manager of Ortopro...



Ortopro has also taken firm strides towards sustainable growth in 2019.

In line with the structural reforms which we started in 2016, the improvement processes - which started to bear fruit in 2018 - continued in 2019 thanks to the reforms we undertook and developed primarily in terms of sales channels, and subsequently, in terms of product diversity and production efficiency.

In 2019, we carried out approximately 80% of our local sales through six major dealers located in different locations throughout Turkey. We had direct opportunities to work directly with the City Hospitals through direct tender processes which we won in metropolitan cities such as Istanbul, Adana and Bursa. The number of surgeries was increased by 33% compared to the previous year. The success of our new knee product, which we promoted in 2018, was our driving force in this growth.

Although some export markets, such as Argentina, Mexico and South Africa - where we have been working intensely - have been affected by financial turbulence and political developments, our sales in new markets such as Ukraine, Lebanon and Iraq have helped compensate for this. In addition to our knee and hip products, which are the key segments of our business, our trauma and spine product groups also contributed 15% to our turnover in 2019, an important and very pleasing development.

The relevant preparations for the addition of three new knee and hip products to our portfolio were completed in 2019 and applications were submitted for the CE licensing processes. In order to ensure our growth is sustainable in the 2020s, new product launches are expected to be made from 2021 which will provide a significant contribution to the growth in turnover, following the conclusion of the applications in the first half of 2020.

2019 was a difficult year for the health sector, especially as a result of delays in the collection of receivables. Nevertheless, the financial results which we have achieved over the last three years at Ortopro, and the differences which we have created in terms of quality products and services, have helped keep us strong in the face of these negative processes. Also in 2020, with the same goal and vision, we will remain the supplier of orthopedic surgical products which our customers trust the most and the supplier of choice in both domestic and export markets.

Mehmet Özkan
General Manager



Ortopro is the leading domestic manufacturer in the orthopedic surgical sector and continues to grow in domestic and international markets.

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 steadily growing business areas in parallel with the aging of the population and the improved access to healthcare in recent years.



Ortopro's growth in 2019 exceeded 20% with more than 50% of its turnover derived from exports in 2019. 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.

Nevotek

(Nevotek Biliřim Ses ve İletiřim Sistemleri Sanayi ve Ticaret A.ř.)

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Nevotek, whose customer base is 90% international, opened a new window in the hospitality and healthcare sectors by adding two new platforms entirely with cloud technology to its product portfolio in 2019.



From the General Manager of Nevotek...



Nevotek, whose customer base is 90% international, opened a new window in the hospitality and healthcare sectors by adding two new platforms entirely with cloud technology to its product portfolio in 2019.

The demand received for these products from the U.S. market, in particular, is remarkable. The

company, which is developing new and innovative products, is focused on distinguishing itself in its own market in 2020. Both the technologies used and the products being developed are aimed at generating high added value.

Tankut Turhan
General Manager



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 Systems, one of the world's IT giants. Nevotek's hospitality products are sold by Cisco Systems. 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, Oracle 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 in 2019. After the completion of pilot studies, it has started to provide services to hotels in the US market 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.

Over the past two years, Nevotek has focused on moving its product range to cloud technology. New products are designed entirely on a cloud based basis. In the last year, work has continued on two main cloud products. Work on the first, the NevoEDGE product, is largely complete. The first sales with the

recurring revenue model were realized to the USA media giant, "Comcast Corporation". The other cloud product, GRACE, meanwhile, stated to receive positive feedback from the hospitality industry, despite still being in the development phase.

The contract signed between Cisco and the IHG (Intercontinental Hotels Group) is ongoing. The customers of about 1,500 hotels around the world use Nevotek's Unilink product to access the internet in the cloud environment from their wireless devices and benefit from hotel services.

İş Private Equity's share in Nevotek stood at 95.37% as of the end of 2019.

A success story: ODE Yalıtım

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İş Private Equity became a partner of ODE with an investment of USD 5 million in 2007. It achieved a successful exit in 2012 by selling its shares to existing shareholders for USD 10.5 million.





A success story: ODE Yalıtım

Since the start of the new millennium, the construction sector and its sub-industries have grown rapidly in Turkey, a development which has attracted the interest of İş Private Equity. As a result of the work carried out in this context, ODE Yalıtım (ODE), which was established by Mr. Orhan Turan in 1986 and which has gained considerable experience and garnered respect in the sector, and which offers strong growth potential in the building insulation sector, was evaluated as an investment opportunity in accordance with the objectives and mission of İş Private Equity.

ODE, which had already become a successful domestic player before the İş Private Equity's investment, went on to modernize its production with the investment and increased its production capacity, being transformed into a regional powerhouse able to meet demand in all fields of insulation.

İş Private Equity became a partner of ODE with an investment of USD 5 million in 2007. It achieved a successful exit in 2012 by selling its shares to existing shareholders for USD 10.5 million. As a result of this investment, İş Private Equity achieved a 2.1x equity multiplier and 1703%

compound annual return in USD terms.

Its investment theme is to offer a wider range of products, increase profitability, achieve sustainable growth and to be a regional player

The rise in energy prices in the early 2000s and dependence on foreign exchange in energy production increased the economic value of the building insulation sector and strengthened incentives for the sector. On the other hand, global warming and pollution resulting from increased levels of carbon dioxide in the atmosphere, as a result of the consumption of fossil fuels in energy production, have raised the importance of insulation as a concept, both economically and socially on a global scale. The application of thermal insulation in new buildings has been made mandatory in our country since 2000, with news laws passed aimed at increasing efficiency in energy usage.

The recovery which followed the economic recession in the early 2000s strengthened confidence in the Turkish economy, leading to the development of an investment environment and increasing demand for real estate. In addition, the construction sectors in Turkey's

neighboring countries in the Middle East and Europe have started to develop rapidly, with Turkish construction companies also starting to play an active role in these countries.

In addition to these developments, given that existing buildings in particular will need insulation due to high energy consumption, the building insulation sector is on course to post rapid growth.

As a result, thanks to both its economic and social contribution and its high growth potential, the building insulation sector has been defined as an attractive investment area for İş Private Equity and ODE, one of the leading domestic players in the sector, has been identified as an ideal target.

The investment is aimed at further boosting ODE's profitability by reducing the exchange rate risk as well as limiting external dependence on product supply thanks to the product range to be expanded with new products, especially glass wool. Another goal of the investment is to ensure the sustainability of growth with the distribution network which will be both expanded and optimized, and to reach the position of being a regional player.

A success story: ODE Yalıtım

Value generated by the investment:

ODE has become a pioneer in the sector by undertaking a significant change and transformation processes during İş Private Equity's 5-year investment process.

During the İş Private Equity investment process, appointments were made to the senior management levels of ODE, corporate governance was professionalized and financial discipline was provided through budget monitoring. With the Improvement of IT infrastructure, an integrated and traceable production approach was adopted and important steps were taken towards becoming a global player with the Turquality program, which the company is included in.

Founded with an investment cost of TL 55 million, the glass wool plant became operational in as little as 18 months. Work accelerated with the company's focus on products with high added value and export potential. Total exports increased by approximately 73% during the investment period.

ODE, which bears an exchange rate risk because its products require oil-based raw materials whose prices are indexed to foreign currency in international markets,

reduced its dependence on oil-based raw materials thanks to its investment in the glass wool. It increased the weight of the TL in its purchases and the weight of foreign currency in its sales.

As a result, ODE has become a market player which is able to set competitive prices by providing natural protection against exchange rate volatility.

ODE's total sales and EBITDA increased by approximately 50% during the investment duration of İş Private Equity.

Success achieved by exit

İş Private Equity, which achieved the targets for domestic and international growth which it had set out with the ODE Yalıtım investment, started the work on its exit in 2011.

In this context, İş Private Equity completed the exit process by accepting the offer by ODE's existing shareholders to re-purchase the shares.

İş Private Equity generated USD 10.5 million in revenue from the sale of the shares it held in ODE, and succeeded in generating a 2.1x equity multiplier and 17.03% compound annual return in USD terms.

Sales to ODE İzolasyon Sanayi Satış ve Pazarlama A.Ş.

Field of Operation	Return (USD IRR - Equity Multiplier)	Exit Amount
Building insulation sector	17.03 - 2.10x	10.5 USD million
Investment Amount	Investment Period	Exit
5.0 USD million	2007 - 2012	Ode İzolasyon Sanayi Satış ve Pazarlama A.Ş.

From the Partner of ODE Yalitim...



Our success story, which started in a small office in Laleli, Istanbul and which has extended from Turkey to the international arena, has gained momentum through İş Private Equity's valuable and multifaceted contribution. It has enabled us to generate an increasing amount of value for our stakeholders. ODE, the sector's leading player with 100% domestic capital, is the largest producer of technical insulation in the vast geographical region extending from China in the east to Germany in the west. This position is the consequence of a synthesis of strategic steps and investments implemented at the right time and with the rational management approach focused on risks and opportunities.

In 2006, when we seeking investment, our paths crossed with İş Private Equity. At the end of the process, İş Private Equity, which provided the necessary financial resources for our investments, joined us as a partner. The partnership which we established with İş Private Equity developed on the basis of mutual trust, understanding and respect, and these shared fundamental values have created the guarantee of success.

During the partnership period, our company implemented significant initiations for institutionalization and reporting activities gained considerable momentum with İş Private Equity's support and contributions.

