

2015 Annual Report

İŞ PRIVATE EQUITY



Contents

Introduction

- Company Profile
- 1 İş Private Equity in Brief
- 3 Our Vision, Mission
- 5 Capital & Shareholding Structure
- 7 Dividend Policy
- 9 İş Private Equity's Investments in Numbers
- 10 Highlights From İş Private Equity's Corporate History
- 12 Message from the Chairman
- 14 Message from the CEO
- 16 The Macroeconomic Outlook
- 20 Sectoral Review
- 22 Our Business Model
- 23 İş Private Equity's Most Outstanding Advantages
- 24 Investments and Exits

25 The Companies in Our Portfolio

- 27 Tatil Budur (Mika Tur)
- 29 Radore
- 31 Istanbul Food & Beverage Group (IFBG)
- 35 Sportive
- 37 Ortopro
- 39 Nevotek
- 41 Beginning of İş Private Equity's Success Story: The First Exit: Cinemars
- 44 Expert Team: Accurate Analysis & Insightful Investment
- 45 Summary of 2015 Operations
- 47 Borsa İstanbul (BIST) - İş Private Equity Share
- 48 Dividend Policy
- 48 Changes in the Legal Framework during 2015

Corporate Governance and Risk Management

- 49 Organizational Chart
- 50 Board of Directors
- 51 Company Code of Ethics
- 52 Corporate Governance Principles Compliance Report
- 60 Risk Management and Internal Control
- 61 Legal Disclosures
- 62 Ordinary General Assembly Meeting Agenda

63 2015 Profit Distribution Table

Financial Information

- 64 Independent Auditors' Report
- 66 Financial Statements, Notes Report and Independent Auditors' Report

Contact Information

Company Profile

Reporting Period: 1 January 2015 - 31 December 2015

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

Headquarters: İstanbul

Founded: 31 October 2000

Contact Information:

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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

İş Private Equity in Brief

A long-term business partner with excellent foresight

İş Private Equity - A bridge between entrepreneurs and the capital market

Following preparations initiated after the İşbank Group decided to set up a private equity fund in 1999, an application was submitted to the Capital Markets Board (SPK) to establish İş Risk Sermayesi Yatırım Ortaklığı A.Ş., a risk capital investment trust, in June 2000. After the approval of its operating license by the SPK on October 5th of the same year, the Company was registered on October 31st with a capitalization of TL 20 million. The Company obtained additional support for its establishment from the World Bank through Türkiye Teknoloji Geliştirme Vakfı (TTGV). İş Private Equity set up its team in 2001 and started to focus on investment projects.

As of May 2004, the Company's name was changed to İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Private Equity). In October of the same year, shares representing 37.69% of its capital were floated on the Istanbul Stock Exchange (as the Borsa İstanbul was then known) in a public offering that valued the Company at USD 57.8 million.

İş Private Equity invests “smart money” in areas where it identifies growth potential. The Company provides SMEs with financing as well as an ever-increasing level of value added.

SMEs are the backbone of the Turkish economy with their

value added, employment and the exports that they generate. However, as elsewhere in the world, SMEs face difficulties in of accessing the financing they need.

From this point of view, İş Private Equity participates in companies with its tangible and intangible assets or “smart money”, and provides contributions in institutionalization and sustainable growth.

With its know-how and expertise, İş Private Equity supports companies, starting from the institutionalization process and continuing until they achieve sustainable growth. İş Private Equity contributes to companies in a range of areas including financial structure, human resources, forming a roadmap and developing strategy and an IT infrastructure. İş Private Equity adopts a hands-on approach by attending the meetings of the Board of Directors of these companies.

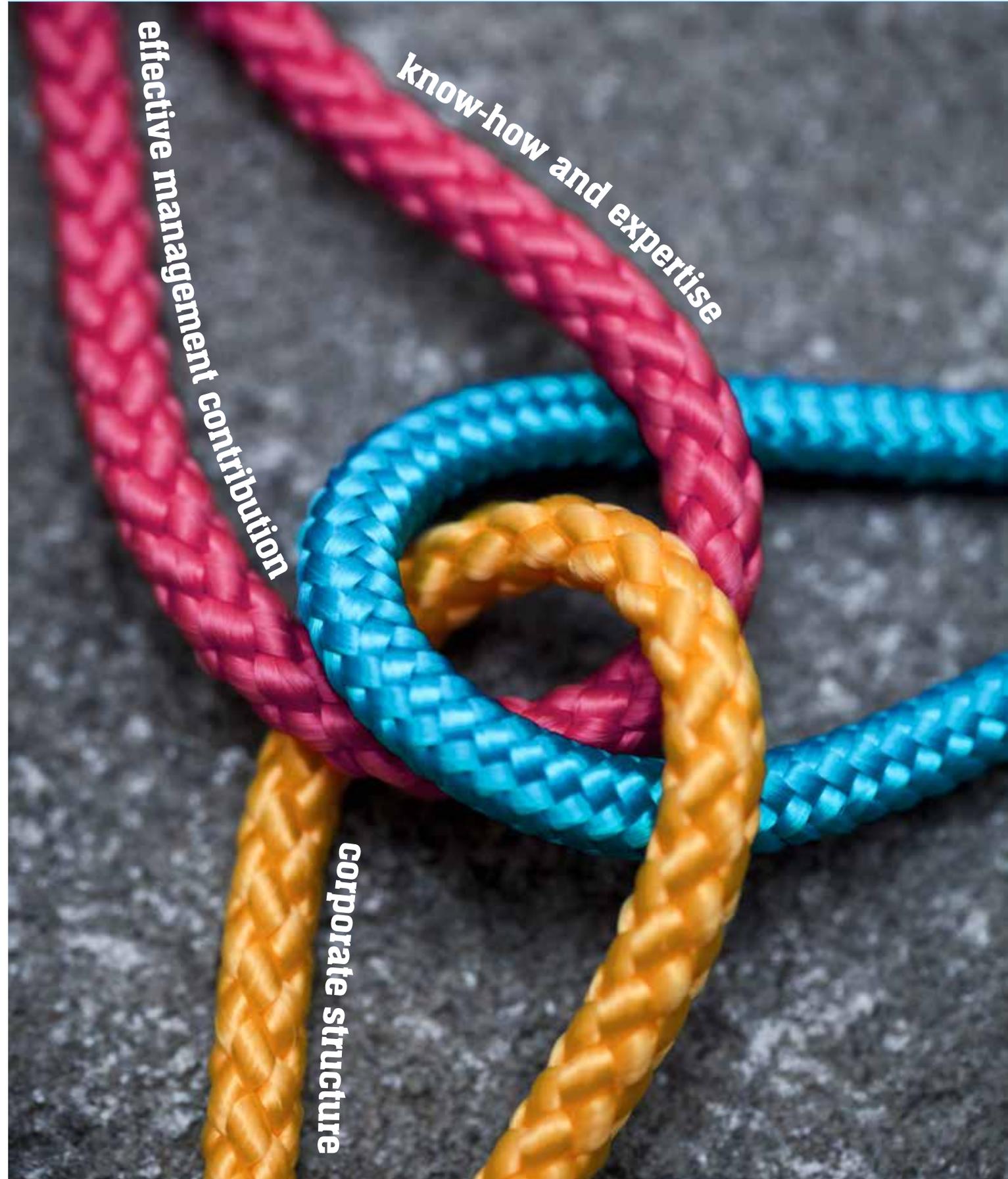
İş Private Equity aims to take the companies forward, working systematically and methodically to increase the financial and operational performance of the companies which it invests in, help them grow in their markets and support them in adopting a competitive approach.

Since its inception, İş Private Equity has invested a total of USD 132.9 million in seventeen firms. Of these projects, it

has so far realized USD 166.9 million on eleven successfully completed exits. This performance corresponds to an average compound rate of return of 26.46% on a USD basis. İş Private Equity offered high returns both by global and domestic standards in terms of the companies' exit performances between 2000-2015. İş Private Equity achieved the highest number of exits in the sector as of year-end 2015.

With its specialist and compatible team, İş Private Equity is one of most active members in the Turkish finance sector.

With its solution oriented business model and professional human resources, İş Private Equity is involved in the business from the realization of the investment until the exit. With a well-equipped team of 19 professionals with sector knowledge, the Company leaves no stone unturned, with an interest in every detail. The team sets itself apart with its analytical ability and carries the Company forward.



effective management contribution

know-how and expertise

corporate structure

Our Vision, Mission

Our Vision

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

Our Mission

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

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

Key Indicators

Financial Highlights

TL	2015	2014	Change (%)
Current Assets	116,796,810	155,620,415	-24.95
Non-Current Assets	142,137,437	113,504,062	25.23
Short-Term Liabilities	3,107,879	2,954,145	5.20
Long-Term Liabilities	720,027	1,758,555	-59.06
Total Assets	258,934,247	269,124,477	-3.79
Equity	255,106,341	264,411,777	-3.52
Current Year Profit	772,649	14,597,568	-94.71
% Return on Equity	0.30	5.52	
% Return on Assets	0.30	5.42	





Strong business partnerships

Long term perspective

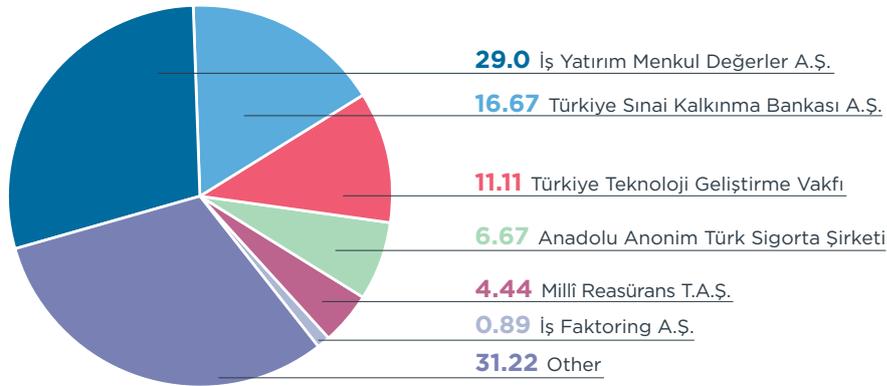
Capital & Shareholding Structure

The shareholding structure as of the year-end shown below.

Shareholder	Group	Share (TL)
		2015
İş Yatırım Menkul Değerler A.Ş.	A	6,635,776
İş Yatırım Menkul Değerler A.Ş.	B	15,018,515
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	23,303,093
Total		74,652,480

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

İş Private Equity - 2015 Shareholding Structure (%)



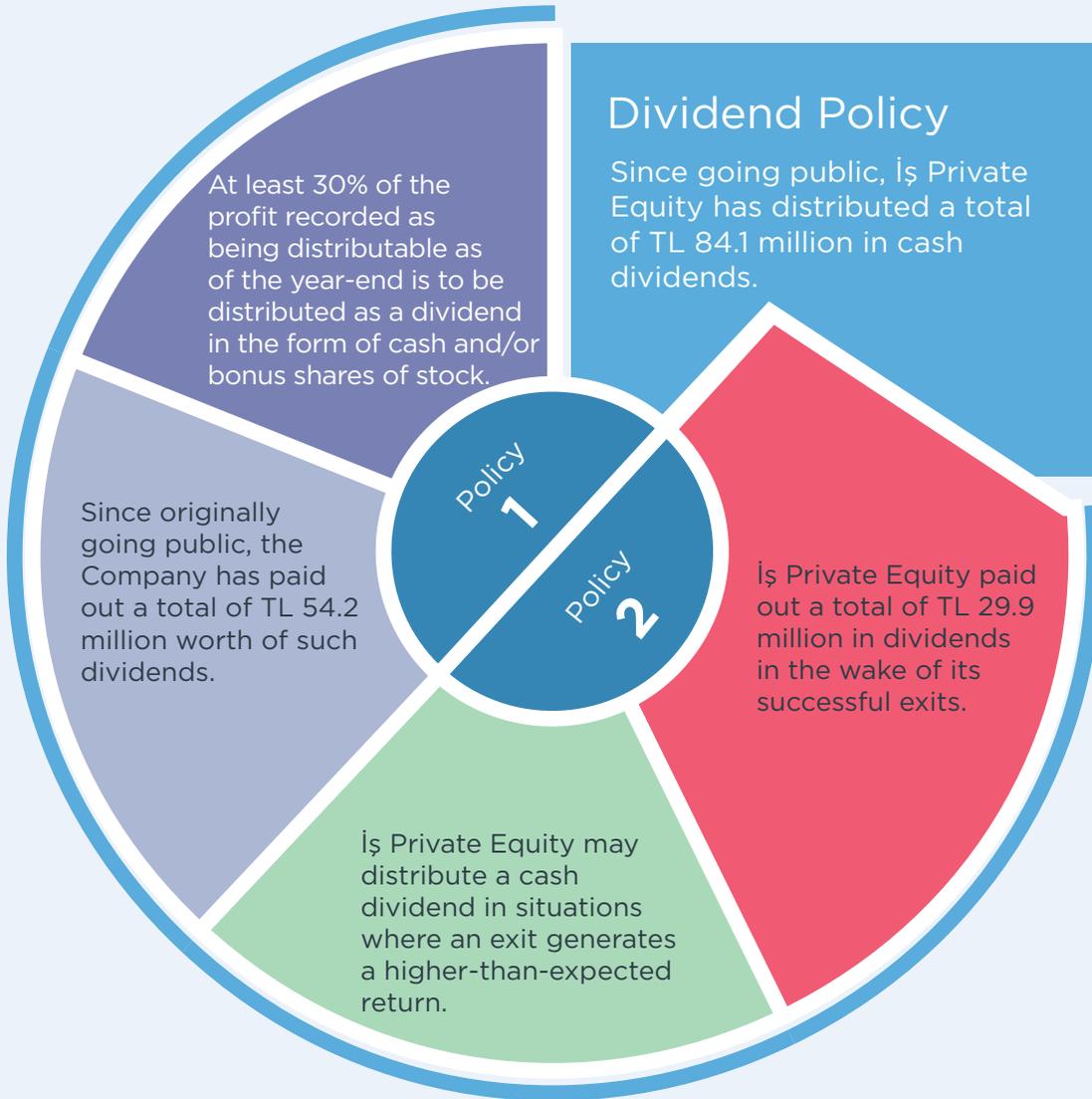
sustainable profitability

efficiency

contribution to corporate transformation

excellent foresight

Dividend Policy



Consistent, High Dividend Yields

According to a study carried out by İŞ Investment based on data published by Borsa İstanbul, İŞ Private Equity achieved an average dividend yield of 9.92% each year in the five years beginning 2011 and ending 2015, compared to an average dividend yield among all companies whose shares are traded on the Borsa İstanbul during the same period of just 2.39%. This means that İŞ Private Equity's five-year average dividend yield was more than four times higher than the average of the companies traded on the exchange.