The most important outcome of our partnership process with İş Private Equity, which directly concerns all of our stakeholders, has been the sustainable and strong performance achieved on the financial axis.

100%

ODE, the sector's leading player with 100% domestic capital, is the largest producer of technical insulation in the vast geographical region extending from China in the east to Germany in the west.

“

In addition to bolstering ODE's investment strength, İş Private Equity has enabled us to benefit from İşbank's corporate values and business discipline, one of the most established institutions in our country.

ODE carried forward its success in exports through the investments It Implemented and its increased production power, while growing in the domestic market. Between 2007 and 2012, when our partnership with İş Private Equity continued, our turnover increased by 50%, our exports increased by over 100%, and our employment increased by more than 50%.

The sustainable growth we achieved during the partnership process supported our power to generate internal capital. The profit we produced provided the financial strength necessary to re-take our shares back from İş Private Equity approximately 4.5 years after we entered into the partnership.

With its strong, stable and multifaceted support, İş Private Equity taken an active role in ODE's progress towards its goal of becoming a global brand in the insulation sector. More importantly, when we exited the investment, it oversaw our interests simultaneously and contributed to achieving our current position.

ODE will always be proud to have cooperated with İş Private Equity.

Yours respectfully,

Orhan Turan
ODE Yalitim
Chairman of the Board of Directors

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.



1st row from left to right: Nevzatcan Bıyıklı, Burcu Perişanoğlu, A. Murat Özgen, Başar Yenidünya, Cemil Kahrıman
2nd row from left to right: Birsen Işık, Erkan Yağcıoğlu, Koray Doğançay, Burçe Kabatepe, S. Burak Bayhan, Diğdem Erdoğan.

Summary of 2019 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 2019, a total of TL 6,873,475 was paid to Nevotek. As a result of this payment, İş Private Equity's cash portfolio decreased by TL 6,873,475.

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

Company	Stake (%)
Nevotek Bilişim Ses ve İletişim Sis. San. ve Tic. A.Ş.	95.37
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-2019, İş Private Equity had 10 people on its payroll. Management personnel are identified in the "Information on Corporate Governance Practices" 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 2018 was held on 15 March 2019. 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 12 April 2019.

68.98% 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

According to Article 16 of the Personal Data Protection Law No. 6698, the requirement that real and legal persons who process personal data register in the Data Officers Register before starting to process personal data was fulfilled by the Company in December 2019.

The relevant law 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

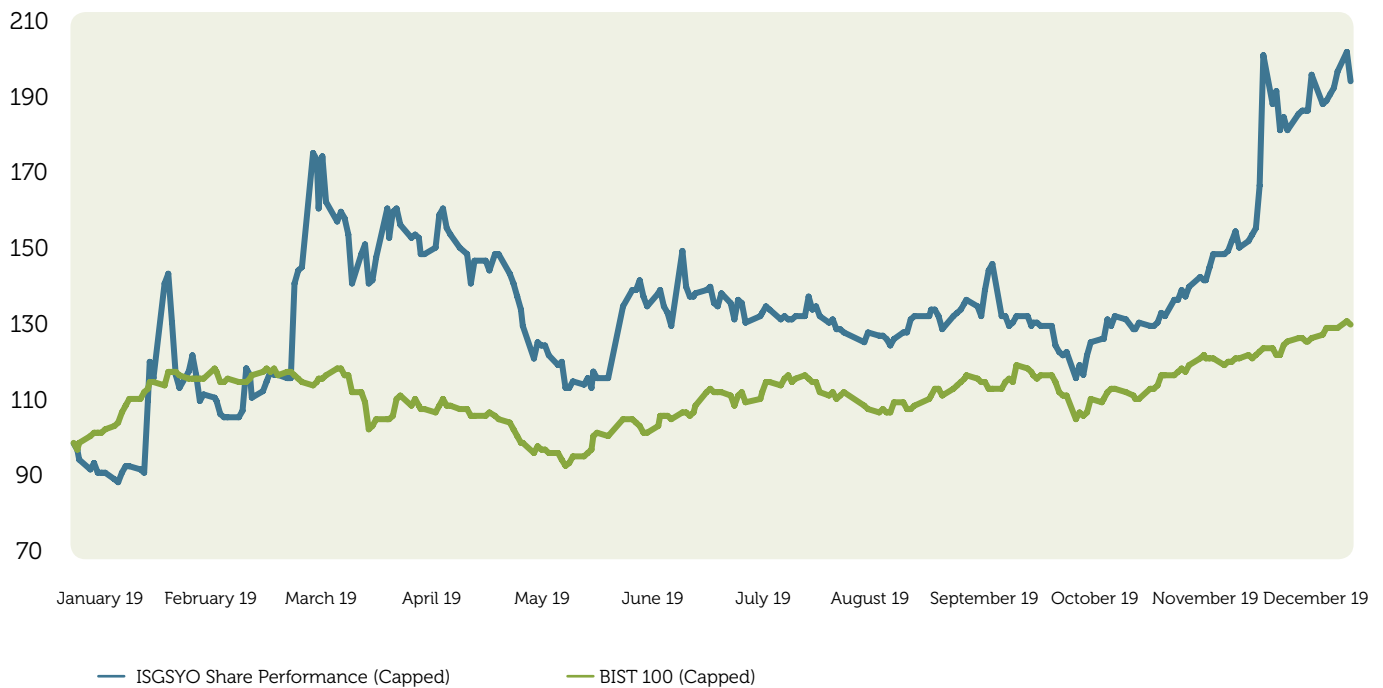
A total of 25 material event disclosures were published by the Company on the Public Disclosure Platform during 2019.

İş Private Equity at Borsa İstanbul

TL	2019
Share Price (*)	3.82
Market Value	285,172,473

(*) Source: Forex.

İSGSYO 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.

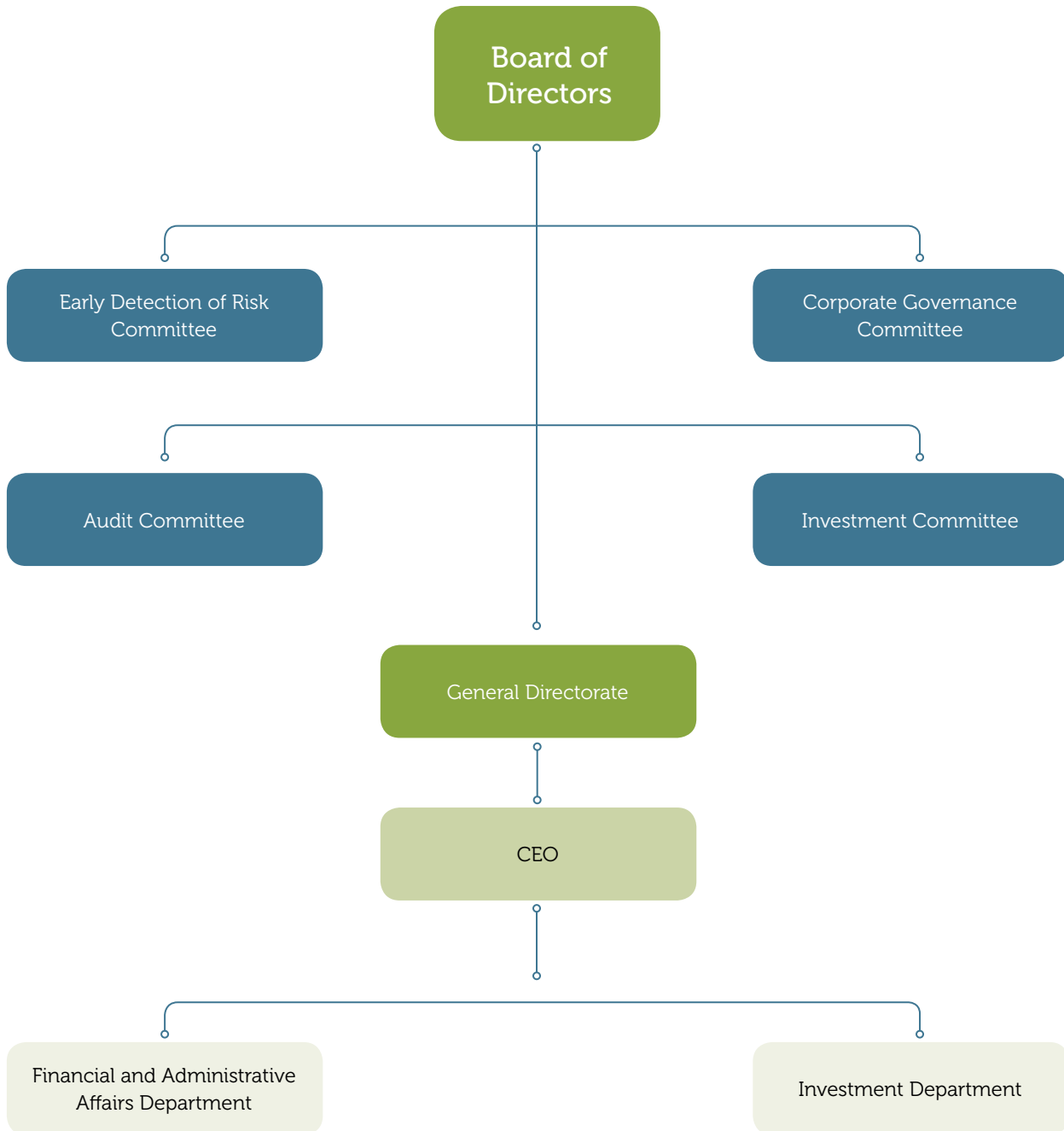
No shares of profits may be allocated to members of the Board of Directors or to Company employees until and unless shareholders' cash dividends have been paid as decided on at a General Meeting.

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 2019

In 2019, there was no legal regulation that was closely related with our Company's activities.

Organizational Chart



The 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.
- 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.

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.
- 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.

Information on Corporate Governance Practices

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 10 January, 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 3 December 2019.

	Burcu Perişanoğlu	Diğdem Erdoğan
Phone	212 - 325 17 44	212 - 325 17 44
E-mail	bkalender@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.

General Meetings

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

The Company's 2018 General Meeting took place in İstanbul. The meeting date and quorum are given below:

General Meeting	Date	Required Quorum (%)	Meeting Quorum (%)
Ordinary	15 March 2019	25	68.98

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 2018, and information on this was provided in the 2018 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 2019.

The meetings were simultaneously held physically and electronically, shareholders participated both physically and electronically in the Annual General Meeting held in 2019.

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,

Information on Corporate Governance Practices

- 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 2019, 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 25 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 25 October 2013 and promulgated in the Turkish Trade Registry Gazette dated 1 November 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 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 8 March 2019. The decision to nominate them was taken by the Board of Directors on 8 March 2019. Two of the four nominated candidates were elected as Independent Board Members in the Annual General Meeting held in 2019. During the reporting period, no occurrences took place that would eradicate the independence of independent members. Members of the Board of Directors fulfill their duties within the framework of the articles of association and the relevant legislation, and there are no executive members among them. Board members have been elected to serve until 31 March 2020. One of the seven Board members is woman.

The members of the Board of Directors, who have been elected during the Company's 2018 Annual General Meeting held on 15 March 2019 and Board of Directors meeting held on 30 April 2020, to serve until the next Annual General Meeting, the external audit firm designated for 2019 and the latest management team is presented below.

Information on Corporate Governance Practices

The members of the Board of Directors, who have been elected during the Company's 2018 Annual General Meeting held on 15 March 2019 and Board of Directors meeting held on 30 April 2020, to serve until the next Annual General Meeting, the external audit firm designated for 2019 and the latest management team is presented below.

Members of the Board of Directors

Name - Surname	Title	Date Elected
Senar Akkuş	Chairman	15.03.2019
Ahmet Mete Çakmakcı	Deputy Chairman	15.03.2019
Coşkun Kanberoğlu	Member	30.04.2019
Rıza İhsan Kutlusoy	Member	15.03.2019
Volkan Kublay	Member	15.03.2019
İhsan Elgin	Independent Member	15.03.2019
Selim Yazıcı	Independent Member	15.03.2019

In the board meeting of our company dated 30.04.2019, the decision was taken that Mr. Coşkun Kanberoğlu should be elected as a member of the Board of Directors, to be submitted to the approval of the first general assembly to be held, in place of Mr. Barış Tunçsiper, who resigned from his position as a member of the Board of Directors.

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

Declaration of Interest by the Independent Board Member

Declaration by our Company's independent Board members for 2019 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 as an Assistant Specialist in the Treasury Department in 1991. In 1998, she was promoted to Assistant Manager in the same department, where she served as Unit Manager from 2002 to 2006. She functioned as the Head of Economic Research Department (2006-2008) and as the Head of Treasury Department (2008-2011). Ms. Akkuş was appointed as Deputy Chief Executive in 2011, a position she still holds. Ms. Akkuş served as an auditor at Anadolu Hayat Emeklilik A.Ş. (2000-2003), T. Şişe Cam Fabrikaları A.Ş. (2003-2005) and T. Sinai 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

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General position in 2005; he was appointed to the office of Secretary General and still continues to perform his duties at this position. Mr. Çakmakcı was elected as Board Member on 28 April 2006 and still continues to perform his duties as Vice Chairman. Mr. Çakmakcı 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 Gempport Gemlik Liman Depolama İşletmeleri A.Ş. (Chairman), 2006-2011 Nemtaş Nemrut Liman İşletmeleri A.Ş. (Chairman), 2011-2013 Türkiye Şişe ve Cam Fabrikaları A.Ş. (Member), 2016 - Efes Varlık Yönetimi (Chairman), 2016-İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (Member).

Coşkun Kanberoğlu (Board Member)

Mr. Coşkun Kanberoğlu holds a Bachelor's degree in Chemical Engineering. Between 1991 and 1992, he worked as a Research Assistant at Boğaziçi University. He later worked as a Technical Sales Engineer at the Henkel - Ecolab Company for a period of two years and as a Production Chief at the Novartis Pharmaceutical Company two years. Mr. Kanberoğlu has been working within TSKB (the Industrial Investment Bank of Turkey) since 1997. He is the Manager of the Engineering and Technical Consultancy department and a member of the Board of Directors of ESCARUS TSKB Sürdürülebilirlik Danışmanlığı A.Ş. (Sustainability Consultancy), a subsidiary of TSKB. Mr. Kanberoğlu is responsible for the management of technical assessment, environmental and social risk assessment, investment monitoring, technical valuation and feasibility studies in the credit assessment of various energy and industrial investments. He is also responsible for the management of technical assessment and valuation reports for various public offerings, feasibility analysis, project evaluation and the preparation of various technical reports for various "Energy and Resource Efficiency" and "Renewable Energy" investments for financial institutions such as the World Bank, the EBRD, the EIB, the AFD and the KfW. In addition, Mr. Kanberoğlu serves as the chairman of the Sustainability Sub-Committee within the organization of the TSKB Sustainability Management System.

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 İstanbul 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 İstanbul 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

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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 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.

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 7 May 2012.

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

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

Salaries and benefits provided to the Board members and the Company's senior executives amounted to TL 4,199,948 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 2019; TL 7,831,344 was derived on interest income on deposits. The Company paid TL 81,277 for insurance costs, TL 181,291 for office overhead expenses, TL 108,067 for transaction and commission and advisory expenses, 151,238 for service charges and TL 45,884 for other expenses, while TL 970,697 was generated on dividend income. TL 567,160 was paid to the related company as office rent.

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 2019, 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 2019 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 2019 amounted to TL 4,199,948 gross.

Grants and Charitable Donations

The Company did not provide any donations or grants during 2019, and information on this will be provided in the 2019 Annual General Meeting.

Changes to the Articles of Association during the Reporting Period

In accordance with decision number 552 of the Board of Directors of our Company and dated 26 December 2019,

The decision was taken for the existing registered capital of our company, amounting to TL 250,000,000, which is in the registered capital system in accordance with the provisions of Capital Market Legislation, to remain at TL 250,000,000 between 2020 and 2024,

The decision was taken for the 8th item of the Company's Articles of Association to be amended as attached, and to apply to the Capital Markets Board and the Ministry of Commerce to obtain all necessary permits,

The decision was taken to authorize the General Directorate to effect the changes that can be requested by the Capital Markets Board and the Ministry of Commerce in the Draft Amendment and to carry out all other transactions.

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.

Ordinary General Assembly Meeting Agenda

17 March 2020 Tuesday, 14:00 hours İş Kuleleri Oditoryum Binası Levent / İstanbul

Ordinary General Assembly Meeting Agenda

1. Opening; election of the Chairing Council,
2. Authorization of the Chairing Council for signing the minutes of the General Assembly meeting,
3. Reading and discussion of the Annual Reports of the Board of Directors and Independent Auditor's Report,
4. Reading, discussion and approval of the financial statements of the Company,
5. Approval of the election made for vacated seats on the Board of Directors during the reporting period,
6. Discharge of the Board Members for their activities in 2019,
7. Discussing and deciding about the Board of Directors' proposal for the distribution of 2019 profits,
8. Election of the Board Members and determining the terms of their service,
9. Determining the remuneration of the Board Members,
10. Election of the Independent Audit Firm,
11. Authorization of the Board Members for carrying out the transactions provided under the Articles 395 and 396 of the Turkish Commercial Code,
12. Submitting the amendment of Article 8 of the Company's Articles of Association for approval,
13. Giving information to the General Assembly within the scope of the Principle no. 1.3.6. of the Corporate Governance Principles.
14. Submitting information on the donations made within the year,
15. Determination of the upper limit for donations to be made within the year 2019.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.
2019 Profit Distribution Table (TL)

App: 2			
İŞ GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş. 2019 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)	21,173,529.61	21,173,529.61
	If there are privileges for distribution of profits according to the articles of association, information on such privileges	None	
		Based on CMB	Based on Legal Records
3.	Profit for the Period	1,736,098.00	9,333,282.101
4.	Taxes Payable	0.00	0.00
5.	Net Profit for the Period	1,736,098.00	9,333,281.10
6.	Losses in Prior Years (-)	0.00	0.00
7.	General Legal Reserves (-)	446,886.47	446,886.47
8.	Net Distributable Profit for the Period	1,289,211.53	8,886,395.63
9.	Donations during the Year (+)	0.00	0.00
10.	Net Distributable Profit for the Period Including Donations	1,289,211.53	8,886,395.63
11.	First Dividend to Shareholders		
	- Cash	0.00	0.00
	- Bonus Shares	0.00	0.00
	- Total	0.00	0.00
12.	Dividends Distributed to Owners of Privileged Shares	0.00	0.00
13.	Other Distributed Dividends	0.00	0.00
	- To Board Members	0.00	0.00
	- To Employees	0.00	0.00
	- To People Other than Shareholders	0.00	0.00
14.	Dividends Distributed to Owners of Redeemed Shares	0.00	0.00
15.	Second Dividend to Shareholders	0.00	0.00
16.	General Legal Reserves	0.00	0.00
17.	Statutory Reserves	0.00	0.00
18.	Special Reserves	0.00	0.00
19.	Extraordinary Reserves	1,289,211.53	8,886,395.63
20.	Other Resources to be Distributed	0.00	0.00

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Financial Statements As at and For the Year Ended 31 December 2019 with Independent Auditors' Report Thereon

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

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, 2019, 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, 2019 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>
<i>Presentation of subsidiaries and associates in the financial statements and significant information disclosed</i>	
<p>As of December 31, 2019, fair value amount of the financial assets disclosed in the financial statements has been valued at TL 191.564.080 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 subsidiaries. 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 subsidiaries 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.