İş Private Equity's Investments in Numbers

Overview of the Fund

Total Assets

USD **89.0**
million

Total Investments to Date

USD **132.9**
million

Investment Summary

Investments

17

Exits

11

Proprietary
Investments

9

Exit Summary

Investment Amount
for the Exited
Companies

USD **72.5**
million

Internal Rate of
Return on a USD
Basis

26.46%

Proceeds from Exits

USD **166.9**
million

Money Multiple

2.30x

Companies Currently in the Portfolio

Total Turnover

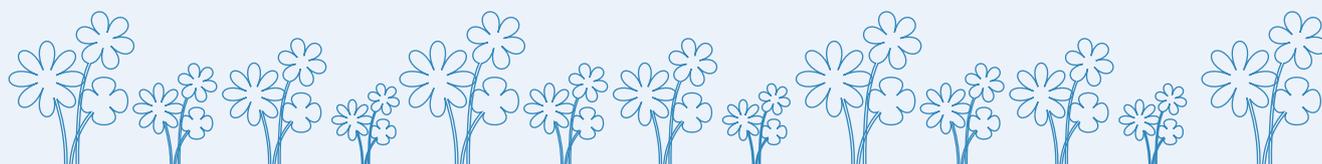
USD **170.5**
million

Total Debt

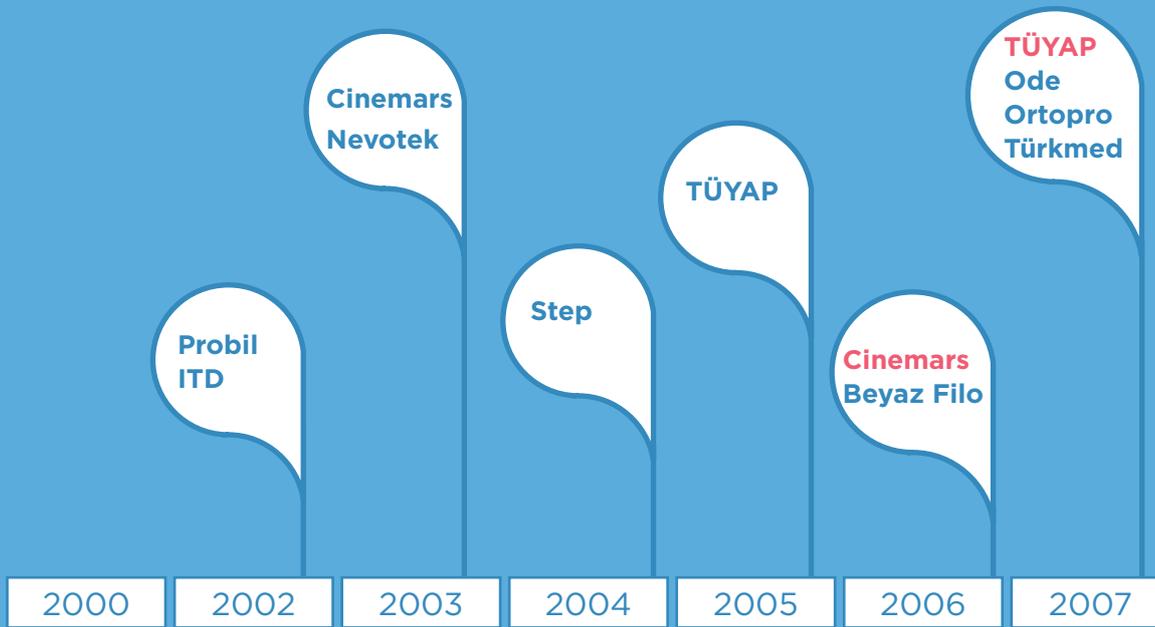
USD **52.9**
million

Total Employment

1,161
people



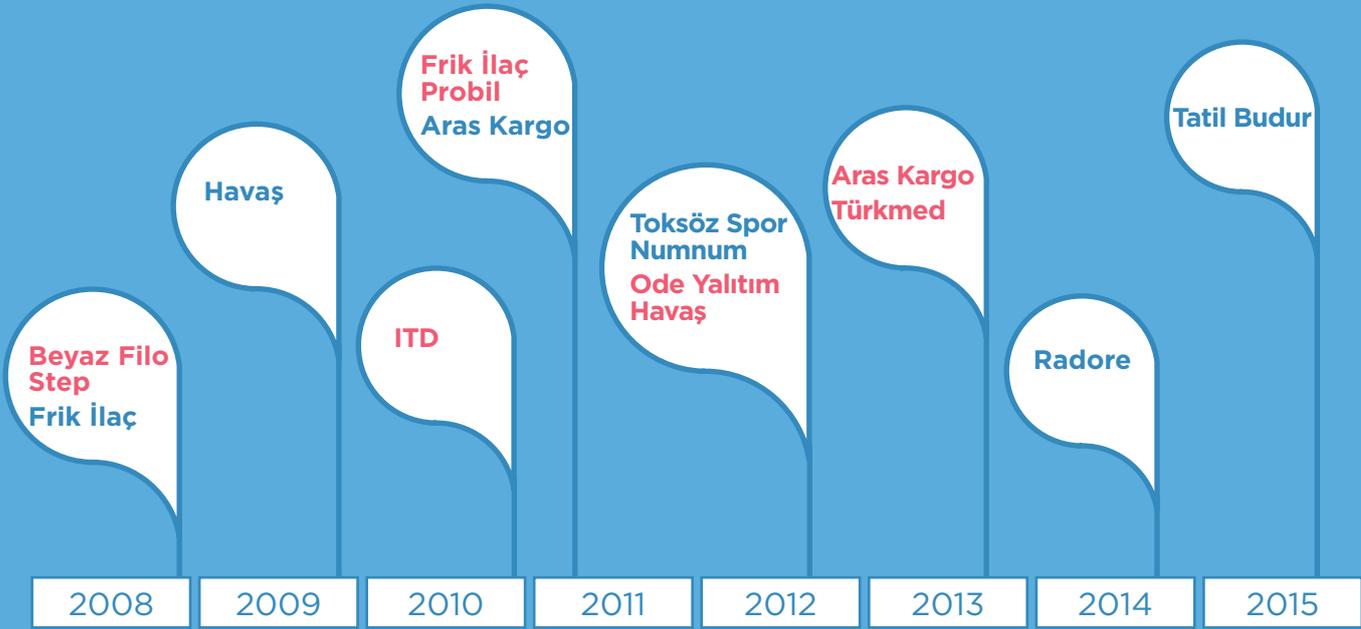
Highlights From İş Private Equity's Corporate History



2000	With funding resources amounting to USD 29.3 million, İş Private Equity stands as the biggest private equity fund subject to SPK regulation	
2002	First two investments:	ITD and Probil (both systems integrators)
2003	Third & fourth investments:	Cinemars (cinema chain) and Nevotek (IP convergence solutions)
2004	Fifth investment:	37.69% of shares floated on the İstanbul Stock Exchange, generating a market capitalization of USD 57.8 million
2005	Sixth investment:	TÜYAP (trade fairs & exhibitions)
2006	First exit:	Cinemars shares sold to Mars Entertainment Group A.Ş.
	Seventh investment:	Beyaz Filo (operational fleet rentals)
2007	Second exit:	TÜYAP shares sold to existing shareholders
	Eighth investment:	Ode Yalıtım (building insulation materials)
	Ninth investment:	Ortopro (orthopedic surgery)
	Tenth investment:	Türkmed (healthcare services)
2008	Third exit:	Step shares sold to Swicorp, a private equity fund
	Eleventh investment:	Frik İlaç (pharmaceuticals)
2009	Indirect exit:	Probil's Bizitek (a Probil-owned stake) sold to Ericsson
	Twelfth investment:	HAVAŞ (aviation ground handling services)

Investments Exits





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
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
2012	Fourteenth investment:	Toksöz Spor (sports equipment and supplies)
	Fifteenth investment:	Numnum, Istanbul Food & Beverage Group (IFBG / food & beverages)
	Eighth exit:	Ode Yalıtım shares sold to Ode İzolasyon Sanayi Satış ve Pazarlama A.Ş.
	Ninth exit:	HAVAŞ shares sold to TAV Havalimanları Holding A.Ş.
2013	Tenth exit:	Aras Kargo shares sold to Austria Post
	Eleventh exit:	Türkmed shares sold to existing shareholders
2014	Sixteenth investment:	Joint venture together with Doğu SK Girişim Sermayesi Yatırım Ortaklığı A.Ş. in Radore (data center services)
2015	Seventeenth investment:	Mika Tur Seyahat A.Ş. (Tatil Budur): Investment with the Poland-based MCI Private Ventures in Tatil Budur which is a growing player in the tourism sector

Message from the Chairman

Having combined the strength of the İş Bank Group with its competences, İş Private Equity has proven to be a reliable, respectable and above all a “value adding” partner for the companies that it invested in.

Dear shareholders,

The decline in commodity prices, the quarter point rate hike by the US Federal Reserve Bank, economic activity in the Euro Zone and the concerns over the state of emerging markets amid the economic slowdown in China were the major issues which shaped the global economic agenda in 2015.

Major developments in the global economy led to a tightening in global liquidity conditions in 2015, and the pace of growth in the global economy lost pace when compared to the previous year. Following the 3.4% growth in 2014, the IMF estimates that the world economy grew by 3.1% in 2015. The less favorable environment for emerging markets, as a result of global conditions, certainly played a part in the slowdown - but disappointing growth in developed markets, as a result of temporary factors, also took its toll.

In our view, developed economies will post relatively strong growth going forward. On the other hand, growth will maintain a relatively slack pace in emerging economies, where downside pressures are putting pressure on economic activity. The IMF forecasts 3.4% growth for the global economy in 2016.

As well as inflation, the position of the US economy provided the necessary conditions for an increase in interest rates and the Fed increased interest rates by a quarter per cent in December 2015. Following the much awaited hike, which had been speculated exhaustively over throughout the year and was reflected to prices in the markets, the Fed's future expectations have assumed new importance. During her press conference, the Fed Chair Janet Yellen underlined that the Fed would determine its 2016 policies with a cautious and careful approach, stating that rate hikes would continue conditional on progress in economic parameters, and the direction of inflation in particular.

In an effort to bolster weak levels of economic growth, central banks in the Euro Zone and Japan continued to provide a high level of liquidity to the markets in 2015. Continued low levels of inflation in the Euro Zone have piled further pressure on the European Central Bank.

The slowdown in the Chinese economy was one of the key issues facing the global economy in 2015. The macroeconomic readings raised concerns over the strength of the growth and its sustainability, and Chinese capital markets sustained significant losses in the second

half of the year. Given also the systemic risk concerns to the Chinese banking sector, the steps to be taken by China in 2016 will be followed closely with respect to their impact on the global economy and, in particular, emerging economies.

The direction of the global economy will also be shaped by the monetary policies pursued by the central banks of developed countries, the trend in oil prices and other commodities and China's economic performance.

The Turkish economy successfully sustained its moderate growth in 2015.

Having displayed export driven growth in 2014, the Turkish economy shifted to an internal demand driven growth composition from the first half of 2015. On the other hand, following a limited contribution in the first quarter, the contribution from investment spending to growth increased in the second quarter of the year. It is estimated that the Turkish economy grew by between 3.5% and 4% in 2015.

Another major development in 2015 was decline in Turkey's export volumes. As a result of a weaker Euro against the US dollar, the value of exports to the Euro Zone a destination for a high proportion of



Senar Akkuş Chairman of the Board of Directors

Turkey's exports declined in USD terms. The turmoil in other key destinations such as Russia and Iraq were also instrumental in this decline. However, foreign trade deficit narrowed in line with the decline in energy and commodity prices, leading to lower imports and thus a lower current account deficit. The downtrend in oil and commodity prices is expected to continue in 2016, further supporting the recovery in the current account balances.

Fed's monetary policy set to create more volatility in emerging markets

While developed economies have exhibited a better performance than in previous years, the monetary policies pursued by different central banks continued to decouple. On the other hand, the growth continued to slow in emerging economies. The performance of the Chinese economy, in particular, will play a key role in the performance of countries that China has strong trade relations with, but also for the whole global economy as well.

A potential tightening in global liquidity conditions could have a decisive impact on capital flows to emerging economies, including Turkey. However, the general expectation now is that the rate

hike process in the US will be realized gradually over a longer period, and that this will support foreign capital flows to Turkey and thus the continuation of moderate growth going forward.

In fact, the Turkish economy could enjoy a strong performance provided there are no negative surprises in the global economy apart from the existing expectations, and on the condition that Turkey is focused in its approach to structural reforms.

Combining İş Bank Group's experience and corporate approach with its own competences, İş Private Equity is distinguished in its sector through its pioneering and innovative approach.

As well as the financial support and value it provides during the partnership process, İş Private Equity adds considerable value in terms of management and corporate understanding. Since its establishment, İş Private Equity has extended support to companies which have sustainable growth targets in every stage of the partnership, from the investment up until the exit.

Well aware that only companies which create permanent

value will survive against a constantly changing domestic and international backdrop and changing competitive conditions, İş Private Equity is focused on gaining the maximum advantage from the opportunities by adopting risk averse, planned and systematic actions. While we expand our business and work with more partners, we also strive to contribute to the growth of the national economy by investing in Turkey.

Albert Einstein said: "In the middle of difficulty lies opportunity", and at İş Private Equity we want to take advantage of opportunities despite difficulties and take firm steps forward. When it comes to these steps, I place my trust in and thank İş Private Equity's competent human resources. I also would like to take this opportunity to express my gratitude to our shareholders, who have believed in our Company and who have extended their full support.

Very truly yours,

Senar Akkuş
Chairman of the Board of Directors

Message from the CEO

İş Private Equity has invested USD 132.9 million in 17 companies since its establishment. Adding multi-dimensional value to the companies it has invested in, İş Private Equity has generated USD 166.9 million in revenues from the 11 investments it has exited from.

Dear shareholders,

Operating in sectors with sustainable and profitable growth potential in the long term and investing in medium sized companies in their growth cycle, İş Private Equity functions as “smart capital” by providing financing and multi-dimensional added value to the companies it invests in, thanks to its managerial competences.

Having invested USD 132.9 million to 17 companies since 2000, İş Private Equity has generated USD 166.9 million in revenues from the 11 investments it has exited.

İş Private Equity has generated compound average return of 26.46% from these exited investments in US dollar terms

İş Private Equity continues to move forward with sustainable growth thanks to its business model, which is structured on the basis of strong foresight, an analytical approach and efficient risk management.

İş Private Equity actually invests in Turkey through companies. Turkey entered a deeply rooted transformation process at the beginning of 2000 and the need for venture capital has increased, particularly on the back of factors such as a positive and sustainable macroeconomic environment, increasing exports, a burgeoning middle class, changing consumption habits and the expansion in the qualified workforce. Private equity companies have taken on a valuable role in the Turkish capital markets during that process.

In rapidly developing countries like Turkey, the most important need for companies during the growth process is access to financial resources, which will offer them the opportunity to vigorously improve their financial position and operations.

When financial opportunities are insufficient and costs are high, companies fail to fully reflect their potential to their performance and growth thus remains insufficient.

Offering innovative and alternative solutions to traditional financing opportunities, private equity funds help companies meet the financing requirements by injecting capital. In addition, they also contribute to business plans, strategies, human resources and the corporate transformation of the companies, playing multi-dimensional roles in the development of the national economy.

As one of the pioneers of its sector, İş Private Equity’s long term investor approach is focused on transforming the companies it invests in and turning them into successful and sustainable economic players

In addition to its value added generation and growth, İş Private Equity also increasingly provides added value to the national economy through its investments and aims to bequeath the Turkish economy with companies which are competitive on a global basis. To this end, we build and implement road maps, transforming our associated companies to market leaders by working alongside the management teams. We contribute

to the growth and transformation stories of our associated companies through our strategic, financial and operational resources.

Smart Capital - a total of our tangible assets and competences

In addition to tangible sources, our smart capital consists of major elements such as corporate governance, efficiency, developing competitive strategies, and powerful, competent, dynamic and professional management understanding all of which are shaped at an analytic and objective method framework.

İş Private Equity contributes to the associated companies with the assets summarized in the smart capital expression.

Our main objectives for each and every one of our investments are to transform the associated companies into more valuable companies with more valuable brands, to strengthen them with sustainable competitive competences, to find new investors to carry these companies to the next level and to exit our investments with good returns, thus satisfying our shareholders.

Offering unprecedented added value that goes beyond providing financial resources

As a deeply rooted venture capital company in Turkey, İş Private Equity examines and conducts an extensive analysis of approximately 200 companies each year within its investment perspective.

The major point to emphasize here is that the nature, or in other words the content, of the investments



A. Murat Özgen CEO

undertaken by İŞ Private Equity goes far beyond just bringing capital.

By partnering with the companies that are in the process of growth, İŞ Private Equity provides permanent value which goes far beyond just providing financial resources. İŞ Private Equity shares its know-how with the associated companies within the scope of corporate governance, setting up strategies, good management, effectiveness and efficiency, all of which have key roles in structuring the road maps of the associated companies. In addition, İŞ Private Equity ensures this information know-how is turned into action and, above all, monitors its reflection to the Companies' performance.

Thanks to this sharing of know-how, the companies achieve major progress in their operational processes and sustainably raise their financial and operational performance. Led by the management of human resources, they achieve success in managing all kind of sources efficiently and correctly.

In brief, İŞ Private Equity is focused on the transformation of private initiatives, which are the building blocks of economic development, into corporate and sustainable companies through its investments.

Despite all the stiff challenges, the investment environment yielded positive returns in 2015. Despite ongoing uncertainties,

Turkey continued to attract investors in 2015, with 245 mergers and acquisitions transactions taking place with a value totaling USD 16.4 billion. The transaction volume declined by almost 9% compared to the previous year while the number of transactions was more or less in line with previous years. There had been 234 merger and acquisition transactions in Turkey during 2014. While the contribution from domestic and international investors was similar in terms of the number of transactions, the share of international investors in transactions increased significantly from 44% in 2014 to 70% in 2015. Financial investors adopted a more cautious and strategic stance during 2015. Despite that, financial investors accounted for approximately 20% of the total transaction volume, with 52 transactions (44% more than in 2014) and USD 3.1 billion in transaction volume in 2015 (48% higher than in 2014). Financial investors had provided a 12% contribution in 2014. As in previous years, small and medium sized companies attracted the most attention as far as the acquisitions were concerned, with almost 80% of the deals realized in the SME market.

İŞ Private Equity signs its 17th investment with Tatil Budur.

We undertook our 17th investment with Tatil Budur in 2015, which is a growing player in the tourism sector. We invested in Mika Tur, which incorporates Tatil Budur, one of the leading tour operators

in Turkey, with MCI Private Ventures, one of the private equity funds specialized in the field of online tourism services, acquiring a 20% stake in the company.

Tatil Budur distinguishes itself from many other tour operators with its sales offices across Turkey and a holiday portfolio that addresses every consumer segment. The company also sets itself apart in the sector with its website, attracting more than 20 million visitors per annum.

Working with complete belief in taking solid steps towards our targets

Always carefully and closely monitoring the volatile market conditions, İŞ Private Equity will continue to focus on the progress of the companies that it has invested in, in line with their targets, and will pursue new profitable investment opportunities.

I would like to express my sincere thanks to all our shareholders, who have played such a tremendous role in our success with their belief and full support.

Very truly yours,

A. Murat Özgen
Chief Executive Officer

The Macroeconomic Outlook

2015 started with a supportive global economic environment marked by moderate global growth, declining commodity prices and the expectation of lower inflation in emerging countries.

An overview of 2015

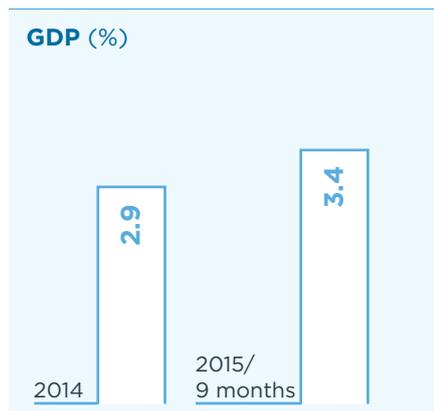
2015 started with a supportive global economic environment marked by moderate global growth, declining commodity prices and the expectation of lower inflation in emerging countries.

The positive global economic backdrop at the beginning of the year quickly gave way to a bleaker environment marked by rising bond yields in developed markets and a strengthening US dollar as risks began to rear their head once again. The TL depreciated against the US dollar during this period, despite declining commodity prices, leading to inflationary pressure in Turkey.

In the second half of the year, signals of economic slowdown in the Chinese and US economies limited risk appetite on a global basis, whereas armed conflict in various parts of the world and in neighboring countries, such as Iraq and Syria, increased geopolitical risks, resulting in more volatility in the markets.

In addition to headwinds from the international markets, 2015 was also a year of elections in Turkey. The political uncertainties ahead of the June 7th general election as well as inconclusive coalition talks after the election put pressure on the markets. A decision to call an early election was one of the most decisive developments in the second half of the year. These developments precipitated a decoupling for Turkey from other emerging economies due to their negative impact on the economic environment and pressure on economic growth.

The easing in political uncertainty after repeat general election on November 1st offered a short respite in the markets. However, concerns regarding the management of the economy and the cabinet following the election, along with the turmoil in the surrounding region and the Fed's rate hike in December all took their toll on the markets later on.



The Fed finally raises interest rates by a quarter point on December 16th.

The long awaited Fed lift off took place on December 16th and the Fed Federal Open Market Committee implemented a rate hike after a long period of keeping rates on hold. This decision, which raised interest rates from a 0% - 0.25% range to 0.25% - 0.50% range brought the curtain down on a 7 year era of near-zero rates in the United States, in what was also a signal of the end of the most serious economic crisis and recession ever faced by the US since the Great Depression.

In the statement regarding the rate hike, the Fed set out that it would maintain an accommodative monetary policy and expressed that it would take gradual to normalize interest rate levels in line with the 2% inflation target, depending on the developments in the US economy.

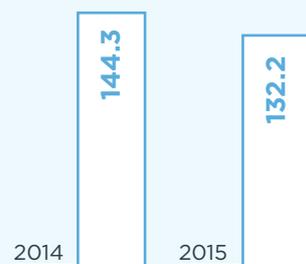
The Fed's announcement that it would manage the rate hike process slowly and gradually was rapidly reflected in the market, resulting in a slight easing in the US dollar, while bringing some relief to emerging market currencies.

The rate hike decision taken by the Fed has put its stamp on history, and will affect the world economy, particularly emerging economies, in the short, medium and long run.

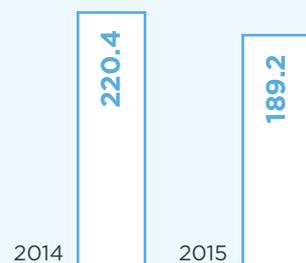
Another major international development will be the decision by the European Central Bank (ECB) on whether or not to pursue further monetary expansion. In such environment, news of further easing in Europe may precipitate some weakness in the Euro against the US dollar, in view of the potential rate hikes by the Fed. As a matter

The Fed's decision to hike rates will affect the global economy, particularly emerging economies, in the short, medium and long run.

Balance of Trade / Export
(USD billion) January - November



Import (USD billion)
January - November



of fact, as of December 2015 when we published this report there were expectations in the markets that the ECB was considering a cut in rates and an increase in asset purchases in an effort to create some inflation.

CBT continuing to carefully maintain its tight monetary policy

In line with its target of protecting the markets against internal and external shocks, CBT (the Central Bank of Turkey) maintained its tight stance during 2015 by tightening the liquidity it provided to the market.

In its July inflation report, the Central Bank indicated that there would be a simplification in its monetary policy and provided further details of its road map on simplification and tightening in August. Having removed the borrowing opportunity for market maker banks through repo transactions and having raised the limits in FX markets for the sake of normalization, CBT has yet to take steps to adduct the weekly repo rate to the money market rates.

Contrary to expectations that the CBT would take steps following the Fed's rate hike, CBT instead opted to keep interest rates on hold in the Interbank Money Market, the Borsa Istanbul Repo - Reverse Repo Market and weekly repo rates following its Monetary Policy Board meeting held on 22 December 2015.

With the announcement, the Monetary Policy Board stated that the credit growth rates had remained under control thanks to the tight monetary policy stance pursued and macro precautionary measures, underlining that the positive developments in foreign trade levels and the moderation in consumer loans had been

The Macroeconomic Outlook

Following the 3.4% growth for the first 9 months of 2015, GDP is estimated to have grown by 3.5% to 4.0% for the full year.

supportive of the current account balance. The CBT also emphasized that the composition of growth had switched through net exports, thanks to rising demand from European Union countries, adding that the trend in energy prices continued to support the inflationary outlook.

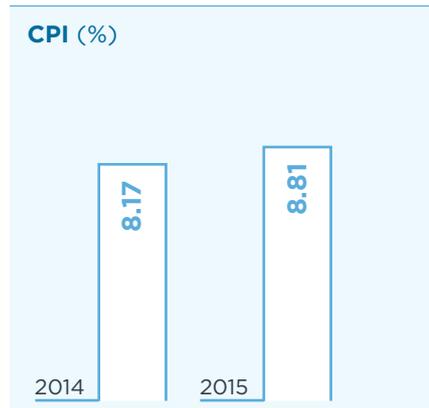
Following the Board meeting, the CBT announced that it would maintain its tight liquidity policy as long as necessary, taking into consideration the impact of the uncertainties in global markets on inflation and the volatility in energy and unprocessed food prices.

The Turkish economy is estimated to have grown in a range of 3.5% to 4.0% in 2015.

Despite ongoing volatility in global markets, the Turkish economy exceeded expectations in the first half of the year, having grown by 3.8% since the consumers brought forward their big ticket expenditures in the first half of the year taking into consideration the potential uncertainties in the post-election period.

Following the 3.4% growth for the first 9 months of 2015, GDP is

The narrowing trend in the current account deficit is expected to have continued, with the current account estimated to have ended 2015 at USD 36 billion, assuming that the declining oil prices continue to lower the energy bill for the remainder of 2015.



estimated to have grown by 3.5% to 4.0% for the full year.

Inflation maintained its increasing trend in 2015.

As a result of the increase in food prices since the beginning of the year and the depreciation in TL, which was reflected to TL based prices, inflation continued to rise in 2015.

The annual rate of inflation stood at 8.81% at the end of the year due to the exchange rate pass through effect.

A positive outlook for the current account deficit

Coming to the current account deficit, which is the Achilles' heel of Turkey's economy, the recovery continued on the back of a decreasing energy bill. However, the energy-originated recovery in the current account deficit was not as strong as had been expected at the beginning of the year, due to an increase in household consumption. The narrowing trend in the current account deficit is expected to have continued, with the current account estimated to have ended 2015 at USD 36 billion (accounting for 4.9% of GDP), assuming that

the declining oil prices continue to lower the energy bill for the remainder of 2015.

The central government budget produced a USD 39 billion primary surplus in the first eight months of the year, suggesting that fiscal discipline has been maintained and the budget was in line with the targets, despite two general elections in 2015. No deterioration in the budget dynamics is expected during the last quarter of the year, even if a lower pace of economic activity is reflected to tax income, and the budget target is still expected to be met.

Outlook for 2016

Looking ahead to 2016, capital flows to emerging markets are expected to weaken further in line with the cycle of rate hikes in the United States. Like its peers, Turkey may then come under pressure through currency weakness and higher interest rates. A positive decoupling for Turkey in this respect would depend on domestic policies.

The spotlight in global markets will be on the Fed's road on rate hike cycle, the extent of the slowdown in the Chinese economy and its impact on other countries, the ECB's road map on monetary expansion and the lifting of the trade embargo on Iran. Europe and Japan are expected to continue to press ahead with an expansionary monetary policy in a bid to support growth while China is also expected to implement expansionary monetary and fiscal policies to in response to the negative signals on growth.

Another issue on the agenda when it comes to emerging economies is the increasing borrowing rates of private sector. Based on calculations carried out by the International



In 2016, attention in global markets will turn to the Fed's next steps in its rate hike cycle, the extent of the slowdown in the Chinese economy and its impact on other countries, the ECB's road map on monetary expansion and the removal of the embargo on Iran.

Institute of Finance (IIF), the total debt of households and public and private sectors in these economies has increased by USD 28 trillion since 2009 with the private sector accounting for the majority of the increase. Thus the balloon in credit, declining commodity prices and FX denominated borrowing has left companies in emerging markets in a more fragile position. This is expected to be a major risk factor for emerging markets in 2016 and beyond.

Since the demand is unable to absorb the world's production surplus, pressure on commodity prices has become evident. This is obviously negative for commodity exporters and will hit the financial position of commodity producers, but offers a positive decoupling for commodity importers. At home, attention will mainly focus on the pattern followed in economic policies and steps towards structural reforms. On the other hand, developments regarding the adaptation process to Basel III criteria at the end of March 2016 will have a crucial bearing on the banking sector.



Sectoral Review

Initial legal regulations regarding the venture capital industry in Turkey were legislated by the Capital Markets Board in 1993.

An overview of Private Equity Legislation in Turkey

Preliminary studies for the development of a venture capital sector in Turkey were carried out by the public authorities. However, the introduction of venture capital basically took place when foreign based private equity funds started to invest in Turkey.

Initial legal regulations regarding the venture capital industry were legislated by the Capital Markets Board. With the Series: VIII No:21 Communiqué published on 6 July 1993, the Capital Markets Board set the stage for a private equity business to be established in the form of an 'investment trust' company. Additionally, income from private equity companies established in this form was also exempted from corporation tax and income tax stoppages.

The basics regarding the founders and establishment procedures of the private equity investment companies, the registration of the shares to the Capital Markets Board records and initial public offering, the managing and the necessary qualifications of the Company management, the field of



A total of USD 4.7 trillion of M&A transactions were conducted around the globe in 2015, an increase of 42% compared to 2014.

activity and portfolio restrictions, information to be announced periodically within the context of public disclosures were regulated with the Capital Markets Board's Series: III No:48.3 Communiqué on Principles of Venture Capital and Private Equity Investment Companies (III-48.3).

With the new reforms introduced by the Capital Markets Law (Law No: 6362) which entered effect on 30 December 2012, published in Issue No: 28513 of the Official Gazette, the legal framework of venture capital investment funds was constituted in Turkey.

With the Communiqué on Principles of Venture Capital Investment Funds published on 2 January 2014 in Issue No: 28870 of the Official Gazette, principles regarding the establishment, activities of these funds and sale procedures to qualified investors was regulated within the context of authorization provided by the Capital Markets Board.

Global Mergers and Acquisitions (M&A) Markets

The volume of M&A transactions in the world reached USD 4.7 trillion in 2015, marking an increase of

42% compared to 2014, according to a report published by Thomson Reuters. Looking at the number of transactions, there was a slight increase of 0.2% y/y to 42,300 transactions in 2015, suggesting that the number of higher value transactions had increased.

The America and Asia Pacific regions constituted 74% of the total transactions in terms of volume, with the Americas accounting for USD 2.3 trillion of the transactions, accounting for 49% of the total global transactions, whereas Asia Pacific region witnessed M&A volume of USD 1.1 trillion in 2015.

The health, energy and technology sectors constitute a relatively high weighting in terms of transaction volume. M&A transactions in the health industry increased by 71% compared to the previous year, where most of the transactions comprised deals in drug production companies.



International transactions grew by 27% in 2015 when compared to their 2014 through USD 1.6 trillion worth of deals, accounting for one third of the total deals in 2015.

Turkish M&A Markets

According to a 2015 Mergers and Acquisitions Report published by Deloitte, the total size of the Turkish M&A market was approximately USD 16.4 billion in 2015 through 245 deals which took place in the year. The number of transactions was around 5% higher in 2015 than in the previous year, while the transaction volume decreased by 9% in the same period. In terms of number of transactions, the leading sectors were manufacturing (41 transactions) and energy (37 transactions), while the energy, financial services and construction sectors ranked in the top three in terms of transaction volume.

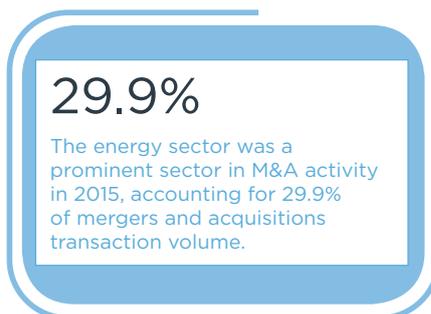
Transaction values of M&A deals in Turkey (2015)

Range	% Share of Total Number	% Share to Total Value
Over USD 500 mn	3	51
USD 250-500 mn	2	12
USD 100-250 mn	9	18
USD 50-100 mn	7	7
Below USD 50 mn	79	12
Total	100	100

Source: Deloitte

In 2015, deals with a size of USD 100 million or less accounted for 86% of transactions by number, and 19% of the total transaction volume. The top 10 deals accounted for 50% of the total transaction value in 2015, with an average transaction size of USD 67 million in the market.

Finansbank deal ranked first among the top 10 deals in terms of transaction value in 2015.



Transactions in the energy and infrastructure sectors also had accounted for an important share of transaction volume. The share of privatizations in the total M&A transactions declined from 33% in 2014 to 11% in 2015, while the share of transactions realized by financial investors in total M&A transaction volumes rose from 12% to 19% in the year, through 52 transactions.

Our Business Model

Strong Collaborations with Entrepreneurs,
Strong Futures for Companies

Our Investment Philosophy

Our investment philosophy is rooted in the principles of helping companies achieve their long-term investment goals, supporting them in their efforts to fulfill their potential, and thus enabling them to create value for their own shareholders.

- İş Private Equity works with a company's management in order to identify the strategies that can create value for that firm, those strategies may take many different forms. İş Private Equity's goal is to enable the Turkish companies in which it takes a stake to compete not just in Turkey but in international markets as well. Foremost among the many value-creation strategies that İş Private Equity may employ is enabling a company in which it invests to grow, to improve its operational efficiency, to venture into new markets, and/or to optimize its capital structure sometimes organically and sometimes by acquiring other companies in such a way as to create competitive advantages for itself.
- İş Private Equity is one of the few domestic private equity funds which are active in Turkey today and which have successfully demonstrated their performance. Although it has extensive experience in such areas as corporate governance and the particular needs of companies at different stages of their growth, İş Private Equity does not involve itself in the day-to-day operations of the companies in which it invests.

Our Investment Strategy

İş Private Equity's ability to develop solutions addressing the unique structural features of every project arises from an investment strategy that is capable of being simultaneously focused and flexible.

İş Private Equity acquires sometimes minority and sometimes majority stakes in medium-sized and growing businesses with a track record of successful performance, a growth-oriented vision, and the potential to be a leader in their particular sector. In situations where the transaction size exceeds the target equity ticket, İş Private Equity may collaborate with one or more co-investors whose vision is the same as its own and who can contribute significant added value to the undertaking.

Geographically speaking, İş Private Equity focuses on companies which are headquartered in Turkey but which by preference already have international connections of their own. It also prefers to invest in sectors which are experiencing rapid growth and which are only minimally impacted by cyclical changes.

İş Private Equity's investments usually take the form of growth equity, restructurings and leveraged buy-outs. Exit strategies are always formulated and timed so as to maximize value for all concerned.

Our Investment Criteria

The general criteria that İş Private Equity takes into account when selecting businesses in which to invest are summarized below.

1. High return expectations
2. Realistic growth expectations
3. Operational profitability
4. A strong management team whose members are experienced, creative, and

- job-committed, who can make quick decisions, and who are highly energetic
5. Sustainable competitive edge: Market share and brand recognition; a realistic and difficult-to-imitate business plan; unique and competitively-advantaged products and/or services
6. Meaningful exit options: Sale to a financial/strategic buyer, public offering, sellback to existing shareholders.

İş Private Equity's Most Outstanding Advantages

Local knowledge and experience together with proven, extensive know-how in private equity

- A pool of managers with operational experience in private equity portfolio management companies, an investment team whose members combine global vision with local knowledge and who are bonded by a strong sense of loyalty to one another
- Broad experience with Turkish accounting standards and law
- As one of the longest-lived locally resident private equity funds, an ability to respond to the needs and expectations of SMEs that is based both on sectoral knowledge and experience and on market acumen
- The respect and trust enjoyed among a targeted company's shareholders by a strongly experienced investment team whose members are steeped in Turkey's business culture
- Convenient access to other sources of funding

Strong practical skills

- Broad experience with structuring complex deals
- Comprehensive due diligence studies
- Close collaboration with knowledgeable legal counsel, auditing and sectoral advisory firms
- Ability to gain access to reliable information
- Collaborations that co-investors have confidence in
- Strong relationships with banks and an ability to tap sources of financing

Project-creation capability

- Competitive advantages generated by having first-priority access to projects: The majority of projects considered originate from within İş Private Equity itself

Proven past performance

- First in the sector to achieve 17 investments and 11 exits
- High internal rate of returns and money multiples

Skilled in creating value for companies in our portfolio

- Value-creation strategies: New market penetration, strategic guidance, operational enhancement
- Proactive, disciplined management and control
- Sound restructuring of business processes
- Strengthening management and executive functions through experienced consultants and managers
- Establishing effective corporate governance standards

Investments and Exits

26.46%* IRR		2.30x Money Multiple	
17 Investments		11 Exits	
Total Investment Value: USD 132.9 million		Investment Value: USD 72.5 million	Exit Return: USD 166.9 million
High Return			
An average return higher than the world and the country standards			
Increase of Employment in the Companies during Their Investment Period			
The number of employees reached 24,394 with an increase of 56% .			
Added Value to the Exited Companies during an Investment Phase of 4 Years in Average			
EBITDA Increase 53.9%		EBITDA Margin Increase from 10.8% to 14.3% (USD basis)	

* According to the Cambridge Associates data as of June 2015, average 10-year IRR of the limited partners in global private equity firms is 12.55%.