Independent Auditor's Report

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.

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 30.01.2020.
- 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 2019 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- 3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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



January 30, 2020
Istanbul, Turkey

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Statement of Financial Position As at 31 December 2019

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

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

	Notes	(Audited) December 31, 2019	(Audited) December 31, 2018
ASSETS			
Current Assets			
Cash and cash equivalents	5	44.963.534	40.551.133
Financial investments	6	25.937.130	28.400.775
Prepaid expenses	14	396.628	380.949
Other current assets	15	1.224.906	675.852
TOTAL CURRENT ASSETS		72.522.198	70.008.709
Non-current Assets			
Other receivables	8	150	150
- Other receivables from related parties	4	150	150
Financial investments	6	191.564.080	192.157.438
Property, plant and equipment	9	93.728	59.746
Right-of-use asset	11	1.620.862	-
Intangible assets	10	-	-
TOTAL NON-CURRENT ASSETS		193.278.820	192.217.334
TOTAL ASSETS		265.801.018	262.226.043

The accompanying notes are an integral part of these financial statements

Statement of Financial Position

As at 31 December 2019

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

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

	Notes	Audited December 31, 2019	Audited December 31, 2018
LIABILITIES			
Current Liabilities			
Borrowings		389.706	-
- Lease Payables to Related Parties		281.399	-
- Lease Payables to Unrelated Parties		108.307	-
Trade payables	7	5.272	89.223
- Due to related parties	4	5.272	89.223
Other payables	8	770	1.050
Liabilities related to employee benefits	16	50.596	49.492
Short-term provisions		1.302.076	1.224.667
- Short-term provisions for employee benefits	13	1.302.076	1.224.667
Other short-term provisions	15	566.285	598.733
TOTAL CURRENT LIABILITIES		2.314.705	1.963.165
Non-current Liabilities			
Borrowings		1.330.708	-
- Lease Payables to Related Parties		1.271.766	-
- Lease Payables to Unrelated Parties		58.942	-
Long-term provisions		382.040	297.496
- Long-term provisions for employee benefits	13	382.040	297.496
TOTAL NON-CURRENT LIABILITIES		1.712.748	297.496
TOTAL LIABILITIES		4.027.453	2.260.661
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		(148.952)	(221.037)
- Actuarial loss/gain funds		(148.952)	(221.037)
Share premium	17	7.000.000	7.000.000
Restricted reserves	17	21.173.530	21.001.426
Retained earnings	17	135.754.009	132.852.411
Net income for the period		1.736.098	3.073.702
TOTAL EQUITY		261.773.565	259.965.382
TOTAL LIABILITIES		265.801.018	262.226.043

The accompanying notes are an integral part of these financial statements

Statements of Profit of Loss and Other Comprehensive Income For the Periods Between January 1 - December 31, 2019

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

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

	Notes	Audited January 1- December 31, 2019	Audited January 1- December 31, 2018
CONTINUING OPERATIONS			
Revenue	18	10.893.833	10.122.539
GROSS PROFIT		10.893.833	10.122.539
General Administrative Expenses (-)	19	(9.321.431)	(8.945.867)
Other Operating Income	20	233.414	2.572.773
Other Operating Expense (-)	20	(69.718)	(675.743)
OPERATING PROFIT/(LOSS)		1.736.098	3.073.702
PROFIT/(LOSS) BEFORE TAX		1.736.098	3.073.702
Tax (Expense)/Income		-	-
NET PROFIT/(LOSS)/INCOME FOR THE PERIOD		1.736.098	3.073.702
OTHER COMPREHENSIVE INCOME			
Amounts that not be reclassified to profit or loss		(72.085)	(31.275)
Defined benefit pension plan			
Actuarial gain/(loss)	13	72.085	(31.275)
OTHER COMPREHENSIVE INCOME		72.085	(31.275)
TOTAL COMPREHENSIVE INCOME		1.808.183	3.042.427
(Loss)/income per (1,000 shares)	22	0,02326	0,04117

The accompanying notes are an integral part of these financial statements

Statement of Changes in Equity

For the Periods Between January 1 - December 31, 2019

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

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

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, 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

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, 2019	74.652.480	21.606.400	(221.037)	7.000.000	21.001.426	132.852.411	3.073.702	259.965.382
Transfers	17	-	-	-	172.104	2.901.598	(3.073.702)	-
Total comprehensive income	-	-	72.085	-	-	-	1.736.098	1.808.183
December 31, 2019	74.652.480	21.606.400	(148.952)	7.000.000	21.173.530	135.754.009	1.736.098	261.773.565

The accompanying notes are an integral part of these financial statements

Statement of Cash Flow**For the Periods Between January 1 - December 31, 2019**

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

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

		(Audited) January 1- December 31, 2019	(Audited) January 1- December 31, 2018
	Notes		
A. Cash flow from operating activities			
Net loss for the period		1.736.098	3.073.702
Adjustments to reconcile net income			
Adjustments for depreciation and amortization expenses	9,10,111	407.439	29.506
Adjustment for provision for employment termination benefits	13	861.198	736.668
Adjustments for other provisions		(43.743)	(212.913)
Adjustments for interest income	18	(7.831.344)	(5.800.704)
Adjustments for interest expense		356.576	-
Fair value of financial receivables	18	(8.081.833)	(525.985)
Adjustments for the fair value gains of financial instruments	18, 26	7.466.833	422.810
Adjustment for gain on sale of property, plant and equipment	20	(4.560)	(208)
Changes in working capital		9.908.379	18.409.925
Adjustment for increase/(decrease) in financial investments		10.545.478	18.559.010
Adjustment for increase/(decrease) in other receivables		-	-
Adjustment for increase/(decrease) in prepaid expenses		(15.679)	(68.203)
Adjustment for increase/(decrease) in other payables to related parties		(83.951)	(1.562)
Adjustment for increase/(decrease) in employee benefits		1.104	(367)
Adjustment for increase/(decrease) in other payables to third parties		(280)	(350)
Adjustment for increase/(decrease) in other assets		(549.054)	(43.497)
Adjustment for increase/(decrease) in other liabilities		10.761	(35.106)
Cash flows provided by operating activities		4.775.043	16.132.801
Interest received		7.761.129	5.687.863
Acquisition of participations in associates and joint ventures	26	(6.873.475)	(9.999.215)
Payments for the provisions of employee benefits	13	(627.159)	(708.427)
Other cash inflows (outflows)	11	(636.527)	-
Net cash from investing activities		4.399.011	11.113.022
B. CASH FLOWS FROM INVESTING ACTIVITIES		(57.358)	(43.100)
Proceeds from disposal of tangible assets		4560	1.441
Acquisition of tangible assets	9	(61.918)	(44.541)
Acquisition of intangible assets	10	-	-
Net cash from investing activities		(57.358)	(43.100)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		-	-
Net cash used in financing activities		-	-
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION			
(A+B+C) DD DIFFERENCES (A+B+C)		4.341.653	11.069.922
D. EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH			
NET INCREASE/(DECREASE) IN CASH EQUIVALENTS (A+B+C+D)		4.341.653	11.069.922
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		40.383.087	29.313.165
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	5	44.724.740	40.383.087

The accompanying notes are an integral part of these financial statements

Notes To The Condensed Financial Statements For The Period Between January 1 - December 31, 2019

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

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

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 Istanbul Stock Exchange since 2004.

The Company operates in private equity business.

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

As of December 31, 2019, the Company has 10 employees (December 31, 2018: 13 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, 2019 were approved by the Board of Directors and authorization for issue is given for publishing on January 30, 2020. 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, 2019 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, 2019 and December 31, 2018 are as follows:

	December 31, 2019	December 31, 2018
US Dollar	5,9402	5,2609
Euro	6,6506	6,0280

Notes To The Condensed Financial Statements For The Period Between January 1 - December 31, 2019

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

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

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 2019. 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, 2019

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.

Notes To The Condensed Financial Statements For The Period Between January 1 - December 31, 2019

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

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

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

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.

Notes To The Condensed Financial Statements For The Period Between January 1 - December 31, 2019

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

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

The methods used to determine the fair values of subsidiaries and associate that meets the consolidation exemption criteria are explained in Note 2.5 and Note 6.