İş Private Equity seeks to examine projects related to medium-sized companies in Turkey.

Between 2000 and 2015, İş Private Equity examined about 2,600 projects in order to identify their compatibility with its investment criteria. During the same period it also undertook investments in 17 firms.

Looking at the sources of these projects, the majority of them were identified on a proprietary basis by İş Private Equity.

The total investment value of the 17 projects undertaken between 2000 and 2015 amounted to USD 132.9 million. The aggregate investment value of the 11 projects that have been exited so far is USD 72.5 million.

In recent years, İş Private Equity has been attracting attention as a private equity fund whose investment activities focus on the exit process.

İş Private Equity's successful exits also generate high returns for its own shareholders.

As of December 2015, İş Private Equity had booked USD 166.9 million as exit returns. This performance corresponds to an IRR of 26.46% (USD basis) on the Company's exits.

The money multiple on the Company's exits amounts to 2.30 in USD basis.

The Companies in Our Portfolio



Providing high added value to its customers in a digitalized world



Tatil Budur (Mika Tur)

İş Private Equity has distinguished itself with the value added it creates and sustainable growth approach during partnership process. In 2015, İş Private Equity invested in Tatil Budur, which operates under Mika Tur.

İş Private Equity became a partner in Tatil Budur (Mika Tur Seyahat Acenteliği ve Turizm A.Ş.) in 2015. İş Private Equity acquired 20% of the shares in the investment.

Tatil Budur, a growing player in the tourism sector, was established in 1997 under Mika Tur. Tatil Budur provides individual and corporate customers with business or holiday related accommodation and transportation services, in addition to travel agency services.

The company aims to realize travel plans of more than 1 million customers and to grow in this area in 2016.

Tatil Budur with Numbers

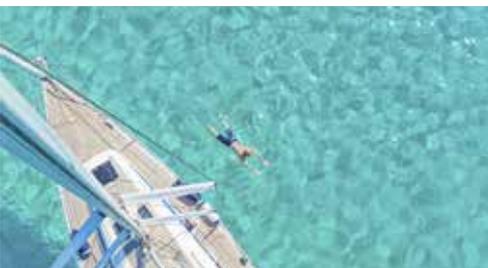
- Travel plans were carried out for 730,000 customers in 2015.
- The number of customers grew at a CAGR of 65% between 2011 and 2015.
- Tatil Budur offers services in 51 cities with a wide range of products including summer tourism, cultural and congress tourism.
- A 96.33% customer satisfaction rate was achieved in Turkey.
- Its portfolio consists of 2,500 hotels in Turkey and 150,000 hotels abroad.
- The company's website is www.tatilbudur.com which has received around 20 million visitors every year.

mika tur

www.mikatur.com
www.tatilbudur.com



tatil!
BUDUR! .com



A highly popular data center with an accessibility rate of 99.99%



Radore

(Radore Veri Merkezi Hizmetleri A.Ş.)

In 2014 İş Private Equity realized an investment in Radore, an independent and rapidly growing company in the Turkish data center sector.



www.radore.com

Radore entered operation in 2004, offering data center services with 20 servers in its portfolio. In line with the company's rapid growth, it relocated its modern data center to the Metrocity Shopping Mall in 2009. Radore expanded its operations by enhancing its quality.

As of end 2015, Radore offers data center services to around 3,000 individuals and corporations with its team of 60 specialists and a data center which has a capacity of 10,000 servers. The company continues its operations in e-trade, online gaming, digital advertising, video broadcasting and similar areas.

The company is one of the sector's leading data centers and was listed as being one of the 50 fastest growing technology companies between 2012 and 2015 by Deloitte Turkey.

Gains/Achievements following the İş Private Equity's partnership

Radore's gains following İş Private Equity's investment in the company in 2014 are summarized below.

- Turkey's biggest data center in the city center and close to internet connection was established. The server area was expanded from 225 m² to 1,050 m² while server capacity was raised from 2,300 units to 10,000 units.
 - In line with the corporate governance needs, the process for professionalizing the team was initiated while reporting was formed on a systematic structure.
 - A consultant with experience in the establishment of a data center in the UK was appointed as a member of Radore's Board of Directors.
 - M. Selçuk Saraç became Radore's partner following his investment in the company.
- M. Selçuk Saraç was the founder of SadeceHosting, one of Radore's most prominent competitors and which was acquired by the UK based Teleticity in 2013.
 - The following certificates, which are a pre-requisite for the establishment of a data center, were obtained: ISO 9001, ISO 27001 and PCI DSS.
 - <https://radore.com/en>, the company's face to public platform where online sales are carried out, was renewed. The development of new products in cloud computing and security got underway.



Setting itself apart with its qualified brands in the Turkish gastronomy sector



İstanbul Food & Beverage Group (IFBG)

In 2012, İş Private Equity invested in the IFBG, prominent for its qualified brands and which has guided local trends in the rapidly developing Turkish gastronomy sector.

Istanbul Food & Beverage Group was founded in 1996 by chef Mehmet Gürs who was graduated from Johnson & Wales University. IFBG, with its innovative and pioneer structure, guided local trends which have been developing rapidly in gastronomy sector.

IFBG has operations in various areas of gastronomy sector from “casual” to “refined dining” with following brands: Mikla, Numnum Cafe & Restaurant, Trattoria Enzo, Kronotrop and Terra Kitchen.

IFBG's Brands



Mikla

Mikla was founded in 2005 with the purpose of creating a modern “İstanbul cuisine” restaurant. Mikla rapidly grew in stature to become one of İstanbul’s most prestigious restaurants with its cuisine, presentation, splendid view and its music.

Mikla played a pioneering role with its high quality local and international cuisine, setting itself apart with its “New Anatolian Cuisine” concept that it introduced in 2012. Mikla was ranked **46th in the S. Pellegrino Acqua The World’s 2.50 list, and is one of the World’s Top 100 Restaurants.**

In addition, Mikla took part in the “Gelinaz! - The Shuffle” project in 2015. In this project, some of the World’s leading chefs changed their cuisines for a night to prepare new dishes by combining their own styles with the host restaurants all over the world. In this project.



Numnum Cafe & Restaurant

Numnum Cafe & Restaurant opened its first restaurant in 2003 in the Maçka G-Mall with the aim of being “a family restaurant, offering mouth-watering meals fast and at a reasonable price”.



İSTANBUL
YİYECEK İÇECEK
GRUBU

www.iyig.com.tr

As of the end of 2015, Numnum Cafe & Restaurant was successfully serving customers with 5 restaurants in İstanbul (Levent Kanyon, Ümraniye Meydan, Bağdat Caddesi, Ataşehir Brandium, Akasya Acıbadem), 4 restaurants in Ankara (Panora, Gordion, Tepe Prime, Armada) and Bursa (PodyumPark).





Trattoria Enzo

Trattoria Enzo was established in 2014 to meet the demand for Italian “homemade food” in Turkey. The first restaurant was opened in Akasya Acibadem.

Trattoria Enzo sets itself apart from its peers and offers its customers a unique experience with pastas made in-house, pizzas, cooked

using different techniques, fresh living ingredients not based on imported raw materials and a strong price/quality balance.



Kronotrop

Kronotrop, a 3rd generation coffee shop, was acquired by the Istanbul Food and Beverage Group in 2014. Kronotrop was refitted and

revamped so it could compete with international leading coffee chains.

Kronotrop is now one of the World’s 25 leading coffee shop chains according to Buzzfeed.

Kronotrop aims to buy best coffee beans directly from producers and to offer them to coffee connoisseurs by using advanced roasting techniques.

Kronotrop continued its growth in 2015 and today it has branches in Cihangir, Sultanahmet and the Orjin Business Center in addition to a roasting plant, R&D facility and training center.





Terra Kitchen

Terra Kitchen was established in 2013 with its concept directed to customers wanting to eat good food, fast, at reasonable prices. Terra Kitchen was founded with the aim of bringing a breath of fresh air to points close to business centers as well as in the food courts of shopping malls.

Terra Kitchen offers its diners a unique experience with a range of unique dishes. As part of its rapid expansion, Terra Kitchen opened a new branch in the Orjin Business Center in 2015. Terra Kitchen aims to sustain its expansion in line with its growth target, by opening a new branch in the Allianz Tower in 2016.

Gains/Achievements following İş Private Equity's partnership

Istanbul Food and Beverage Group's gains following İş Private Equity's investment in the company in 2012 are summarized below.

- In line with corporate governance needs, the senior management was enhanced and management standards, primarily reporting and analysis methods, were established.
- Within the scope of strategic goals, new brands were created. Franchising and management contract models started to be used as investment alternatives in the expansion process.
- All management processes were improved and coordination with IFBG was achieved in determining strategic targets.
- IFBG hosted 700,000 visitors with two brands, in 6,000 m² of area and at 9 service points in 2012. The Group reached 920,000 visitors with five brands, 8,250 m² of area and 15 service points in 2015.

A synergic cooperation between İş Private Equity and IFBG has also yielded significant results in the area of corporate governance. The main results are summarized below.

- Development of management standards, primarily in reporting and analytical methods,
- Conducting work in operational and financial areas.

New brands were offered to the market and efficient growth was achieved as a result this investment and cooperation. Within the scope of location based expansion exercises of IFBG's brands, an improvement has been seen in various business models such as the company's equity investment, franchise strategy, management contract and in economic feasibility. Accordingly, the required actions have been taken.



A local brand commanding a strong position in the sportswear and products sector



Sportive

(Toksöz Spor Malzemeleri Ticaret A.Ş.)

İş Private Equity, as an investor, participated in Sportive (Toksöz Spor Malzemeleri Ticaret A.Ş.) in 2012, which commands an important position in the sportswear and products sector in Turkey.

İş Private Equity undertook its 14th investment in Sportive which entered operation in 1985 and is one of Turkey's leading sports retail chains with 34 stores.

Following the Company's investment, Sportive played a pioneering role in the sector's change with its store concept. Nine new stores with a total of 8,326 m² in retail space were opened.

Sportive is Turkey's biggest multi branded sports retail store with 29,715 m² of retail space. Since the investment was undertaken, the share of retail revenues increased from 53% in 2011 to 66% in 2015.

The company's 2016 target is to improve its product portfolio in the area of accessory items, as well.

Gains/Achievements following İş Private Equity's partnership

The changes at Sportive following İş Private Equity's investment in 2012 are summarized below.

- In line with the corporate governance needs, a professional senior management team was formed. The organizational structure was reshaped according to the company's needs.
 - An internal control system and procedures were formed, in addition to a reporting system which was in line with customer needs.
 - Efforts regarding the enhancing and enriching of the company's sales networks were carried out.
 - Collection under the Sportive brand was offered to the market for the first time. In 2015, Sportive branded products accounted for 11% of total revenue.
- A concept specific to Sportive stores was developed and the customer experience was improved.
 - Franchise opportunities were evaluated in cities that offer potential and penetration opportunities.
 - E-commerce operations were developed through the www.sportive.com.tr website.
 - A new and modern warehouse was opened within the scope of efforts to enhance the logistical infrastructure.

sportive

www.sportive.com.tr



A company which manufactures value-added products for orthopedics, traumatology and brain surgery



Ortopro

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

In 2007 İş Private Equity invested in Ortopro, one of the leading domestic manufacturers in the Turkish orthopedic surgery sector. İş Private Equity increased its stake in the company to 83.64% through a capital increase in 2015.

In 2007, İş Private Equity became a partner in Ortopro, which was founded in 2002. The company manufactures medical devices for orthopedics, traumatology and brain surgery. Ortopro sells these products in the domestic market. The company realized a capital increase in 2015 and increased its share in the company to 83.64%.

Following İş Private Equity's investment, Ortopro reached a direct sales line to 50 branches and 25 hospitals in Turkey. Ortopro also gained a capability to produce for global brands, as well.

In addition, Ortopro became a domestic manufacturer certified by the US Food and Drug Administration (FDA). Ortopro became capable of quickly responding to customers' needs and demands with its flexible production infrastructure and was thus able to set itself apart in tenders.

Gains/Achievements following İş Private Equity's partnership

Ortopro's gains following İş Private Equity's investment in 2007 are summarized below.

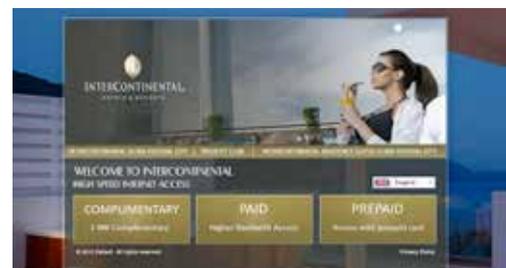
- A new facility was founded with a 2,750 m² enclosed area in the Aegean Free Zone in İzmir. The company undertook machinery-equipment investments.
 - Within the scope of corporate governance needs, the company established a planning system, management standards and analytical methods.
 - After a capital increase at the end of 2015, a professional general manager was appointed and senior the management was enhanced.
- The share of exports increased from 4% in 2007 to 45% in 2015.
 - In addition to production for global brands, the company took action in developing its growth and export strategy with its UK based subsidiary, Covision.
 - As required by quality standards, products were licensed with certifications such as ISO 9001, CE, FDA and ANVISA.



www.ortopro.com.tr



An IT company which markets its products with the intermediary of more than 150 business partners in 4 continents and 50 countries



Nevotek

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

İş Private Equity invested in Nevotek between 2003-2006. Nevotek offers solutions for the transmission of voice, data and video through a single infrastructure which is “IP telephone”. İş Private Equity guided Nevotek’s growth.

Nevotek was founded in 2001 and is a business partner of Cisco, one of world’s leading IT companies. The company was founded to develop software for IP Telephones that use Internet Protocol. With İş Private Equity’s investment, it expanded its area of activity.

Nevotek is specialized in IP Convergence, covering the management of voice, data, video and electrical appliances through a single infrastructure over an IP. Nevotek markets its products with the intermediaries of more than 150 business partners in 4 continents and 50 countries. As of the end of 2015, exports accounted for 99% of its sales.

Nevotek also provides solutions for the Hospitality Sector. Within the scope of the synergic cooperation with Cisco, the company initiated efforts for the sector, which is considered to have a significant potential in Eastern Europe, the Middle East and Africa-EEMEA. The “VIP-Suite”, which is Nevotek’s first product, was tested in Cisco’s laboratories. It was qualified with the “Cisco Compatible” label after its compatibility with Cisco products was approved. The V/IP Connect product, which was prepared by Nevotek for Hospitality Sector, was then included in Cisco’s price list and started to be marketed worldwide through all of Cisco’s distribution channels.

Nevotek has received various rewards from Cisco thanks to the value added it has generated since its foundation. The company was one of the 6 Cisco Partners, out of a total of more than 350 that qualified to be a member of the Cisco Technology Development Program.

Nevotek’s gains and new projects following İş Private Equity’s Investment between 2003-2006 are summarized below.

- Specialized in IP Convergence which means managing voice, data, video and electronic appliances through a single infrastructure thanks to IP.
- Within the framework of seeking solution partners besides Cisco, which was the result of the study carried out for expanding the target market, sales to LG (through its subsidiary in Dubai) and Avaya started in 2010.
- The company started to offer services to the finance sector in Turkey in 2011 by supporting İşbank as a solution partner in IP telephone software.
- Recently, two different products which are cloud based and work to a recurring revenue model have been developed.
- Through the products provided to hotels, services that improve customer loyalty are offered in addition to new customer acquisitions.

NEVOTEK
The IP Convergence Company

www.nevotek.com

- New projects have been carried out in order to create more value added by offering additional services within the framework of reservation, check-in and check-out processes.
- Software which allows customers’ locations to be determined in a hotel and which was developed for Cisco wireless router devices provide different services, as well. A contract was signed with IHG (InterContinental Hotels Group) in 2015 within the scope of the project. Installation of devices covering the Group’s 3,800 hotels in the USA will start in the first quarter of 2016. The project is also expected to be applied in other big hotel chains.
- Another software whose R&D process was completed provides customers with additional services before their check-in.

Through this cloud-based software, customers are able to book hotel rooms, carry out restaurant reservations, reserve meeting rooms, and book spa treatments, hotel transfers and similar services where hotels may have difficulties in their sales.

Nevotek aims to enhance its position in the market with these cloud-based projects in the hospitality sector.

A success story: Cinemars investment



Beginning of İş Private Equity's Success Story: The First Exit: Cinemars

İş Private Equity invested in Cinemars between 2003-2006. Cinemars is one of Turkey's most important cinema chains in Turkey with its presence in 14 points. İş Private Equity created its first success story with this investment. Summary information about Cinemars investment which is also İş Private Equity's first exit are presented below.

Turkish cinema sector was virgin market that has opportunities with low number of cinema theaters and audiences in the beginning of 2000s. İş Private Equity recognized the growth potential of the sector just before the sector's transformation and decided to invest in the company. After evaluating various investment opportunities, İş Private Equity preferred Cinemars as its shareholders have strong foresights about the sector and sound growth targets although the company was smaller comparing to its competitors. İş Private Equity's total investment amount was USD 11.5 million during its partnership in Cinemars. Partnership which was started in 2003 was terminated in 2006 with the sale of shares with USD 19.4 million to Mars Entertainment Group A.Ş. which is also partnered by Colony Capital. İş Private Equity obtained IRR of 30.25% on USD basis from this investment. As a result of the investment, there are improvements in the quality of cinema theaters and old technological infrastructure.

Investment theme

Cinemars investment was based on 4 main themes.

Growth potential in content

Share of local movies in total number of audiences was only 20% in 2000. TV series sector which had been newly developing was the pioneer of local movies. Change was started with the same trends in Mexico, Greece and South Korea. Number of released foreign movies had been increasing every year however it was not sufficient alone. Development of Turkish cinema had great opportunities for the cinema sector. Thanks to this, greater number of audiences could go to cinema.

Consolidation opportunities in the sector

The cinema sector offered consolidation opportunities with its fragmented structure consisting of many small and medium sized players.

New structuring in the retail sector

The Turkish retail sector was undergoing a structural transformation process with the rapid increase in the number of shopping malls. This transformation process presented various opportunities for the cinema sector. Thanks to this, the supply of cinema locations started to increase, precipitating a transition from 1 or 2 screen cinemas to multiplexes with 6 and more screens.

A visionary player: Cinemars

Cinemars was positioned to effectively benefit from the opportunities in a sector which had not yet reached maturity and undergoing transformation. The attraction of Cinemars lies in its visionary and farsighted shareholders.

MARS® THE CINEMA PROFESSIONALS

www.marscinemagroup.com.tr

In consideration of these evaluations, İş Private Equity became Cinemars's partner in July 2003. İş Private Equity invested USD 11.5 million between 2003 and 2005.

Value Creation

İş Private Equity contributed to the value creation by working closely with the company management during investment period through the following steps.

- The appointment of a CFO and improving the management team
- Improving the speed and security of the reporting system
- Supporting location based feasibility studies in order to obtain appropriate rental contracts
- Starting the transformation to multiplex cinemas
- Development of the sponsorship model in cinema
- Starting sectoral consolidation: Acquisition of Tepe Cinemaxx, the second biggest player of the market, in 2005.

Achievements with the Exit

İş Private Equity's forecasts were realized and the sector grew rapidly following a period of transformation. The local content rating increased from 20% in the pre-investment period to above 50% in 2006. Moreover, the number of foreign films screened increased by 45% from 121 in 2003 to 176 in

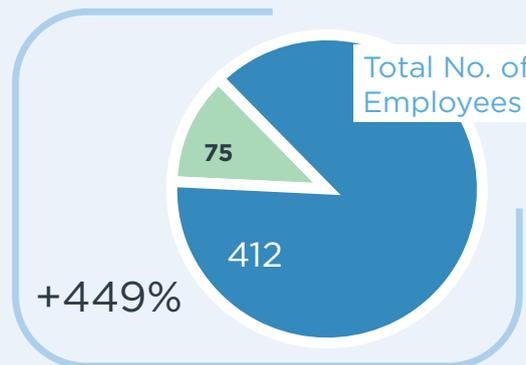
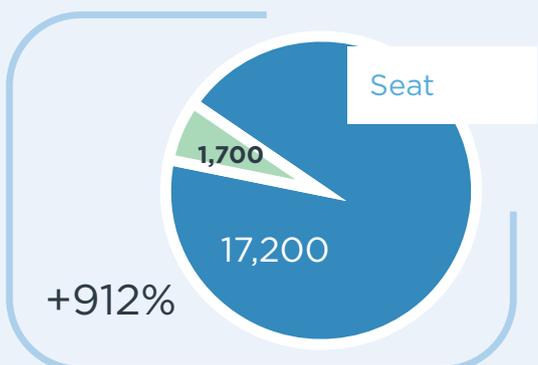
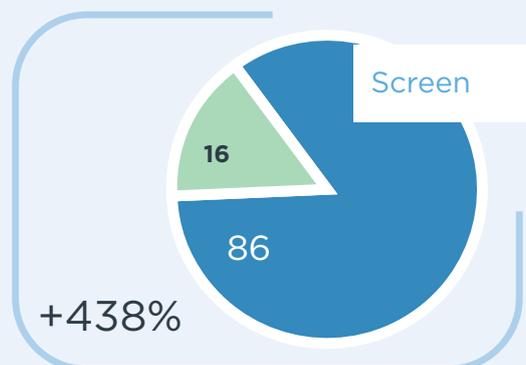
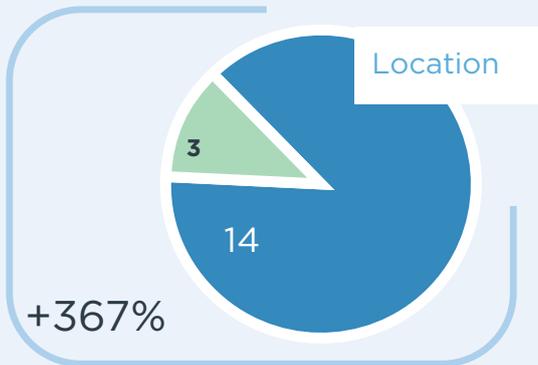


The First Exit: Cinemars

Field of Activity	Entry - Exit Years
Cinema Operator	2003 - 2006
Investment Amount	Proceeds
USD 11.5 million	USD 19.4 million
Return (USD IRR - MM)	Exit
30.25% - 1.69x	Mars Entertainment Group A.Ş.

2005. The potential number of cinemas was increased with newly opening shopping malls. Cinemars benefited from this increase and enhanced its presence in important locations. In addition to organic growth, Cinemars embarked on a process of consolidation in the sector by acquiring Tepe Cinemaxx, the sector's second biggest player. As a result of these developments, the number of screens increased from 16 to 86, while there was a ten-fold increase in the number of seats from 1,700 to 17,200. Furthermore, agreements with 9 new locations were reached during the exit period. These investments increased the capacity to 76 screens and 14,397 seats. Cinemars became one of the biggest players of the sector, achieving growth rates in excess of the growth in the sector. **In line with this operational success, there was a seven-fold jump in revenues and an 18-fold increase in EBITDA. The market share also rose by 7-fold, from 1.5% to 10.8% during the same period.**

İş Private Equity, which had various exit options, chose an exit that would help the company continue to meet its growth target, which was in line with the preferences of the current shareholders. İş Private Equity sold its shares Mars Entertainment Group A.Ş. for a sum of USD 19.4 million and exited the investment. İş Private Equity had increased the value of its investment by 1.7 times over 3 years, representing an IRR of 30.25%. The Cinemars investment was the first exit carried out by locally financed private equity funds. This investment indicated that funds can contribute value creation as well as obtaining returns.



Message from the Chairman of Mars Cinema to İş Private Equity



“I would like to mention how delighted I am to have cooperated with you in İş Private Equity’s investment in Mars Sinema Turizm ve Sportif Tesisler İşletmeciliği A.Ş. between 2003 and 2006.

As the Chairman of Mars Sinema I would like to state that you played a key role in our transformation from a cinema chain that had a presence in just three locations to being Turkey’s most important cinema chain, which now has a presence in 14 locations. You also played a key role in our revenue growth, as you invested in our dreams and vision when our company was so young.

Moreover, you also played a crucial role in the transformation of our corporate structure and culture to being a company governed by a board of directors within the framework of corporate governance, from a company that had been owned and governed by its shareholders.

With İş Private Equity, with whom we formed such a vibrant and synergic team, our revenues jumped by 7 times and our EBITDA by 18 times within 3 years. Thanks to you, we were able to take rapid decisions by detailing all strategic decisions with their alternatives.

Thanks to your support, you helped make our company one of the biggest players within the space of just 3 years. More importantly, you took care of our wishes and provided our current status during your exit.

We will always owe you a debt of gratitude.”

Muzaffer Yıldırım

Expert Team: Accurate Analysis & Insightful Investment

İş Private Equity employs an expert team of talented professionals who are entrepreneurial in spirit and highly innovative in their thinking in order to transform investment opportunity into value. Investment professionals who are steeped in the corporate culture and strategies of İş Private Equity and who recognize and share in common objectives are possessed of skills that enable them to carry out all the tasks of resource discovery, business analysis, investment, monitoring, exiting and so on as one of the strongest teams at work in Turkey's private equity sector today.



Summary of 2015 Operations

Financial Operations

Funds which are unable to be invested as private equity investments are put to work 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.

During 2015 the Company's non-private equity portfolio consisted of investments in TL-denominated debt instruments, mutual funds, stocks and fixed-term deposits. The cash dividend distribution involved a total cash outflow of TL 10,078,085 from the portfolio, which was started on

19

employees

At year-end 2015, total number of employees of İş Private Equity was 19.

20 March 2015. In addition to this, the cash portfolio was reduced by TL 35,350,000 as a result of the Tatil Budur investment, which was undertaken on 6 November 2015, and the participation in the capital increase of Ortopro through a rights issue in December 2015.

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

Information about the private equity components of İş Private Equity's long-term financial investments as of 31 December 2015 is provided below.

Company	Stake (%)
Nevotek Bilişim Ses ve İletişim Sis. San. ve Tic. A.Ş.	81.24
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	83.64
Toksöz Spor Malzemeleri Ticaret A.Ş.	55.00
Numnum Yiyecek ve İçecek A.Ş.	61.66
Radore Veri Merkezi Hizmetleri A.Ş.	25.50
Mika Tur Seyahat Acenteliği ve Turizm A.Ş.	20.00
Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. (bonds*)	-

* These debentures (aggregate nominal value TL 10,000,000) qualify as a private equity investment pursuant to the paragraph 3/c definition of "private equity investments" in article 21 of the SPK communique governing private equity investment trusts.

Summary of 2015 Operations

Administrative Operations

Human Resources

As of end-2015, İş Private Equity had 19 people on its payroll. Management personnel are identified in the “Corporate Governance & Risk Management” section of this report.

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

Annual General Meeting

İş Private Equity’s annual general meeting for 2014 was held on 18 March 2015. Meeting-related announcements were made within statutorily-mandated periods of time via the 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 and the Company’s independent directors, and with the Company’s dividend distribution decision. At the same meeting it was also decided that a cash dividend in the total amount of TL 10,078,085 should be paid out of the Company’s current profit and that payments of this dividend would begin on 20 March 2015. These payments were completed as of 24 March 2015. The results of the annual general meeting were registered on 31 March 2015.

70.36% 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 and the Company’s website.

Statutory Compliance

- In the 2015 annual General Meeting, shareholders were informed of the “Information Policy”, which was updated within the scope of legislation amended during 2014.
- The validity of the Company’s authorized capital ceiling expires in 2016. During the period, the Company applied to the CMB to undertake an amendment to the articles of association to extend the validity of the Company’s authorized capital ceiling by 2020. This was disclosed on the Public Disclosure Platform.
- The CMB provided additional time until the end of 2015 to reach the venture capital investment level which was set in the related Communiqué, and which had remained below this level as of the end of 2013. This situation was disclosed in the Public Disclosure Policy. However, according to the legislation, in the event that investments in SMEs exceed 5% of the Company’s total assets as of the year-end, a limitation ration of 35% is applied for venture capital investments is applied, instead of 51%.

Three of the companies that İş Private Equity had invested in as of the end of 2014 are considered as SMEs, as reported to the CMB in December 2014. Moreover, this was also notified in portfolio ratio tables that were presented in the footnotes to the 2014 financial statements.

The CMB published the decision, outlined below, on

13 January 2015 regarding permits obtained for the limitation rate and the deadline for compliance with the rate.

“The decision was taken to announce the following to the public regarding venture capital investment trusts, in accordance with Article 24.2 of the Communiqué No: III-48.3 Principles for Venture Capital Investment Trusts: Investment trusts that applied to our Board for a limitation rate and which were found to be compliant with the venture capital portfolio limitation at the end of first year in compliance with the portfolio limitation table set out in the footnotes to the independently audited annual solo financial statements cannot be considered, as they were given time within the context of Article 24 of the Communiqué”.

When SME investments and the aforementioned decision are considered, the required rate was achieved before the

31 December 2015 deadline to reach it. The new situation was presented to the CMB just after the 2014-year end financial statements were disclosed to the public. The aforementioned points were confirmed in the CMB’s letter dated

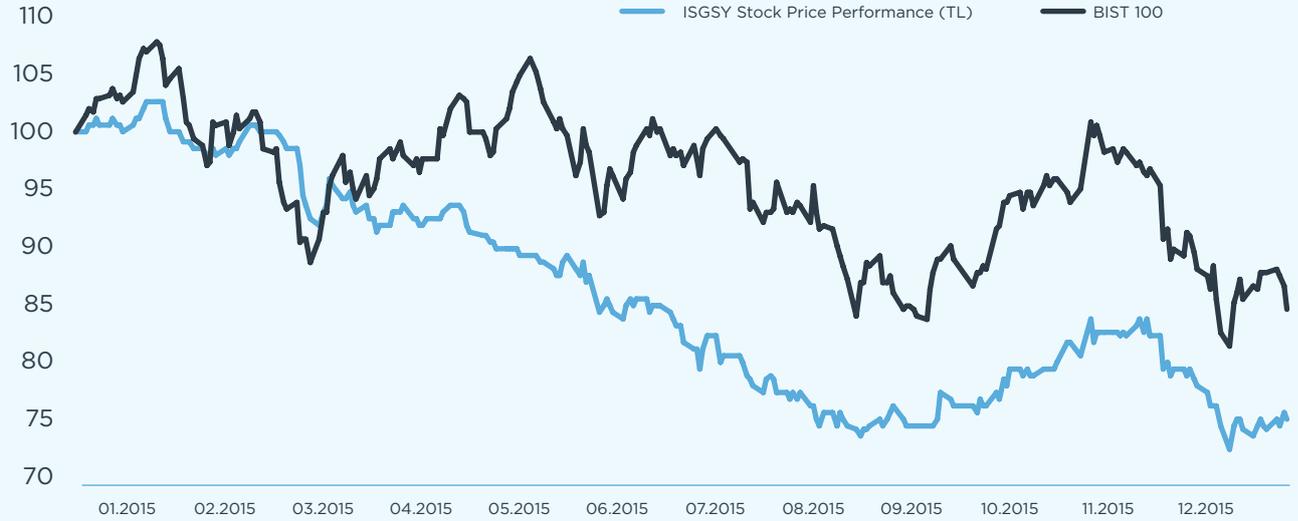
19 March 2015. It was stated that an additional the 2 years of time, which was given in the beginning of 2014, could not be taken into consideration.

Material Event Disclosures

A total of 27 material event disclosures were published by the Company on the Public Disclosure Platform during 2015.

Borsa İstanbul (BIST) - İş Private Equity Share

ISGSY STOCK PRICE



Market Value

İş Private Equity's adjusted share price decreased by 23.3% between 1 January 2015 and 31 December 2015. In the same period, the BIST 100 index decreased by 16.3%.

TL	2015
Stock Price	1.61
Market Value	120,190,490

Source: Thomson Reuters

Dividend Policy

The 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 2015

There were no changes in the legal framework that were of material concern to the Company during 2015.

Corporate Governance and Risk Management Organizational Chart



Board of Directors

The members of the Board of Directors, who have been elected during the Company's 2014 annual General Meeting held on 18 March 2015 to serve until the next annual General Meeting, the external audit firm designated for 2015 and the latest management team is presented below.

Neither the chairman nor any members resigned from the Board of Directors during the reporting period.

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

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

Members of the Board of Directors

Name - Surname	Position	Date Elected
Senar Akkuş	Chairman	18 March 2015
Ahmet Mete Çakmakçı	Deputy Chairman	18 March 2015
Meltem Gülsoy	Member	18 March 2015
Ali Erdal Aral	Member	18 March 2015
Volkan Kublay	Member	18 March 2015
Faik Byrns	Independent Member	18 March 2015
Ali Rıza Kutay	Independent Member	18 March 2015

External Audit Firm

Akis Bağımsız Denetim Serbest Muhasebeci Mali Müşavirlik A.Ş. (KPMG Turkey)

Company Management

Name - Surname	Position	Date Appointed
Alim Murat Özgen	Chief Executive Officer	1 January 2006
Selami Düz	Senior Managing Director	1 March 2014
Metin Yılmaz	Senior Managing Director	1 December 2015
Fatma Banu Gül	Director	1 December 2000
Süleyman Burak Bayhan	Director	1 July 2011
Hulki Okan Tabak	Director	1 January 2012

Company Code of Ethics

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

İş Private Equity:

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

İş Private Equity Employees:

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

Corporate Governance Principles Compliance Report

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Our Company, which is a publicly-held company, achieves compliance with the capital market legislation in the conduct of its operations. The institutionalization concept embraced by the Company's founding partners has been put into life also at İş Girişim Sermayesi (İş Private Equity) that has been incorporated in 2000. The Company maintains its relations with its employees, shareholders and other stakeholders on the principles of equitability, transparency, accountability and responsibility. The Company aims to further develop these relations and to spell out these principles in the form of written guidelines to be publicly disclosed within the

frame of an institutional approach. In 2012, our Company finalized its efforts to achieve alignment with the compulsory requirements of Corporate Governance Principles. Most of the non-compulsory principles are also implemented, whereas those others that are not implemented do not lead to any conflicts of interest.

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

SECTION I - SHAREHOLDERS Investor Relations Unit

The Financial and Administrative Affairs Department carries out the duties of Investor Relations Unit. This department operates under Selami Düz who is the Senior Managing Director 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 24 December 2015.

	F. Banu Gül	Burcu Perişanoğlu
Phone	212 - 325 17 44	212 - 325 17 44
E-mail	bgul@isgirisim.com.tr	bkalender@isgirisim.com.tr
License	Advanced Level and Corporate Governance	Advanced 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 2014 General Meeting took place in Istanbul. The meeting date and quorum are given below:

The Company's 2014 General Meeting took place in İstanbul. The meeting date and quorum are given below:

General Meeting	Date	Required Quorum (%)	Meeting Quorum (%)
Annual	18 March 2015	25	70.36

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.

During the reporting period, the Company did not make any charitable grants or donations, and information on the same has been provided during the General Meeting.