Financial assets measured at amortized cost

Commercial and other receivables and loans with fixed and determinable payments that are not traded in the market are classified in this category. Loans and receivables are shown by deducting impairment from their discounted cost by using the effective interest method. The company does not have any credit transactions as of December 31, 2019. (December 31, 2018: None)

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

Financial assets with fair value reflected on other comprehensive income

The first recognition of financial assets whose fair value difference is reflected in other comprehensive income is based on their market values. Financial investments whose fair value can be reliably determined are measured at their fair values.

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.

Notes To The Condensed Financial Statements For The Period Between January 1 - December 31, 2019

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

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

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 cannot 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.

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.

Notes To The Condensed Financial Statements For The Period Between January 1 - December 31, 2019

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

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

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 explain that matters mentioned events do not require restating the financial statements in disclose the related notes.

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).

Notes To The Condensed Financial Statements For The Period Between January 1 - December 31, 2019

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Employee Benefits

Employee severance pay liability

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

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

Employee bonuses

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

Other short-term employee benefits

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

Post-employment plans

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

Statement of Cash Flows

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

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

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

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

Share Capital and Dividends

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

2.5 Significant Accounting Estimates and Judgments

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

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 |

Notes To The Condensed Financial Statements For The Period Between January 1 - December 31, 2019

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

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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 and Market Approach methods have been used. Discount and growth rates used are as follows:

Name of subsidiary and associate	Discount rates	Ongoing growth rates
Toksöz Spor Malzemeleri Ticaret AŞ ("Toksöz")	20,30%	6,90%
Numnum Yiyecek ve İçecek A.Ş. ("Numnum")	20,50%	6,90%
Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş. ("Nevotek")	18,10%	1,80%
Radore Veri Hizmetleri Anonim Şirketi ("Radore")	20,20%	6,90%
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. ("Ortopro")	13,50%	1,80%
Tatilbudur Seyahat Acenteliği ve Turizm A.Ş. ("Tatil Budur")	23,20%	6,90%

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, 2019 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, 2018.

2.7 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2019 are consistent with those of the previous financial period, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019. 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 2019 are as follows:

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.

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.

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

Transition to TFRS 16:

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.

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The Company adopted TFRS 16 using the modified retrospective approach.

The Company elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Company has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

Impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

Assets

Property, plant and equipment (right-of-use assets)	1.783.936 TL
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Liabilities

Lease liabilities	1.783.936 TL
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The standard is applied for annual periods beginning on or after 1 January 2019. The Company/the Group disclosed the impact of the standard on financial position or performance of the Company/the Group in Note 11.

Summary of new accounting policies

Set out below are the new accounting policies of the Company upon adoption of TFRS 16:

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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. The amendment did not have a significant impact on the financial position or performance of the Company.

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.

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

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. The amendments did not have a significant impact on the financial position or performance of the Company.

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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.

The amendment is applied for annual periods beginning on or after January 1, 2019. The amendment is not applicable to the Company and did not 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 amendment is applied for annual periods beginning on or after January 1, 2019. The amendment is not applicable to the Company and did not have no impact on the Company's financial position or performance.

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 financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting financial statements and disclosures, when the new standards and interpretations become effective.

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 evaluate the effects of these changes after they are finalized.

TFRS 17 - The new Standard for insurance contracts

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The amendment is not applicable to the Company and did not have no impact on the Company's financial position or performance.

Definition of a Business (Amendments to TFRS 3)

In May 2019, the PAO issued amendments to the definition of a business in TFRS 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 company evaluates the effects of the change on its financial position and performance.

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

In June 2019, the PAO issued amendments to TAS 1 Presentation of Financial Statements and TAS 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 TAS 1 and TAS 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. The company evaluates the effects of the change on its financial position and performance.

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective Assessments
- Retrospective Assessments
- Separately identifiable risk components

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

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)

There are no standards, interpretations and amendments to existing IFRS standards issued by the IASB and not yet adapted/issued by the POA.

2.8 Control of compliance with portfolio limitations, financial debt and total expense limit

Information provided in the Annex Footnote on Portfolio Limitation, Financial Debt and Total Expense Limit Control is a summary information derived from the financial statements pursuant to the "Financial Reporting Communiqué in the Capital Markets" and it is the Venture Capital Investment numbered III-48.3 published in the Official Gazette on 9 October 2013. It has been prepared in accordance with the provisions of the Communiqué on Principles Regarding Partnerships, regarding the control of compliance with portfolio limitations, financial debt and total expense limit.

3. SEGMENT REPORTING

The Company operates only in private equity business. The Company management monitors its financial investments according to their fair value.

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

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4. RELATED PARTIES

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

Benefits provided to key management:

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

	December 31, 2018	December 31, 2019
Wage and other benefits	3.845.242	4.199.948
	<u>3.845.242</u>	<u>4.199.948</u>

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, 2019	December 31, 2018
Investment funds		
İş Portföy Hedef Hedge Fund	10.082.100	8.240.400
İş Portföy Second Stock Fund	2.959.210	2.232.395
İş Portföy İş Bank Subsidiary Index Share Fund	2.303.579	1.856.295
	<u>15.344.889</u>	<u>12.329.090</u>
Financial investments	December 31, 2019	December 31, 2018
Private sector bonds		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	7.748.434
İş Yatırım Menkul Değerler A.Ş.	-	-
İş Finansal Kiralama A.Ş.	-	1.020.301
İş Faktoring A.Ş.	-	1.533.608
	<u>-</u>	<u>10.302.343</u>
Financial investments	December 31, 2019	December 31, 2018
Shares quoted to stock Exchange		
İş Yatırım Ortaklığı A.Ş.	9.551.240	4.723.711
	<u>9.551.240</u>	<u>4.723.711</u>
Cash and cash equivalents	December 31, 2019	December 31, 2018
Türkiye İş Bankası A.Ş. time deposit	28.850.573	39.225.238
Türkiye İş Bankası A.Ş. demand deposit	6.576	1.734
İş Portföy Money Market Fund	8.235.271	932.953
	<u>37.092.420</u>	<u>40.159.925</u>

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Balances with related parties	December 31, 2019			
	Receivables Current		Payables Current	
	Trade	Other	Trade	Other
Anadolu Anonim Türk Sigorta Şirketi	-	-	(3.575)	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	(882)	-
Numnum Yiyecek ve İçecek A.Ş.	-	-	(697)	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	-	(118)	-
	-	-	(5.272)	-
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)	-
Balances with related parties	December 31, 2019			
	Receivables Non-current		Payables Non-current	
	Trade	Other	Trade	Other
Other	-	150	-	-
	-	150	-	-
Balances with related parties	December 31, 2018			
	Receivables Non-current		Payables Non-current	
	Trade	Other	Trade	Other
Other	-	150	-	-
	-	150	-	-

As of 31 December 2019, the Company has a lease liability amounting to TL 1.553.165 (31 December 2018: None), which is accounted in the financial statements within the scope of TFRS 16 - Leasing Transactions standard.

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

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Transactions with related parties	January 1 - December 31, 2019					
	Interest received	Service expenses	Insurance expenses	Transaction and advisory commission expenses	Dividend income	Other expenses
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.	-	-	-	-	-	(31.544)
Numnum Yiyecek ve İçecek A.Ş.	-	-	-	-	-	(14.341)
Türkiye İş Bankası A.Ş.	7.831.344	(7.891)	-	(4.498)	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	(103.568)	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	(181.291)
Anadolu Anonim Türk Sigorta Şirketi	-	-	(81.277)	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	(143.347)	-	-	-	-
İş Yatırım Ortaklığı A.Ş.	-	-	-	-	970.697	-
	7.831.344	(151.238)	(81.277)	(108.066)	970.697	(227.176)

Due to the Office Lease Agreement signed with İş Gayrimenkul Yatırım Ortaklığı A.Ş. within the scope of TFRS 16, the company has included the Usage Rights Assets amounting to TL 1.427.148 as of 31.12.2019. In this context, TL 336.390 interest expense and TL 356.787 depreciation expense were recorded. In addition to this, a lease payment of 567.161 TL was made to İş Gayrimenkul Yatırım Ortaklığı A.Ş.

Transactions with related parties	January 1- December 31, 2018						
	Interest received	Service expenses	Insurance expenses	Transaction and advisory 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)

Notes To The Condensed Financial Statements For The Period Between January 1 - December 31, 2019

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

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5. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as at December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2019	December 31, 2018
Cash on hand	276	1.058
Cash at banks	28.858.978	39.227.719
<i>Demand deposits</i>	8.405	2.481
<i>Time deposits with maturities less than 3 months</i>	28.850.573	39.225.238
B type liquid fund	8.235.271	932.953
Receivables from Takasbank money market transactions	7.873.328	394.256
Expected loss provision	(4.319)	(4.853)
	44.963.534	40.551.133

(*) As at 31 December 2019, the Company has no restricted deposits (December 31, 2018: None).

(**) The company, as of December 31, 2019, within the scope of IFRS 9 Financial Instruments standard, amounting to a total of TL 4,319 for bank deposits has been recorded in the financial statements by calculating the expected loss provisions. (December 31, 2018: 4.853 TL)

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

	December 31, 2019	December 31, 2018
Cash and cash equivalents	44.963.534	40.551.133
Less: Accrued interest	(243.113)	(172.899)
Expected loss provision	4.319	4.853
	44.724.740	40.383.087

As at 31 December 2019 and December 31, 2018 interest and maturity details of the bank deposits are as follows:

December 31, 2019			
	Interest rate %	Maturity	Currency
TL time deposit	10,50	February 3, 2020	TL
			28.850.573
			28.850.573
December 31, 2018			
	Interest rate %	Maturity	Currency
TL time deposit	23,50	February 14, 2019	TL
			39.225.238
			39.225.238

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, 2019, the gross interest rate on the Takasbank money market transaction is 10,80% (December 31, 2018: 23,75%).