The Company's Information Policy, which was updated within the scope of legislative amendments, was divulged. The Information Policy is available on the Company's website.

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 2015.

Shareholders participated either physically or electronically in the Annual General Meeting held in 2015.

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'

Corporate Governance Principles Compliance Report

expectations and the Company's growth should be maintained,

- b) The private equity investments, which make up the core activity area of our Company, should be exited generating above-the-target yields,
- c) Dividends making up at least 30% of the distributable profit should be distributed in cash and/or in the form of dematerialized shares, taking into consideration the Company's overall profitability, as well.

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

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.

In the General Meeting held in 2015, it has been decided to pay cash dividends from the profit for the period. Cash dividend payout began on the date of inception of dividend payout as set in the said General Meeting.

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 27 material event disclosures during the reporting period.

The execution of the Information Policy is coordinated by the individuals who perform the "Investor Relations" function and the Senior Managing Director to whom these individuals report.

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 version of the Company's website was updated end of 2015. The renewed English version is now under construction.

Annual Report

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

SECTION III - STAKEHOLDERS

Keeping Stakeholders Informed

The groups that have a major interest relationship with the

Company are employees, shareholders and the Company's associates. Company employees are informed about their rights and responsibilities in meetings held with the senior management. Moreover, there are internal regulations in place, which set out the employees' rights and responsibilities and are determined by the Board of Directors and the Company's senior management. In the Board meetings of the Company's associates, on the other hand, information is provided on compliance with the contracts made, and the decisions adopted by the management of the parent company for the associates. Stakeholders are informed electronically within the frame of the CMB's public disclosure requirements. Since instant contact can be established between the Company and the stakeholders, and since no problems are experienced in terms of communication, the Company's acts in violation of the legislation or ethical rules, if any, can be notified to the Corporate Governance Committee and the Audit Committee forthwith. For these reasons, a special communication mechanism has not been created.

Stakeholder Participation in Management

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

Human Resources Policy

Internal bylaws prepared within the frame of the Company's "Code of Ethics" govern the relationships with the Company employees,

internal and external duties, rights, obligations and responsibilities, staffing and recruitment rules. Company employees and senior management additionally discuss rights and obligations in periodic meetings held. An employee representative has not been appointed in view of the number of the Company employees.

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

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

Code of Ethics and Social Responsibility

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

The Company does not pursue any activities specifically focused on its locality or the public in general. However, due to its core activity, the Company contributes to the economy by investing in companies that are in growth phase and in need of funds. There are no damages caused to the environment, nor are there any lawsuits brought against the Company on such grounds.

SECTION IV - BOARD OF DIRECTORS

Structure and Formation of the Board of Directors

Members of the Company's Board of Directors are elected from among individuals possessing the qualifications required by the

Turkish Commercial Code and the Capital Market Law, and the Articles of Association contain a provision to this end.

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

There are no conflicts of interests since the Board members who serve on other organizations besides the Company do not engage in commercial transactions with the Company. Board members holding positions outside the Company devote sufficient amount of their times to the Company's activities. Given the fact that there are no conflicts of interest between the Board members and the Company, and that Board members dedicate sufficient time for the Company affairs, specific rules concerning the relationship of Board members and the Company have not been documented. Within the scope of the exception set out in Article 6-1 of the Corporate Governance Communiqué, there are two independent Board of Directors members. Two independent members have been elected in the annual General Meeting held in 2015. Independent member nominees have been presented to the Board of Directors with the report dated 17 March 2015, and it has been decided to nominate them by the Board of Directors decision with the same date. During the reporting period, no occurrences took place that would eradicate the independence of independent members. There are no executive members on the Board of Directors. Board members have been elected to serve until the next annual General Meeting. Two of the seven Board members are women.

Corporate Governance Principles Compliance Report

Declaration of Interest by the Independent Board Member

Declaration by our Company's independent Board members for 2015 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 reputations sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any dispute that may arise between the Company and its shareholders, and to come to decisions freely on the basis of all stakeholders' rights,
- That I will be able to devote to the Company's affairs an amount of my time sufficient to keep track of the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking,
- That I have not served as a member on the Company's Board of Directors for more than six years within the most recent ten years,
- That I am not serving as an independent board member in more than three of the companies in which the Company, or shareholders having management control over the Company, have management control, or in more than five companies, in the aggregate, traded on the stock exchange,
- That I have not been registered and promulgated in the name of a legal entity elected as a member of the Board of Directors.

Members of the Board of Directors and Senior Management

Senar Akkuş (Chairman)

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

Ahmet Mete Çakmakçı (Deputy Chairman)

After getting his B.Sc. in electrical and electronic engineering from the Middle East Technical University, Mr. Ahmet Mete Çakmakçı received his master's and doctorate degrees from the Syracuse University, where he worked as a research assistant and lecturer from 1990 until 1997. He worked as an engineer and Business Development Manager for Savunma Teknolojileri Mühendislik ve Ticaret A.Ş. from 1999 until 2003, when he joined the Technology Development Foundation of Turkey as the Technology Policies and International Relations Coordinator. He was promoted to the position of Assistant Secretary General in 2005 and Secretary General in 2009, in which position he still

serves. Mr. Çakmakçı has been elected as a member of the Board of Directors on 28 April 2006, and still functions as Deputy Chairman of the Board. Mr. Çakmakçı was the Chairman of the Board of Mobiga Oyun Teknolojileri Sanayi ve Ticaret A.Ş. from 2008 to 2011, and serves as the Chairman of the Board of Directors at Teknoloji Yatırım A.Ş. since 2006.

Ali Erdal Aral (Member)

Mr. Ali Erdal Aral graduated from the Department of Economics (English) in the Faculty of Economics and Administrative Sciences at Marmara University and received his master's degree in international banking from the Loughborough University of Technology. He joined İşbank in 1989 as an Assistant Inspector on the Board of Inspectors. After working in the Organization Department from 1995 to 1996, he was appointed as an Assistant Manager to the Asset Management Department in 1997, where he was promoted to the position of Group Manager in 2000 and Manager in 2002. Mr. Aral was appointed as the Manager of Kozyatağı Corporate Branch in 2008, and as the Deputy Chief Executive of International Banking and Capital Markets in 2011. He was brought to the position of the General Manager of İş Yatırım Menkul Değerler A.Ş. on 11 February 2013. Mr. Aral held a seat on the Board of Directors of İş Yatırım Menkul Değerler A.Ş. (2001-2004), Erk Petrol Yatırımları A.Ş. (2005), Petrol Ofisi Gaz İletim A.Ş. (2005) and Petrol Ofisi A.Ş. (2005), T. Şişe Cam Fabrikaları A.Ş. (2007-2008), and Anadolu Hayat Emeklilik A.Ş. (2008-2011). He served as Chairman of the Board, Head of the Board of Directors Audit Committee and Board member at İş Dublin Financial Services Plc (2005-2008), CJSC Bank Sofia in Moscow (2011-2013), and İşbank GmbH, Frankfurt. From 2013 to 2014, he was the Chairman of the Board of Camiç

Menkul Değerler A.Ş. and Board member at İş Asset Management. Mr. Aral currently serves as the Chairman of the Board of Efes Varlık Yönetim A.Ş. and İş Investment Gulf Ltd., and as Board member of Maxis Investment Ltd.

Meltem Gülsoy (Member)

Ms. Meltem Gülsoy received her bachelor's degree in business administration from the Faculty of Economics and Administrative Sciences at Boğaziçi University and her master's degree from the University of Reading. She began her career as a Financial Analyst at Türkiye Sınai Kalkınma Bankası A.Ş., where she subsequently worked in the Corporate Marketing Department for 10 years. She functioned as the TSKB Project Finance Manager from 2009 to 2014. She has been working as TSKB Corporate Marketing Manager since May 2014. Having taken part in the financing of numerous industrial, energy, infrastructure, real estate development and tourism projects and acquisitions, Ms. Gülsoy also served as a Board member of TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (2009-2011) and of İş Finansal Kiralama A.Ş. (2012).

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, İş Finansal Kiralama A.Ş. and İş Faktoring A.Ş., Mr. Kublay was appointed as Unit Manager in the Subsidiaries Division in 2012. He also holds a member's seat on the boards of directors of İş Yatırım Menkul Değerler A.Ş., İş Yatırım

Ortaklığı A.Ş., Yatırım Finansman Menkul Değerler A.Ş. and Efes Varlık Yönetim A.Ş.

Faik Byrns (Independent Member)

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

Ali Rıza Kutay (Independent Member)

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

A. 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

Corporate Governance Principles Compliance Report

Manager in 2002, where he has been serving as the CEO since 2006. Also holding member seat on the boards of directors of companies in which our Company participates, Mr. Özgen is currently member of the Board of Directors of Numnum Yiyecek ve İçecek A.Ş.

Selami Düz (Senior Managing Director)

Mr. Selami Düz received his degree in international relations from İstanbul University in 1990, after which he joined İşbank Board of Inspectors. After working in the Internal Audit Unit of İşbank AG, an associate of İşbank in Germany, from 1996 until 1999, he became the Manager of Munich Branch at the same bank (1999-2001), Division Manager of Loans, Risk Management, Human Resources and Foreign Transactions (2001-2005) and of Risk Management, Financial Reporting, Human Resources, and Information Technology (2005-2007). Mr. Düz was appointed as a member of the Executive Committee of the same bank in 2007, a position he held until September 2013 when he returned to İşbank. Having joined our Company in March 2014, he functions as CFO, Senior Managing Director. Mr. Düz is currently member of the Board of Directors of Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.

Metin Yılmaz (Senior Managing Director)

Metin Yılmaz graduated from the Faculty of Politics at Ankara University and completed a master's degree in International Finance at the University of Newcastle upon Tyne in the UK. Mr. Yılmaz completed a PhD in Finance and Banking in Kadir Has University in 2010. He started his career as an internal auditor at Türkiye İş Bankası A.Ş., he later undertook managerial roles in the Capital Markets and Subsidiaries Department of Türkiye İş Bankası A.Ş. and in İş Securities.

Between 1999 and 2015, Mr. Yılmaz assumed a variety of roles in the Subsidiaries Department including the foundation of new companies, mergers and acquisitions, share transfers, board memberships in Group Companies operating especially in the telecommunication, logistics, software development and financial services sectors.

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

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

Number, Structures and Independence of Board of Directors Committees

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

The Audit Committee is formed of Ali Rıza Kutay (Head) and Faik Byrns, who are independent Board members. The Committee meets at least four times a year to examine financial statements and to designate the external audit firm.

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

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

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

Besides the committees set up as per the legislation governing the Company, there is an investment committee which was established pursuant to the Company's field of activity and which is formed of

one Board member, the CEO and two individuals who have expertise in their respective fields and who are not members of the Company's Board of Directors. This Committee meets as and when deemed necessary to discuss the fitness for investment of companies, which the Company's senior management proposed to be invested in. The Board member serving on this Committee does not have an executive function.

Risk Management and Internal Control Mechanism

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

Strategic Goals of the Company

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

Within the context of this mission, İş Private Equity engages the collective funds at its disposal, and allows entrepreneurs to make optimum use of this know-how and experience.

In addition, İş Private Equity aims to generate higher yields for its shareholders than other investment alternatives on the back of efficient portfolio management and exemplary corporate structure.

The Company's mission is posted and publicly disclosed on the corporate website.

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

Financial Rights

The Company's Remuneration Policy has been made public on KAP and the corporate website, and information on it has been provided to our shareholders at the Annual General Meeting held on 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 3,564,890 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.

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 2015; TL 1,037,470 was derived on interest income on deposits. The Company paid TL 481,173 for rental fees, TL 91,432 for insurance costs, TL 147,841 for office overhead expenses, TL 311,812 for transaction and commission and advisory expenses, TL 56,663 for service charges and TL 13,563 for other expenses, while TL 970,697 was generated on dividend income.

Relations with the Group of Companies

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

"Commercial transactions realized with the controlling shareholder and its affiliates during 2015, 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 2015 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 2015 amounted to TL 3,564,890 gross.

Grants and Charitable Donations

No grants or charitable donations were made in 2015. The Company may make donations within the frame of its sense of social responsibility for social motives and/or natural disasters, and the Donations Policy devised to this end has been laid down for the approval of the General Assembly in 2012.

Changes to the Articles of Association During the Reporting Period

There were no changes to the Articles of Association during the reporting period.

Lawsuits Brought Against the Company With a Possible Impact Upon the Company's Financial Status and Activities and Their Potential Implications

No lawsuits were brought against the Company, nor the Company was subjected to a special and/or public audit during the reporting period.

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.

İş Private Equity

Ordinary General Assembly Meeting Agenda

1. Opening; election of the Chairing Council,
2. Authorization of the Chairing Council for signing the minutes of the General Assembly meeting,
3. Reading and discussion of the Annual Reports of the Board of Directors and Independent Auditor's Report,
4. Reading, discussion and approval of the balance sheet and profit and loss statement of the Company,
5. Discharge of the Board Members for their activities in 2015,
6. Discussing and deciding about the Board of Directors' proposal for the distribution of 2015 profits,
7. Election of the Board Members and determining the terms of their service,
8. Determining the remuneration of the Board Members,
9. Election of the Independent Audit Firm,
10. Authorization of the Board Members for carrying out the transactions provided under the Articles 395 and 396 of the Turkish Commercial Code,
11. Approval of the amendment of the articles numbered 6, 7, 8, 9, 10, 11, 17, 18, 19, 23, 29, 30, 35, 36 and 37 and cancellation of article number 21 of the Articles of Association of the Company,
12. Submitting information on the donations made within the year,
13. Determination of the upper limit for donations to be made within the year 2016.

İş Private Equity 2015 Profit Distribution Table (TL)

İş Private Equity 2015 Profit Distribution Table (TL)			
1.	Paid-in / Issued Capital	74,652,480.00	74,652,480.00
2.	General Legal Reserves (according to Legal Records)	20,488,276.01	20,488,276.01
	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	772,649.00	4,240,601.93
4.	Taxes Payable	-	-
5.	Net Profit for the Period	772,649.00	4,240,601.93
6.	Losses in Prior Years (-)	-	-
7.	General Legal Reserves (-)	212,030.10	212,030.10
8.	Net Distributable Profit for the Period	560,618.90	4,028,571.83
9.	Donations during the Year (+)	-	-
10.	Net Distributable Profit for the Period Including Donations	560,618.90	4,028,571.83
11.	First Dividend to Shareholders		
	- Cash	-	-
	- Bonus Shares	-	-
	- Total	-	-
12.	Dividends Distributed to Owners of Privileged Shares	-	-
13.	Other Distributed Dividends	-	-
	- To Board Members	-	-
	- To Employees	-	-
	- To People Other than Shareholders	-	-
14.	Dividends Distributed to Owners of Redeemed Shares	-	-
15.	Second Dividend to Shareholders	-	-
16.	General Legal Reserves	-	-
17.	Statutory Reserves	-	-
18.	Special Reserves	-	-
19.	Extraordinary Reserves	560,618.90	4,028,571.83
20.	Other Resources to be Distributed	-	-

	GROUP ⁽¹⁾	TOTAL DIVIDENDS		TOTAL DIVIDENDS / NET DISTRIBUTABLE PERIOD PROFIT	OF TL 1 NOMINAL VALUE DISTRIBUTED PROFIT	
		CASH (TL)	BONUS (TL)	RATE (%)	AMOUNT (TL)	RATE (%)
NET	A	-	-	-	-	-
	B	-	-	-	-	-
	TOTAL	-	-	-	-	-

⁽¹⁾ There are no privileged shares in profit distribution.

Independent Auditors' Report



**Akis Bağımsız Denetim ve Serbest
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To the Board of Directors of

İş Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi,

Report on the Financial Statements

We have audited the accompanying financial statements of İş Girişim Sermayesi Yatırım Ortaklığı Anonim Şirketi (“the Company”) which comprise the statement of financial position as at 31 December 2015 and the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

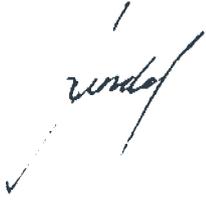
In our opinion, the financial statements present fairly, in all material respects, the financial position of İş Girişim Sermayesi Yatırım Ortaklığı as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Independent Auditors' Report

Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 28 January 2016.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2015, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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



Funda Aslanoğlu SMMM
Partner

28 January 2016
İstanbul, Turkey

Additional paragraph for convenience translation to English:

As explained in Note 2.1, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

Statement of Financial Position

As at 31 December 2015

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

	<u>Notes</u>	<u>Audited 31 December 2015</u>	<u>Audited 31 December 2014</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	11,601,590	27,125,692
Financial Investments	6	104,500,617	127,764,150
Other Receivables	8	1,180	1,180
Prepaid Expenses	14	246,926	51,986
Other Current Assets	15	446,497	677,407
TOTAL CURRENT ASSETS		<u>116,796,810</u>	<u>155,620,415</u>
Non-current Assets			
Other Receivables	8	150	150
- <i>Other Receivables from Related Parties</i>	4	150	150
Financial Investments	6	141,871,120	113,072,109
Tangible Assets	9	236,135	389,536
Intangible Assets	10	30,032	42,267
TOTAL NON-CURRENT ASSETS		<u>142,137,437</u>	<u>113,504,062</u>
TOTAL ASSETS		<u>258,934,247</u>	<u>269,124,477</u>

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

Statement of Financial Position As at 31 December 2015

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

	Notes	Audited 31 December 2015	Audited 31 December 2014
LIABILITIES			
Current Liabilities			
Trade Payables	7	3,763	503,114
- Due to Related Parties	4	3,763	503,114
Other Payables	8	750	230
Employee Benefit Payables	16	36,912	32,645
Short-Term Provisions		1,878,814	1,988,953
- Short-Term Employee Benefits	13	1,878,814	1,988,953
Other Current Liabilities	15	1,187,640	429,203
TOTAL CURRENT LIABILITIES		3,107,879	2,954,145
Non-current Liabilities			
Long-Term Provisions		720,027	1,758,555
- Long-Term Employee Benefits	13	720,027	1,758,555
TOTAL NON-CURRENT LIABILITIES		720,027	1,758,555
TOTAL LIABILITIES		3,827,906	4,712,700
EQUITY			
Share Capital	17	74,652,480	74,652,480
Adjustment to Share Capital	17	21,606,400	21,606,400
Share Premium	17	7,000,000	7,000,000
Legal Reserves	17	20,488,276	19,185,249
Retained Earnings	17	130,586,536	127,370,080
Profit for the Year		772,649	14,597,568
TOTAL EQUITY		255,106,341	264,411,777
TOTAL EQUITY AND LIABILITIES		258,934,247	269,124,477

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

Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2015

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

	Notes	Audited 1 January - 31 December 2015	Audited 1 January - 31 December 2014
CONTINUING OPERATIONS			
Revenue	18	12,407,484	22,757,254
Cost of Sales (-)	18	(1,850,400)	--
GROSS PROFIT		10,557,084	22,757,254
Administrative Expenses (-)	19	(9,740,823)	(8,054,465)
Other Operating Income	20	33,659	3,241
Other Operating Expenses (-)	20	(77,271)	(108,462)
OPERATING PROFIT		772,649	14,597,568
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		772,649	14,597,568
Income tax from continuing operations	21	-	-
PROFIT FOR THE YEAR		772,649	14,597,568
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		772,649	14,597,568
Basic and Diluted Earnings per Share	22	0.01035	0.19554

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

Statement of Changes in Equity For the Year Ended 31 December 2015

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

Notes	Share Capital	Adjustments To Share Capital	Share Premium	Other Comprehensive Income/Expense that may be Reclassified to Profit or Loss	Foreign Currency Translation Reserves	Other Reserves	Legal Reserves	Retained Earnings		Total Before Non-controlling Interests	Non-Controlling Interests	Total
								Profit For the Year	Retained Earnings			
Balance at 1 January 2014	66,654,000	21,606,400	7,000,000	(1,300,965)	2,639,654	14,520,826	68,664,493	68,403,268	248,187,676	20,515,532	268,703,208	
Adjustments related to changes in accounting policies	-	-	-	1,300,965	(2,639,654)	(118,019)	17,728,693	(2,647,732)	13,624,253	(20,515,532)	(6,891,279)	
Restated balance at 1 January 2014 ⁽¹⁾	66,654,000	21,606,400	7,000,000	-	-	14,402,807	86,393,186	65,755,536	261,811,929	-	261,811,929	
Transfers	17	7,998,480	-	-	-	4,782,442	(86,393,186)	73,612,264	-	-	-	
Total comprehensive income	-	-	-	-	-	-	14,597,568	-	14,597,568	-	14,597,568	
Dividends paid	17	-	-	-	-	-	-	(11,997,720)	(11,997,720)	-	(11,997,720)	
Balance at 31 December 2014	74,652,480	21,606,400	7,000,000	-	-	19,185,249	14,597,568	127,370,080	264,411,777	-	264,411,777	

Notes	Share Capital	Adjustments To Share Capital	Share Premium	Other Comprehensive Income/Expense that may be Reclassified to Profit or Loss	Foreign Currency Translation Reserves	Other Reserves	Legal Reserves	Retained Earnings		Total Before Non-controlling Interests	Non-Controlling Interests	Total
								Profit For the Year	Retained Earnings			
Balance at 1 January 2015	74,652,480	21,606,400	7,000,000	-	-	19,185,249	14,597,568	127,370,080	264,411,777	-	264,411,777	
Transfers	17	-	-	-	-	1,303,027	(14,597,568)	13,294,541	-	-	-	
Total comprehensive income	-	-	-	-	-	-	772,649	-	772,649	-	772,649	
Dividends paid	17	-	-	-	-	-	-	(10,078,085)	(10,078,085)	-	(10,078,085)	
Balance at 31 December 2015	74,652,480	21,606,400	7,000,000	-	-	20,488,276	772,649	130,586,536	255,106,341	-	255,106,341	

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

Statement of Cash Flows

For the Year Ended 31 December 2015

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

	Notes	Audited 1 January - 31 December 2015	Audited 1 January - 31 December 2014
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		772,649	14,597,568
Adjustments to Reconcile Net Profit			
Depreciation	9	182,423	175,971
Amortization	10	23,445	21,577
Increase in bonus provision	13	299,850	257,000
Increase in vacation pay liability	13	60,393	195,450
Increase in severance pay liability	13	44,986	31,919
Increase in accrued expenses	15	326,569	33,657
Fair value loss	18	4,705,639	722,108
Gain on sale from financial investment		(755,925)	--
Change in fair value of investment securities (net)		(1,525,680)	(7,621,906)
Interest received	18	(2,559,564)	(3,982,529)
Changes in working capital			
Interest received		2,786,078	4,051,849
Decrease// (increase) in other receivables and current assets		35,970	(200,786)
Increase in trade payables		(499,351)	(501,493)
Increase in other payables		436,655	106,225
Net cash from operating activities			
Severance payments	13	(17,615)	(8,051)
Vacation payments	13	(30,570)	--
Bonus payments	13	(1,505,711)	(2,151,283)
Net cash used in operating activities			
		2,780,241	5,727,276
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in financial investments		(10,565,836)	(26,420,047)
Acquisition of property and equipment	9	(29,022)	(52,574)
Proceeds from sale of financial investment	18	2,606,325	--
Acquisition of intangible assets	10	(11,210)	--
Net cash used in investing activities			
		(7,999,743)	(26,472,621)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	17	(10,078,085)	(11,997,720)
Net cash used in financing activities			
		(10,078,085)	(11,997,720)
CHANGE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)		(15,297,587)	(32,743,065)
D. EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD			
		--	--
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		26,883,834	59,626,899
NET DECREASE IN CASH EQUIVALENTS (A+B+C+D)		(15,297,587)	(32,743,065)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)		11,586,247	26,883,834
	5		

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

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

1. ORGANIZATION OF THE COMPANY AND NATURE OF OPERATIONS

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

The Company operates in private equity business.

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

As at 31 December 2015, the Company has 19 employees (31 December 2014: 18 employees)

2. BASIS OF PRESENTATION

2.1 Basis of Presentation

a) Approval of the Financial Statements

The Company’s financial statements as at and for the year ended 31 December 2015 were approved by the Board of Directors and authorization for issue is given for publishing on 28 January 2016. The General Assembly and/or statutory authorities have power to amend the financial statements after their issue.

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

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

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

The accompanying financial statements as at 31 December 2015 have been prepared in accordance with the communiqué numbered 20/670 “Announcement on Financial Statements and Footnote Formats” published by Capital Markets Board (“CMB”) dated 7 June 2013.

c) Basis of Measurement

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

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

d) Functional Currency

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

The foreign exchange rates used by the Company as at 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
US Dollar	2.9076	2.3189
Euro	3.1776	2.8207

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

e) Paragraph for convenience translation to English

The accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosures requirement of the POA.

f) Comparative Information

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

g) Consolidation Exemptions

According to TFRS 10 Consolidated Financial Statements, investment entity:

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

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

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

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

2.2 Changes in Accounting Policies

Accounting policies used to prepare 31 December 2015 financial statements were applied consistent with the financial statements prepared as at 31 December 2014.

2.3 Changes in the Accounting Estimates and Errors

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

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

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

2.4 Summary of Significant Accounting Policies

Revenue

Private equity

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

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

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

Dividend and interest income

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

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

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

Property and Equipment

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

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

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

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

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

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

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

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

Intangible Assets

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

Computer software

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

Useful life for software is 3 years.

Financial instruments

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

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and although they are not initially acquired for the purpose of trading, recognized in this category at the initial recognition and subsidiaries and associate meets consolidation exemption criteria in Note 2.1 (g). 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.

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

Held-to-maturity investments

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

Loans and receivables

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

Impairment of financial assets

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

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

Cash and cash equivalents

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

Financial liabilities

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

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

Financial liabilities are classified as or other financial liabilities.

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

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.

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

Events After the Reporting Period

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

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

Related Parties

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

Top management of the Company includes general manager and vice general managers.

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 Financial Statements as at and For the Year Ended 31 December 2015

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

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.

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

2.5 Significant Accounting Estimates and Judgments

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

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

The estimates are used particularly in the following notes:

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

Note 13 Employee benefits

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

Name of subsidiary and associate	Discount rates	Ongoing growth rates
Toksöz Spor Malzemeleri Ticaret AŞ (“Toksöz”)	16.6%-17.6%	4.5%-5.5%
Numnum Yiyecek ve İçecek A.Ş. (“Numnum”)	16.8%-17.8%	4.0%-6.0%
Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş. (“Nevotek”)	11.6%-12.6%	1.6%-2.6%
Radore Veri Hizmetleri Anonim Şirketi (“Radore”)	14.1%-15.1%	4.5%-5.5%
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. (“Ortopro”)	19.1%-20.1%	4.5%-5.5%
Mika Tur Seyahat Acenteliği ve Turizm A.Ş. (“Tatil Budur”)	16.0%-22.0%	7.5%.-9.5%

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

2.6 New standards and interpretations not yet adopted as of 31 December 2015

- *IFRS 9 Financial Instruments*

The new standard, together with the amendment published in December 2012, is going to be effective for the reporting periods beginning from 1 January 2018 onwards. IFRS 9 introduces new requirements for the classification and measurement of financial assets. The amendments made in IFRS 9 will principally affect classification and measurement of financial assets and financial liabilities measured at fair value and will require the changes in the fair value of such financial liabilities related to credit risk to be recognized in the statement of other comprehensive income. Earlier adoption of the Standard is permitted. The Company is not planning to early adoption of this standard and the potential effects of this Standard on the financial position and performance of the have not been evaluated.

- *Clarification of applicable methods of depreciation and amortization (Amendments to TAS 16 and TAS 38)*

The amendments to TAS 16 "Property, Plant and Equipment" explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to TAS 38 "Intangible Assets" introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

- *Disclosure Initiative (Amendments to TAS 1)*

The narrow-focus amendments to TAS 1 "Presentation of Financial Statements" clarify, rather than significantly change, existing TAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in TAS 1. The amendments relate to the following: Materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

- *Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and TAS 28)*

Before the amendment, it was unclear how to account for an investment entity subsidiary that provides investment-related services. As a result of the amendment, intermediate investment entities are not permitted to be consolidated. So where an investment entity's internal structure uses intermediates, the financial statements will provide less granular information about investment performance - i.e. less granular fair values of, and cash flows from, the investments making up the underlying investment portfolio.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

2.7 Improvements to TFRSs

The IASB issued Annual Improvements to IFRSs - 2012-2014 Cycle. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

Annual Improvements to TFRSs- 2012-2014 Cycle

TFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”

The amendments clarify the requirements of TFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

TFRS 7 “Financial Instruments: Disclosures”

TFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. TFRS 7 is also amended to clarify that the additional disclosures required by “Disclosures: Offsetting Financial Assets and Financial Liabilities” (Amendments to TFRS 7).

TAS 19 “Employee Benefits”

TAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

TAS 34 “Interim Financial Reporting”

TAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” - i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

2.8 The new standards, amendments and interpretations that are issued by IASB but not issued by POA

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

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

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

IFRS 9 Financial Instruments (2014)

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

IFRS 15 Revenue from Contracts with customers

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

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

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

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

3. SEGMENT REPORTING

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

4. RELATED PARTIES

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

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

	31 December 2015	31 December 2014
Wage and other benefits	3,564,890	3,432,943
	3,564,890	3,432,943

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

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

Financial investments	31 December 2015	31 December 2014
Investment funds		
İş Portföy Second Stock Fund ⁽¹⁾	3,733,619	4,141,425
Azimut PYS First Hedge Fund ⁽²⁾	3,642,276	3,185,700
Logos Portföy Private Sector Debt Fund ⁽³⁾	3,155,360	3,065,969
İş Portföy Hedef Hedge Fund	3,119,641	-
Azimut PYS First Debt Securities Fund ⁽⁴⁾	2,790,494	2,515,383
İstanbul Portföy Ark I Hedge Fund ⁽⁵⁾	2,428,790	2,903,360
Azimut PYS Absolute Return Hedge Fund ⁽⁶⁾	2,138,981	1,623,861
Logos Portföy Dynamic Hedge Fund ⁽⁷⁾	1,340,308	1,274,498
Azimut PYS Fourth Variable Fund ⁽⁸⁾	-	3,034,195
Taaleri Portföy Variable Fund ⁽⁹⁾	368,206	351,823
	22,717,675	22,096,214

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

⁽¹⁾ Former title: İş Yatırım Menkul Değerler A.Ş. A Type Variable Fund

Related parties as of 31 December 2014:

⁽²⁾ Former title: İş Yatırım Menkul Değerler A.Ş. Bosphorus Capital Fixed Return Hedge Fund

⁽³⁾ Former title: İş Yatırım Menkul Değerler A.Ş. Logos B Type Fixed Return Bond Fund

⁽⁴⁾ Former title: İş Yatırım Menkul Değerler A.Ş. Notus Portföy B Type Variable Fund

⁽⁵⁾ Former title: İş Yatırım Menkul Değerler A.Ş. Ark Hedge Fund

⁽⁶⁾ Former title: İş Yatırım Menkul Değerler A.Ş. Bosphorus Capital Absolute Return Hedge Fund

⁽⁷⁾ Former title: İş Yatırım Menkul Değerler A.Ş. Logos Dynamic Hedge Fund

⁽⁸⁾ Former title: İş Yatırım Menkul Değerler A.Ş. Bosphorus Capital B Type Variable Fund

⁽⁹⁾ Former title: İş Yatırım Menkul Değerler A.Ş. Taaleri Portföy B Type Variable Fund

Financial investments	31 December 2015	31 December 2014
Private sector bonds		
İş Finansal Kiralama A.Ş.	12,103,517	13,427,990
İş Faktoring A.Ş.	3,436,178	978,670
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	2,604,160	2,593,111
İş Yatırım Menkul Değerler A.Ş.	973,770	2,634,520
	19,117,625	19,634,291

Financial investments	31 December 2015	31 December 2014
Shares quoted to stock exchange		
İş Yatırım Ortaklığı A.Ş.	4,723,711	5,398,527
	4,723,711	5,398,527

Cash and cash equivalents	31 December 2015	31 December 2014
Türkiye İş Bankası A.Ş. Time Deposit	10,299,700	20,381,564
Türkiye İş Bankası A.Ş. Demand Deposit	44	30
İş Yatırım Menkul Değerler A.Ş. Bosphorus Capital B Type Short Term Bond Fund	-	5,988,053
	10,299,744	26,369,647

⁽¹⁾ Former title: İş Yatırım Menkul Değerler A.Ş. Bosphorus Capital B Type Short Term Bond Fund

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

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

Balances with related parties	31 December 2014			
	Receivables Current		Payables Current	
	Trade	Other	Trade	Other
Mehmet Gürs ^(*)	-	-	(500,000)	-
Anadolu Anonim Türk Sigorta Şirketi	-	-	(2,244)	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	(870)	-
	-	-	(503,114)	-

^(*) The Company has acquired 59,459 shares with a nominal value of TL 59,459 from Mehmet Gürs representing 19.244% of Num Num's pre-investment share capital amounting to TL 308,975 by making a total payment of TL 4,000,000, of which TL 3,000,000 is paid in cash and TL 1,000,000 in installments. TL 500,000 of TL 1,000,000 is paid to Mehmet Gürs on 21 January 2014 and remaining TL 500,000 is paid on 21 January 2015.

Balances with related parties	31 December 2015			
	Receivables Non-current		Payables Non-current	
	Trade	Other	Trade	Other
Other	-	150	-	-
	-	150	-	-

Balances with related parties	31 December 2014			
	Receivables Non-current		Payables Non-current	
	Trade	Other	Trade	Other
Other	-	150	-	-
	-	150	-	-

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

1 January – 31 December 2015

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

1 January – 31 December 2014

Transactions with related parties	Interest received	Service expenses	Insurance expenses	Transaction and advisory commission expenses	Rent expenses	Dividend income	Other expenses
Numnum Yiyecek ve İçecek A.Ş.	-	-	-	-	-	-	(5,552)
Türkiye İş Bankası A.Ş.	2,247,416	(62,185)	-	(2,714)	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	(439,442)	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	(103,508)	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	(134,085)
Anadolu Anonim Türk Sigorta Şirketi	-	-	(69,572)	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	(11,808)	-	-	-	-	-
İş Yatırım Ortaklığı A.Ş.	-	-	-	-	-	970,697	-
	2,247,416	(73,993)	(69,572)	(106,222)	(439,442)	970,697	(139,637)

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

5. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	31 December 2014
Cash on hand	352	158
Cash at banks	10,300,695	20,382,697
<i>Demand deposit</i>	995	1,133
<i>Time deposits with maturities less than 3 months</i>	10,299,700	20,381,564
B type liquid funds	-	6,742,837
Receivables from Takasbank money market transactions	1,300,543	-
	11,601,590	27,125,692

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

	31 December 2015	31 December 2014
Cash and cash equivalents	11,601,590	27,125,692
Less: Accrued interest	(15,343)	(241,858)
	11,586,247	26,883,834

As at 31 December 2015, the Company has no restricted deposits (31 December 2014: None).