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6. FINANCIAL INVESTMENTS

6.1 Current financial investments

	December 31, 2019	December 31, 2018
Financial assets designated at fair value through profit or loss	25.937.130	28.400.775
	25.937.130	28.400.775
	December 31, 2019	
	Nominal ^(*)	Fair value
Private sector bonds	1.000.000	1.041.000
Investment funds	350.078.146	15.344.890
Shares quoted to stock exchange	5.190.891	9.551.240
		25.937.130

^(*) 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, 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.

As of December 31, 2019, the annual interest rate of the private sector bond, whose fair value difference is reflected on profit and loss, is 19.13%. (December 31, 2018: between 22,02% and 28,66% per annum).

6.2 Non-current financial investments

As of December 31, 2019 and December 31, 2018 details of investments held-to-maturity are as follows:

	December 31, 2019	December 31, 2018
Financial assets designated at fair value through profit or loss	191.564.080	192.157.438
	191.564.080	192.157.438

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Financial assets designated at fair value through profit or loss

As of December 31, 2019 and December 31, 2018, the fair value detail of the Company's subsidiaries and associates (venture capital investments) is as follows:

Subsidiaries and associates name	December 31, 2019	December 31, 2018
Toksöz Spor	49.363.104	53.493.385
Ortopro	41.912.576	32.155.483
Numnum	37.868.664	35.444.544
Radore	21.694.243	18.361.275
Nevotek	15.826.953	22.462.751
Tatil Budur	24.898.540	30.240.000
	191.564.080	192.157.438

As of 31 December 2019 and 31 December 2018, details of the Company's subsidiaries and associates (venture capital investments) are as follows:

Subsidiaries and associates	Acquisition date	Place of establishment and operation	Share (%)		
			December 31, 2019	December 31, 2018	Voting power
Nevotek (*)	September 30, 2003	Turkey	95.37	93.46	95.37
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

(*) The subsidiary of the company, Nevotek Bilişim Ses ve İletişim Sistemleri San.ve Tic. A.Ş. has been decided to increase the paid-in capital of TL 16.062.271 to TL 19.749.799 at the 2018 ordinary general meeting held on 17.04.2019. This increase was realized as 525.358 TL from internal resources (free of charge) and 3.162.170 TL from cash (with payment). In addition, at the extraordinary general meeting held on 21.08.2019, it was decided to increase the paid-in capital of TL 19.749.799 to TL 23.461.104 by increasing TL 3.711.305.

All of the capital increases with both prices have been paid by the İş Girişim Sermayesi as the nominal capital value, and paid capital increases have been made by restricting the preemptive rights of other partners except the Company.

** It has been decided to divide the subsidiary of the company, Numnum Gıda ve İçecek A.Ş., into 3 new companies by the method of full division. After the division, all of the shares in the new company ("Numnum Restaurants") where the operations of Numnum branded restaurants will be carried out, depending on the specific share value correction mechanisms, in exchange for TL 9,300,000 (nine million three hundred thousand), Büyük Şefler Gıda Turizm Tekstil Danışmanlık Organizasyon Eğitim San. Tic. A.Ş. ("BigChefs") was decided to be sold. After the division processes, it was decided to sign a contract to sell all of the shares in the new company ("Kronotrop"), to which Kronotrop coffee operations will be carried out, in exchange for 14.725.000 (fourteen million seven hundred twenty five thousand) TL, to Mr. Menderes Utku. Share Purchase and Sale Contracts were signed with both parties on 20 December 2019. The completion of the sales depends on the realization of the prerequisites. These transactions have not been realized as of 31 December 2019 and have no impact on the financial statements.

***It has been decided to reduce the paid-in capital of Toksöz Spor Malzemeleri Ticaret A.Ş. ("Toksöz Spor"), which is a subsidiary of the Company, to 37.193.270 TL by reducing it by 37.143.270 TL to 50.000 TL. Simultaneously, a decision was taken at the Toksöz Spor plenary meeting on 25.12.2019 to increase the paid-up capital by 37.500.000 TL to 37.550.000 TL. With the decision of the Board of Directors dated 25.12.2019 and numbered 551, the Company will increase its capital to 37.550.000 TL by increasing 37.500.000 TL in cash in Toksöz Spor, which the Company has a share of 88.27%, and decided to participate up to 30.000.000 TL. After participating in the capital increase, the Company's share in Toksöz Spor will change depending on whether other shareholders will exercise their pre-emptive rights.

Discounted cash flow method and market approach methods were 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. The market approach determines the value of the relevant company based on the valuation factors that occur in similar transactions and the valuation factors of similar publicly traded companies in the sector. Subsidiaries' estimated annual revenue growth rate is between 1,8% with 6,9% estimated EBITDA ratio is between 4.2% with 38,7%, estimated risk adjusted discount rates are between 13,5% and 23,2%.

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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 2019 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

Sensitivity analysis December 31, 2019

	Profit or (loss)	
	Increase	Decrease
Annual revenue growth rate (0.5% change)	9.037.803	(8.042.626)
EBITDA growth rate (0.5% change)	15.756.895	(15.756.895)
Risk adjusted discount rate (0.5% change)	(15.711.293)	17.582.686

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 2019, the Company has pledged Group A shares belongs to Tolga Yalçınkaya, a shareholder of Ortopro, amounting to TL 2.526.595. The share of this shareholder capital is 6,59% in total (December 31, 2018: 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 12.

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, 2019 and December 31, 2018, the details of the Company's trade payables are as follows:

Short term trade payables	December 31 2019	December 31 2018
Due to related parties	5.272	89.223
	<u>5.272</u>	<u>89.223</u>

8. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

As at 31 December 2019 and 31 December 2018, the details of the Company's other receivables are as follows:

Long Term Other Receivables	December 31 2019	December 31 2018
Deposits and guarantees given	150	150
	<u>150</u>	<u>150</u>

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b) Other Payables:

As at December 31, 2019 and December 31, 2018, the details of the Company's other payables are as follows:

Other short term payables	December 31 2019	December 31 2018
Other miscellaneous payables	770	1.050
	770	1.050

9. TANGIBLE ASSETS

For the years ended December 31, 2019 and December 31, 2018, the details of the Company's tangible assets are as follows:

	Furniture and Fixtures	Leasehold Improvements	Total
Cost			
Opening balances at January 1, 2019	509.836	1.061.096	1.570.932
Additions	61.918	-	61.918
Disposals	(47.510)	-	(47.510)
Net carrying amount at December 31, 2019	524.244	1.061.096	1.585.340
Accumulated Depreciation			
Opening balance at January 1, 2019	(457.237)	(1.053.949)	(1.511.186)
Period Cost ^(*)	(26.360)	(1.576)	(27.936)
Disposals	47.510	-	47.510
Closing balance at December 31, 2019	(436.087)	(1.055.525)	(1.491.612)
Net carrying amount at December 31, 2019	88.157	5.571	93.728
Net carrying amount at January 1, 2019	52.599	7.147	59.746
	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)
Closing balance at December 31, 2018	509.836	1.061.096	1.570.932
Accumulated Depreciation			
Opening balances at January 1, 2018	(432.591)	(1.052.114)	(1.484.705)
Charge for the year	(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

^(*) In the current period, depreciation of TL 27.936 is included in general administrative expenses (January 1- December 31, 2018: TL 28.998)^(**) As at 31 December 2019 and 2018, there is no pledge on tangible assets.

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10. INTANGIBLE ASSETS

For the years ended December 31, 2019 and December 31, 2018, the details of the Company's intangible assets are as follows:

	Computer software	Total
Cost		
Opening balances at January 1, 2019	75.054	75.054
Additions	-	-
Net carrying amount at December 31, 2019	75.054	75.054
Accumulated Amortization		
Opening balances at January 1, 2019	(75.054)	(75.054)
Charge for the year	-	-
Closing balance at December 31, 2019	(75.054)	(75.054)
Net carrying amount at December 31, 2019	-	-
Net carrying amount at January 1, 2019	-	-

(*) There is no amortization in the current period. (31 December 2018: TL 508).

(**) As at 31 December 2019 and 2018, there is no pledge on tangible assets.

	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

As of 31 December 2019 and 2018, the Company has no intangible assets created within the enterprise.

11. RIGHT TO USE ASSETS AND RENTAL OBLIGATIONS

Right of Use Assets	December 31, 2019
Registered as of January 1	1.783.936
Recorded during the period	216.429
Amortization expense	(379.503)
Balance as of 31 December	1.620.862
Lease Payables	December 31, 2019
Balance as of January 1	1.783.936
Recorded during the period	216.429
Interest income	356.576
Rent paid	(636.527)
Balance as of 31 December	1.720.414

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12. 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.

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.

13. EMPLOYEE BENEFITS

As at December 31, 2019 and December 31, 2018, the details of the Company's employee benefits are as follows:

	December 31, 2019	December 31, 2018
Provision for employee bonuses	600.000	600.000
Vacation pay liability	702.076	624.667
	1.302.076	1.224.667
Long term		
Reserve for employee severance payments	382.040	297.496
	382.040	297.496

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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 2019 is based on the monthly ceiling amounting to TL 6.379,86 (31 December 2018: TL 5.434,42).

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, 2019, 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 7,20% and a discount rate of 11,70% resulting in a net discount rate of approximately 4.20% (December 31, 2018: annual inflation rate of 11.30% and a discount rate of 16.00% resulting in a net discount rate of approximately 4.22%). The anticipated rate of forfeitures is also considered.

The movement of provision for retirement pay provision:

	January 1- December 31, 2019	January 1- December 31, 2018
Provision as at January 1, 2019	297.496	246.324
Service cost	121.822	26.323
Interest cost	34.807	39.412
Severance indemnity paid	-	(45.838)
Actuarial Loss/(gain)	(72.085)	31.275
Provision as at December 31, 2019	382.040	297.496

Actuarial differences are accounted for in comprehensive income.

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The movement of provision for employee bonuses:

	January 1- December 31, 2019	January 1- December 31, 2018
Provision as at January 1, 2019	600.000	600.000
Charge for the year	588.936	600.000
Paid bonuses	(588.936)	(600.000)
Provision as at December 31, 2019	600.000	600.000

The movement of vacation pay liability:

	January 1- December 31, 2019	January 1- December 31, 2018
Provision as at January 1, 2019	624.667	616.323
Paid vacation liability	(38.224)	(62.589)
Charge for the year	115.633	70.933
Provision as at December 31, 2019	702.076	624.667

14. PREPAID EXPENSES

As at 31 December 2019 and 31 December 2018, the details of the Company's prepaid expenses are as follows:

	January 1- December 31, 2019	January 1- December 31, 2018
Short Term		
Prepaid expenses	387.646	378.705
Job advances	8.982	2.244
	396.628	380.949

There is not any long term liability (31 December 2018: None).

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15. OTHER ASSETS AND LIABILITIES

As at December 31, 2019 and December 31, 2018, the details of the Company's other assets and liabilities are as follows:

Other Current Assets	December 31, 2019	December 31, 2018
Prepaid taxes and funds	1.224.906	675.852
	1.224.906	675.852
Other Short-Term Liabilities	December 31, 2019	December 31, 2018
Accrued expenses	444.254	487.462
Taxes and funds payable	122.031	111.271
	566.285	598.733

There is not any long term liability (31 December 2018: None).

16. EMPLOYEE BENEFITS PAYABLE

As at 31 December 2019 and 31 December 2018, the details of the Company's liabilities related to employee benefits are as follows:

	December 31, 2019	December 31, 2018
Social security contributions payable	50.596	49.492
	50.596	49.492

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17. CAPITAL AND RESERVES

a) Share Capital

As at 31 December 2019 and 31 December 2018, the capital structure of the Company is as follows:

Shareholder	Company	%	December 31 2019	%	December 31 2018
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	15.019.652	20,1	15.026.152
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	23.301.956	31,2	23.295.456
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. On November 29, 2019, market making activity ended. Between January 1, 2019 and November 29, 2019, İş Yatırım Menkul Değerler A.Ş. sold its publicly traded shares with a nominal value of TL 6.500.

The Company's capital consists of 7465.248.000 shares as of 31 December 2019 (31 December 2018: 7465.248.000 shares). The nominal value of the shares is 0,01 TL per share (31 December 2018: 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, 2019 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, 2018: TL 21.606.400).

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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, 2019. (December 31, 2018: 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 172.104 in year 2018 in lieu of the decision of the Ordinary General Assembly Meeting dated 15 March 2019 (December 31, 2018: TL 117.952). As at December 31, 2019, the Company has legal reserves amounting to TL 21.173.530 (December 31, 2018: TL 21.001.426). 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, 2019, the Company has retained earnings amounting to TL 135.754.009. (December 31, 2018: TL 132.852.411)

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 15 March 2018 in the General Assembly of the Company, it has been decided not to distribute dividends and TL 2.901.598 in retained earning has been reclassified to extraordinary reserves after deducting legal reserves (31 December 2018: There was no dividend distribution.).

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18. REVENUE AND COST OF SALES

For the years ended December 31, 2019 and December 31, 2018 the details of the Company's revenue and cost of sales are as follows:

Revenue	January 1 - December 31, 2019	January 1 - December 31, 2018
Interest income on bank deposits	7.831.344	5.800.704
Interest income from treasury bonds and private sector bonds	1.130.458	2.453.050
Dividend income	970.697	970.697
Investment security fair value gains (net)	8.081.833	525.984
Securities trading profit (net)	38.139	431.060
Reverse repo and Takasbank interest income	308.195	363.854
Decrease in fair value of subsidiaries and associates (net)(Note 26)	(7.466.833)	(422.810)
	10.893.833	10.122.539

19. ADMINISTRATIVE EXPENSES

For the years ended December 31, 2019 and December 31, 2018, the details of the Company's administrative expenses are as follows:

	January 1- December 31, 2019	January 1- December 31, 2018
Personnel expenses	(4.598.207)	(4.640.652)
Salaries of Board of Directors	(859.950)	(735.000)
Increase in provision for bonus expenses	(588.936)	(600.000)
Outsourcing expenses	(562.540)	(684.137)
Audit and consultancy expenses	(457.115)	(625.131)
Depreciation and amortization expenses	(407.439)	(29.506)
Executive insurance	(403.370)	(302.887)
Rent expenses	(172.209)	(624.768)
Increase in provision for employee termination benefits	(156.629)	(65.735)
Communication, electricity and stationary expenses	(152.053)	(141.234)
Increase in unused vacation provision expenses	(115.633)	(70.933)
Representation expenses	(90.207)	(87.665)
Tax and dues	(42.135)	(44.903)
Other	(715.008)	(293.316)
	(9.321.431)	(8.945.867)

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20. OTHER OPERATING INCOME AND EXPENSES

For the years ended December 31, 2019 and December 31, 2018, the details of the Company's other operating income and expenses are as follows:

	January 1- December 31, 2019	January 1- December 31, 2018
Other operating income		
Foreign exchange gains	169.514	2.440.123
Fixed assets sales	4.560	208
Other income and profits	59.340	132.442
	233.414	2.572.773
Other operating expenses		
Commissions paid	(54.078)	(49.960)
Foreign exchange losses	(15.640)	(620.930)
Other expenses and losses	-	(4.853)
	(69.718)	(675.743)

21. 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.

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22. EARNINGS PER SHARE

	January 1- December 31, 2019	January 1- December 31, 2018
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	1.736.098	3.073.702
Basic and diluted earnings per share (TL 1 nominal value)	0,02326	0,04117

23. EFFECTS OF FOREIGN EXCHANGE RATE CHANGES

The analysis of the effects of changes in foreign exchange in December 31, 2019 and December 31, 2018 is disclosed in Note 24.

24. REPORTING IN HYPERINFLATIONARY ECONOMIES

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

25. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Capital risk management

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

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

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.

December 31, 2019	Receivables				Cash and Cash Equivalents ^(**)	Financial Investments ^(***)
	Trade Receivables		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties		
Maximum credit risk exposure as at report date ^(*)	-	-	150	-	44.963.258	16.385.890
- 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	-	44.963.258	16.385.890
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, 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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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, 2019

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	5.272	5.272	5.272	-	-	-
Other payables (*)	445.024	445.024	445.024	-	-	-
Payables from leases	1.720.414	2.463.643	174.836	524.508	1.764.299	-
Total liabilities	2.170.710	2.913.939	625.132	524.508	1.764.299	-

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

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.

Market risk management

The Company is exposed to financial risks related to foreign currency changes based on its operations. The Company's exposure to market risks is measured in accordance with sensitivity analysis.

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

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Foreign currency risk management

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

The foreign currency denominated assets and liabilities of monetary and non-monetary items as at December 31, 2019 are as follows:

December 31, 2019	TL (Functional currency)	US Dollar	Euro	Other
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets	-	-	-	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	-	-	-	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	-	-	-	-
10. Trade Payables	-	-	-	-
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	(132.174)	(22.251)	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. SHORT TERM LIABILITIES	(132.174)	(22.251)	-	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. LONG TERM LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	(132.174)	(22.251)	-	-
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	(132.174)	(22.251)	-	-
21. Net foreign currency asset/(liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a))	(132.174)	(22.251)	-	-
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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December 31, 2018	TL (Functional currency)	US Dollar	Euro	Other
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets	-	-	-	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	-	-	-	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	-	-	-	-
10. Trade Payables	-	-	-	-
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	(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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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, 2019			
	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	(13.217)	13.217	-	-
2- Portion secured from US Dollar (-)			-	-
3- US Dollar net effect (1 +2)	(13.217)	13.217	-	-
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)	(13.217)	13.217	-	-

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	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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Interest rate risk

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

Interest positions at the December 31, 2019 and December 31, 2018 are as follows:

Interest Position Table

<u>Fixed interest rate instruments</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Financial assets		
Financial assets at fair value through profit or loss	-	2.553.910
Time deposits	28.850.573	39.225.238
Takasbank money market receivables	7.873.328	394.256
	<u>36.723.901</u>	<u>42.173.403</u>
Floating interest rate instruments		
Financial assets		
Financial assets at fair value through profit or loss	1.041.000	8.794.064
	<u>1.041.000</u>	<u>8.794.064</u>

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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 2019 and 31 December 2018 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, 2019			
Type of risk	Risk rate	Direction of risk	Effect on net profit
Interest rate risk	1%	Increase	(3.000)
		Decrease	3.000
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

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, 2019, 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 955.124 (December 31, 2018: TL 472.371) lower/higher.

According to the statement of financial position as at December 31, 2019, 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 235.802 (December 31, 2018: TL 132.620) lower/higher.

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

December 31, 2019	Financial assets measured with effective interest method	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	44.963.534	-	-	44.963.534	44.963.534	5
Financial investments	-	217.501.210	-	217.501.210	217.501.210	6
<u>Financial liabilities</u>						
Trade payables	-	-	5.272	5.272	5.272	7
Other financial liabilities (*)	-	-	445.024	445.024	445.024	8-15
Payables from leases	-	-	1.720.414	1.720.414	1.720.414	11
December 31, 2018	Financial assets measured with effective interest method	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	8-15

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

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Fair value of financial instruments

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

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

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

Financial assets	December 31 2019	Fair value hierarchy at the end of the reporting period		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial asset at fair value through profit or loss	217501.210	25.937.130	-	191.564.080
Cash and cash equivalents				
B type liquid funds	8.235.271	8.235.271	-	-
Total	225.736.481	34.172.401	-	191.564.080

Financial assets	December 31 2018	Fair value hierarchy at the end of the reporting period		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial asset at fair value through profit or loss	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

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

Subsidiaries and participation	2019	2018
Balance at 1 January	192.157.438	182.581.033
Additions	-	-
Disposals	-	-
Adjustment mechanism	-	(589.100)
Capital increase	6.873.475	10.588.315
Include in revenue income/(expense)		
Changes in fair value	(7.466.833)	(422.810)
Balance at 31 December	191.564.080	192.157.438

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

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

The subsidiary of the company, Nevotek Bilişim Ses ve İletişim Sistemleri San.ve Tic. A.Ş. has been decided to increase the paid-in capital of TL 16.062.271 to TL 19.749.799 at the 2018 ordinary general meeting held on 17.04.2019. This increase was realized as 525.358 TL from internal resources (free of charge) and 3.162.170 TL from cash (with payment). In addition, at the extraordinary general meeting held on 21.08.2019, it was decided to increase the paid-in capital of TL 19.749.799 to TL 23.461.104 by increasing TL 3.711.305. All of the capital increases with both prices have been paid by the İş Girişim Sermayesi as the nominal capital value, and paid capital increases have been made by restricting the preemptive rights of other partners except the Company.

It has been decided to divide the subsidiary of the company, Numnum Gıda ve İçecek A.Ş., into 3 new companies by the method of full division. After the division, all of the shares in the new company ("Numnum Restaurants") where the operations of Numnum branded restaurants will be carried out, depending on the specific share value correction mechanisms, in exchange for TL 9,300,000 (nine million three hundred thousand), Büyük Şefler Gıda Turizm Tekstil Danışmanlık Organizasyon Eğitim San. Tic. A.Ş. ("BigChefs") 'was decided to be sold. After the division processes, it was decided to sign a contract to sell all of the shares in the new company ("Kronotrop"), to which Kronotrop coffee operations will be carried out, in exchange for 14.725.000 (fourteen million seven hundred twenty five thousand) TL, to Mr. Menderes Utku. Share Purchase and Sale Contracts were signed with both parties on 20 December 2019. The completion of the sales depends on the realization of the prerequisites.

It has been decided to reduce the paid-in capital of Toksöz Spor Malzemeleri Ticaret A.Ş. ("Toksöz Spor"), which is a subsidiary of the Company, to 37.193.270 TL by reducing it by 37.143.270 TL to 50.000 TL. Simultaneously, a decision was taken at the Toksöz Spor plenary meeting on 25.12.2019 to increase the paid-up capital by 37.500.000 TL to 37.550.000 TL. With the decision of the Board of Directors dated 25.12.2019 and numbered 551, the Company will increase its capital to 37.550.000 TL by increasing 37.500.000 TL in cash in Toksöz Spor, which the Company has a share of 88.27%, and decided to participate up to 30.000.000 TL. After participating in the capital increase, the Company's share in Toksöz Spor will change depending on whether other shareholders will exercise their pre-emptive rights.

28. EVENTS AFTER THE REPORTING PERIOD

In the capital increase to be realized in Toksöz Spor Malzemeleri Ticaret A.Ş. ("Toksöz Spor"), which the Company has a share in the decision of the Board of Directors taken on 25.12.2019, İş Girişim Sermayesi increased its capital to 37.550.000 TL by increasing the capital by 37.500.000 TL in cash, it was decided to participate up to 30.000.000 TL to be covered by cash. In this context, the Company has committed 30.000.000 TL on 17.01.2020 and paid 7.500.000 TL in cash, 25% of the relevant amount. However, it is not yet clear whether all the pre-emptive rights regarding the related capital increase will be exercised by other Toksöz Spor partners.

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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	31.12.2019 (TL)	31.12.2018 (TL)
A Monetary and Capital Market Instruments	20/1-(b)	70.900.664	68.951.908
B Private Equity Investments	20/1-(a)	191.564.080	192.157.438
C Subsidiaries in Portfolio Management and Advisory Companies	20/1-(d) and (e)	-	-
D Other Assets		3.336.274	1.116.697
E Total Assets	3/1-(a)	265.801.018	262.226.043
F Financial Borrowings	29	-	-
G Provisions, Contingent Assets and Liabilities	20/2-(a)	-	-
H Equity		261.773.565	259.965.382
I Other Liabilities		4.027.453	2.260.661
E Total Liabilities and Equity	3/1-(a)	265.801.018	262.226.043
Other Financial Information	Regulations	31.12.2019 (TL)	31.12.2018 (TL)
A1 Investments in Financial Market Instruments	20/1-(b)		
1. Financial Market Instruments		42.044.803	29.727.935
A- Private Sector Bonds		1.041.000	11.347.973
Akfen Holding A.Ş.		1.041.000	1.045.630
İş Finansal Kiralama A.Ş.		-	1.020.301
İş Gayrimenkul Yatırım Ortaklığı A.Ş.		-	7.748.434
İş Faktoring A.Ş.		-	1.533.608
B- Takasbank Stock Market		7.872.403.00	394.208
C- Investment Funds		23.580.160	13.262.043
T12 İş Portföy Second Stock Fund		2.959.210	2.232.395
T13 İş Bankası Subsidiaries Index Share Fund		2.303.579	1.856.295
IYR İş Portföy Target Hedge Fund		10.082.100	8.240.400
T11 İş Portföy Money Market Fund		8.235.271	932.953
E- Stocks		9.551.240	4.723.711
İş Yatırım Ortaklığı A.Ş.		9.551.240	4.723.711
A2 TL and FX Denominated Term-Demand Deposits/Private Current - Sharing Account	20/1-(b)	28.855.860	39.223.973
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	1.964.667	2.497.645

Notes To The Condensed Financial Statements For The Period Between January 1 - December 31, 2019

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

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

PORTFOLIO LIMITATIONS, FINANCIAL LIABILITY AND TOTAL EXPENSE LIMIT CONTROL TABLE: FOR SHAREHOLDERS THOSE OFFERING THEIR SHARES TO PUBLIC

Portfolio Restrictions ^(*)	Regulations	31.12.2019	31.12.2018	Min./Max. Rate
1 Monetary and Capital Market Instruments	22/1- (b)	26.67	26,29	≤65%
2 Financial Market Instruments	22/1- (c)	15.82	11,34	
A- Private Sector Bonds		0.39	4,33	≤10%
Akfen Holding A.Ş.		0.39	4,40	≤10%
İş Finansal Kiralama A.Ş.		-	0,39	≤10%
İş Gayrimenkul Yatırım Ortaklığı A.Ş.		-	2,95	≤10%
İş Faktoring A.Ş.		-	0,58	≤10%
C- Takasbank Stock Market		2.96	0,15	≤10%
D- Investment Funds		8.87	5,06	
T12 İş Portföy Second Stock Fund		1.11	0,85	≤10%
TI3 İş Bankası Subsidiaries Index Share Fund		0.87	0,71	≤10%
IYR İş Portföy Target Hedge Fund		3.79	3,14	≤10%
TI1 İş Portföy Money Market Fund		3.10	0,36	≤10%
E- Stock		3.59	1,80	≤10%
İş Yatırım Ortaklığı A.Ş.		3.59	1,80	≤10%
3 Private Equity Investments	22/1- (b)/(ğ)	72.07	73,28	≥35%
4 Participation in Portfolio Management Company	22/1- (ç)	-	-	≤10%
5 Collective Investment Institutions Established Abroad	22/1-(e)	-	-	≤49%
6 Combination of Debt and Equity Financing	22/1- (h)	-	-	≤25%
7 Non-Listed Shares of Publicly Traded Private Equity Companies	22/1- (f)	-	-	≤25%
8 TL and FX Denominated Term-Demand Deposits/ Private Current - Sharing Account ^(*)	22/1- (ı)	10.86	14,96	≤20%
9 Face Values Of Short-Term Borrowings and Debt Instruments ^(*)	29	-	-	≤50%
10 Face Values Of Long-Term Borrowings and Debt Instruments	29	-	-	≤200%
11 Pledged, Collateral and Mortgages	22/1- (d)	-	-	≤10%
12 Outsourced Services Expenses i	26/1	074	0,95	≤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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