As at 31 December 2015 and 31 December 2014 interest and maturity details of the bank deposits are as follows:

	31 December 2015			Amount TL
	Interest Rate %	Maturity	Currency	
TL Time Deposit	13.50	29 January 2016	TL	10,024,774
TL Time Deposit	3.50	4 January 2016	TL	274,926
				10,299,700
	31 December 2014			Amount TL
	Interest Rate %	Maturity	Currency	
TL Time Deposit	10.30	12 January 2015	TL	20,134,840
TL Time Deposit	3.50	2 January 2015	TL	246,724
				20,381,564

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

The details of B type liquid funds that are classified as cash and cash equivalent assets are as follows:

As at 31 December 2015, the Company has no B type liquid funds.

	31 December 2014	
	Nominal ^(*)	Fair value
B type liquid funds	566,307,428	6,742,837
		6,742,837

^(*) Investment funds are shown in units.

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

As at 31 December 2015, gross interest rate on Takasbank money market transactions is 15.25% (31 December 2014: None).

6. FINANCIAL INVESTMENTS

6.1 Current financial investments

	31 December 2015	31 December 2014
Financial assets designated at fair value through profit or loss	104,500,617	127,764,150
	104,500,617	127,764,150

	31 December 2015	
	Nominal ^(*)	Fair value
Private sector bonds	49,070,000	49,457,905
Government bonds	18,200,000	27,601,326
Investment funds	1,071,835,029	22,717,675
Shares quoted to stock exchange	5,190,891	4,723,711
		104,500,617

	31 December 2014	
	Nominal ^(*)	Fair value
Private sector bonds	63,270,000	64,111,074
Government bonds	24,300,000	36,158,336
Investment funds	1,391,259,710	22,096,213
Shares quoted to stock exchange	5,190,891	5,398,527
		127,764,150

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

As at 31 December 2015, interest rates of private sector bonds and government bonds held for trading are between the rates 9.49% and 15.01% per annum (31 December 2014: between 3.23% and 12.87% per annum).

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

6.2 Non-current financial investments

As at 31 December 2015 and 31 December 2014, details of private equity investments are as follows:

	31 December 2015	31 December 2014
Investments held-to-maturity	10,011,350	10,006,300
Financial investments designated at fair value through profit or loss	131,859,770	103,065,809
	141,871,120	113,072,109

Investments held-to-maturity

As at 31 December 2015 and 31 December 2014, details of investments held-to-maturity are as follows:

Company name	Nominal	31 December 2015	31 December 2014
Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. Bond	10,000,000	10,011,350	10,006,300
	10,000,000	10,011,350	10,006,300

As disposal of these investments are not planned in the short term, they are classified as non-current investments.

Financial investments designated at fair value through profit or loss

As at 31 December 2015 and 31 December 2014, fair vale details of the subsidiaries and the associate are as follows:

Name of subsidiary/associate	31 December 2015	31 December 2014
Toksöz Spor	35,542,100	35,714,250
Ortopro	33,457,905	9,498,125
Numnum	23,447,736	22,993,272
Radore	15,960,450	17,578,800
Nevotek	13,101,579	17,281,362
Tatil Budur	10,350,000	-
	131,859,770	103,065,809

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

As at 31 December 2015 and 31 December 2014, details of the Company’s subsidiaries and associates are as follows:

Subsidiaries and associate	Acquisition date	Place of establishment and operation	Share of capital (%)		Voting power
			31 December 2015	31 December 2014	
Nevotek	30 September 2003	Turkey	81.24	81.24	81.24
Ortopro ^(*)	10 December 2007	Turkey	83.64	32.50	83.64
Toksöz Spor	13 November 2012	Turkey	55.00	55.00	55.00
NumNum	5 December 2012	Turkey	61.66	61.66	61.66
Radore ^(**)	1 December 2014	Turkey	25.50	28.50	25.50
Tatil Budur ^(***)	6 November 2015	Turkey	20.00	-	20.00

^(*) The Company has participated in the paid-in capital increase of its subsidiary Ortopro Tibbi Aletler Sanayi ve Ticaret A.Ş. (“Ortopro”) whose paid-in capital was TL 5,319,150 formerly, by the rate of 312.50% and by the nominal amount of TL 16,622,344 on 11 December 2015. Paid-in capital increase has been conducted through rights issue. With the transactions on 11 December 2015, 17 December 2015 and 29 December 2015, a total of TL 25,000,000 has been paid to Ortopro.

^(**) The Company has disposed part of its shares in Radore Veri Merkezi Hizmetleri A.Ş. which is 3% of Radore’s share capital to Mustafa Selçuk Saraç in return for USD 946,000 (TL 2,606,325) on 29 July 2015, based on the Board of Directors resolution dated 19 June 2015.

^(***) The Company has acquired the shares representing 20% of the paid-in capital of Tatil Budur from its shareholders Ahmet Kara, Beşir Kara, Çetin Yılmaz, Timuçin Kuş, Gencer Öztürk and Derya Bülent Kuş on 6 November 2015 in return for a purchase price which is to be determined by share price adjustment mechanisms stated on the purchase contract. The Company has acquired 20% shareholding in Tatil Budur in return for TL 11.5 million, with a reservation for adjustment in the purchase price depending on the actual net financial liability at the closing date, the level of the net working capital and the level of the total gross profit in the last 12 months ended on 30 September 2015. TL 10.35 million of the final purchase price to be determined through above parameters has been paid to the above shareholders at the closing date in cash and the remaining balance which is to be determined based on the 12-month financial statements of Tatil Budur as at 30 September 2015 will be paid later.

Discounted cash flow method is used to determine fair values. Valuation model considers the present value of the expected payment, discounted using a risk adjusted discounted rate. The expected payment is determined by considering the possible scenarios of forecast earnings before interest tax depreciation and amortization (“EBITDA”), the amount to be paid under each scenario and the probability of each scenario. Subsidiaries’ estimated annual revenue growth rate is between 1.6% with 9.50% estimated EBITDA ratio is between 10.5% with 40.50%, estimated risk adjusted discount rates are between 11.6% and 22.00%.

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 2015 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

Sensitivity analysis 31 December 2015	Profit or (loss)	
	Increase	Decrease
Annual revenue growth rate (0.5% change)	3,973,649	(3,640,469)
EBITDA growth rate (0.5% change)	4,785,450	(4,785,450)
Risk adjusted discount rate (0.5% change)	7,745,841	(7,092,441)

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.

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

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

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

7. TRADE PAYABLES

As at 31 December 2015 and 31 December 2014, the details of the Company's trade payables are as follows:

	31 December 2015	31 December 2014
Short term trade payables		
Due to related parties	3,763	503,114
	3,763	503,114

8. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

As at 31 December 2015 and 31 December 2014, the details of the Company's other receivables are as follows:

	31 December 2015	31 December 2014
Other Short Term Receivables		
Other receivables	1,180	1,180
	1,180	1,180
Other Long Term Receivables		
Deposits and guarantees given	150	150
	150	150

b) Other Payables:

As at 31 December 2015 and 31 December 2014, the details of the Company's other payables are as follows:

	31 December 2015	31 December 2014
Other Short Term Payables		
Other miscellaneous payables	750	230
	750	230

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

9. TANGIBLE ASSETS

For the years ended 31 December 2015 and 31 December 2014, the details of the Company's tangible assets are as follows:

	Furniture and Fixtures	Leasehold Improvements	Total
Cost			
Opening balances at 1 January 2015	430,062	1,056,400	1,486,462
Acquisitions	29,022	-	29,022
Closing balances at 31 December 2015	459,084	1,056,400	1,515,484
Accumulated depreciation			
Opening balances at 1 January 2015	(315,865)	(781,061)	(1,096,926)
Charge for the year	(54,205)	(128,218)	(182,423)
Closing balances at 31 December 2015	(370,070)	(909,279)	(1,279,349)
Net carrying amount at 31 December 2015	89,014	147,121	236,135
Net carrying amount at 1 January 2014	114,197	275,339	389,536

Total current year depreciation expenses amounting to TL 182,423 is included in administrative expenses (31 December 2014: TL 175,971).

	Furniture and Fixtures	Leasehold Improvements	Total
Cost			
Opening balances at 1 January 2014	381,841	1,052,047	1,433,888
Acquisitions	48,221	4,353	52,574
Closing balances at 31 December 2014	430,062	1,056,400	1,486,462
Accumulated depreciation			
Opening balances at 1 January 2014	(267,560)	(653,395)	(920,955)
Charge for the year	(48,305)	(127,666)	(175,971)
Closing balances at 31 December 2014	(315,865)	(781,061)	(1,096,926)
Net carrying amount at 31 December 2014	114,197	275,339	389,536
Net carrying amount at 1 January 2014	114,281	398,652	512,933

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

10. INTANGIBLE ASSETS

For the years ended 31 December 2015 and 31 December 2014, the details of the Company's intangible assets are as follows:

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

Total current year amortization expenses amounting to TL 23,445 is included in administrative expenses (31 December 2014: TL 21,577).

	Computer software	Total
Cost		
Opening balances at 1 January 2014	63,844	63,844
Acquisitions	-	-
Closing balances at 31 December 2014	63,844	63,844
Accumulated amortization		
Opening balances at 1 January 2014	-	-
Charge for the year	(21,577)	(21,577)
Closing balances at 31 December 2014	(21,577)	(21,577)
Net carrying amount at 31 December 2014	42,267	42,267
Net carrying amount at 1 January 2014	63,844	63,844

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The Company has obtained the shares representing 20% of Tatil Budur completely on 6 November 2015 in return for an upfront fee of TL 10,350,000. The remaining balance of the final purchase consideration, which is to be determined based on the share price adjustment mechanisms stated on the purchase contract, less the upfront payment will be paid later on (31 December 2014: None).

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

12. COMMITMENTS

None (31 December 2014: None).

13. EMPLOYEE BENEFITS

As at 31 December 2015 and 31 December 2014, the details of the Company's employee benefits are as follows:

	31 December 2015	31 December 2014
Short Term		
Provision for employee bonuses	1,375,899	1,515,861
Vacation pay liability	502,915	473,092
	1,878,814	1,988,953
Long Term		
Provision for employee bonuses	586,179	1,652,078
Reserve for employee severance payments	133,848	106,477
	720,027	1,758,555

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 2015 is based on the monthly ceiling amounting to TL 3,828.37 (31 December 2014: TL 3,438.22).

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying statement of financial position as at 31 December 2015, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The provision at the end of the reporting period has been calculated assuming an annual inflation rate of 6.15% (31 December 2014: 6%) and a discount rate of 10.80% (31 December 2014: 9.25%) resulting in a net discount rate of approximately 4.38% (31 December 2014: 3.07%) The anticipated rate of forfeitures is also considered.

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

The movement of reserve for employee severance payments:

	1 January- 31 December 2015	1 January- 31 December 2014
Provision as at 1 January	106,477	82,609
Cost of services	35,137	25,290
Interest cost	9,849	6,629
Severance indemnity paid	(17,615)	(8,051)
Provision as at 31 December	133,848	106,477

The movement of provision for employee bonuses:

	1 January- 31 December 2015	1 January - 31 December 2014
Provision as at 1 January	3,167,939	5,062,222
Charge for the year	299,850	257,000
Employee bonuses paid	(1,505,711)	(2,151,283)
Provision as at 31 December	1,962,078	3,167,939

The movement of vacation pay liability:

	1 January- 31 December 2015	1 January- 31 December 2014
Provision as at 1 January	473,092	277,642
Vacation liability paid	(30,570)	-
Charge for the year	60,393	195,450
Provision as at 31 December	502,915	473,092

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

14. PREPAID EXPENSES

As at 31 December 2015 and 31 December 2014, the details of the Company's prepaid expenses are as follows:

	31 December 2015	31 December 2014
Current		
Prepaid expenses	234,835	40,926
Job advances	12,091	11,060
	246,926	51,986

There is not any long term prepaid expense (31 December 2014: None).

15. OTHER ASSETS AND LIABILITIES

As at 31 December 2015 and 31 December 2014, the details of the Company's other assets and liabilities are as follows:

	31 December 2015	31 December 2014
Other Current Assets		
Prepaid taxes and funds	446,497	677,407
	446,497	677,407
Other Short-Term Liabilities		
Accrued expenses	504,810	178,241
Taxes and funds payable	682,830	250,962
	1,187,640	429,203

There is not any long term liability (31 December 2014: None).

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

16. EMPLOYEE BENEFIT PAYABLES

As at 31 December 2015 and 31 December 2014, the details of the Company’s liabilities related to employee benefits are as follows:

	31 December 2015	31 December 2014
Social security contributions payable	36,912	32,645
	36,912	32,645

17. CAPITAL AND RESERVES

a) Share Capital

As at 31 December 2015 and 31 December 2014, the capital structure of the Company is as follows:

Shareholder	Company	%	31 December 2015	%	31 December 2014
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	15,018,515	20.1	15,018,515
Türkiye Sınai Kalkınma Bankası A.Ş.	B	16.7	12,442,079	16.7	12,442,079
Türkiye Teknoloji Geliştirme Vakfı	B	11.1	8,294,719	11.1	8,294,719
Other	B	12.0	8,958,298	12.0	8,958,298
Publicly held	B	31.2	23,303,093	31.2	23,303,093
Nominal capital			74,652,480		74,652,480

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

As at 31 December 2015 the Company's share capital consists of 7,465,248,000 unit shares (31 December 2014: 7,465,248,000 shares). The par value of each share is TL 0.01 (31 December 2014: TL 0.01 per share).

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

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

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

b) Inflation Adjustment to Share Capital

As at 31 December 2015, the Company has inflation adjustment to share capital amounting TL 21,606,400 arising from the inflation accounting application until 31 December 2004 (31 December 2014: TL 21,606,400).

c) Share Premium

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

d) Legal reserves

In accordance with Turkish Commercial Code, legal reserves consist of first and second legal reserves. First legal reserves are generated by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of historical based paid-in share capital (not adjusted for the effects of inflation). Second legal reserve is generated by 10% over the total of cash dividend distribution after the first legal reserves and dividend distributions. The Company has performed transfer to legal reserves amounting to TL 1,303,027 in year 2015 (31 December 2014: TL 4,782,442). As at 31 December 2015, the Company has legal reserves amounting to TL 20,488,276 (31 December 2014: TL 19,185,249)

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

e) Retained Earnings

As at 31 December 2015, the Company has retained earnings amounting to TL 130,586,536 (31 December 2014: TL 127,370,080).

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 18 March 2015 in General Assembly of the Company, total TL 10,078,085 have been decided to be distributed in cash (31 December 2014: TL 11,997,720 dividend in cash and TL 7,998,480 bonus share issue).

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

18. REVENUE AND COST OF SALES

For the years ended 31 December 2015 and 31 December 2014 the details of the Company's revenue and cost of sales are as follows:

a) Revenue	1 January - 31 December 2015	1 January - 31 December 2014
Interest income from treasury bonds and private sector bonds	9,156,880	9,333,271
Investment security fair value gains (net)	1,525,680	7,628,205
Interest income on bank deposits	2,559,564	3,982,529
Investment security trading income (net)	7,532	1,209,273
Dividend income	970,697	970,697
Reverse repo and Takasbank interest income	286,446	355,387
Decrease in fair value of subsidiaries and associates (net)	(4,705,640)	(722,108)
Domestic sales ^(*)	2,606,325	-
<i>Disposal of associate</i>	2,606,325	-
	12,407,484	22,757,254
b) Cost of sales	1 January- 31 December 2015	1 January- 31 December 2014
Disposal of associate ^(*)	(1,850,400)	-
	(1,850,400)	-

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

19. ADMINISTRATIVE EXPENSES

For the years ended 31 December 2015 and 31 December 2014, the details of the Company's administrative expenses are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Personnel expenses	(4,813,221)	(4,310,061)
Audit and consultancy expenses	(1,142,443)	(886,469)
Taxes and dues	(1,064,271)	(552,549)
Outsourcing expenses	(571,024)	(379,111)
Rent expenses	(562,040)	(510,898)
Salaries of board of directors	(546,000)	(546,150)
Liability insurance	(282,710)	(189,966)
Depreciation and amortization expenses	(205,868)	(197,548)
Communication, electricity and stationary expenses	(170,047)	(153,388)
Representation expenses	(113,507)	(80,064)
Increase in provision for employee termination benefits	(44,986)	(31,919)
Other expenses	(224,706)	(216,342)
	(9,740,823)	(8,054,465)

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

20. OTHER OPERATING INCOME AND EXPENSES

For the years ended 31 December 2015 and 31 December 2014, the details of the Company's other operating income and expenses are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Other operating income		
Foreign exchange gains	32,168	9
Other income and profits	1,491	3,232
	33,659	3,241
	1 January - 31 December 2015	1 January - 31 December 2014
Other operating expenses		
Commissions paid	(77,232)	(108,462)
Foreign exchange losses	(39)	-
	(77,271)	(108,462)

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.

There are not any deferred tax assets or liabilities (31 December 2014: None).

22. EARNINGS PER SHARE

	1 January- 31 December 2015	1 January- 31 December 2014
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	772,649	14,597,568
Basic and diluted earnings per share (TL 1 nominal value)	0.01035	0.19554

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

23. EFFECTS OF EXCHANGE RATE CHANGES

The analysis of the effects of changes in foreign exchange in 31 December 2015 and 31 December 2014 is disclosed in Note 25.

24. REPORTING IN HYPERINFLATIONARY ECONOMIES

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

25. NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

Capital risk management

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

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

Financial risk factors

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

Credit risk management

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

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

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

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

^(**) Cash on hand is excluded.

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

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

31 December 2014	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	1,180	27,125,534	132,371,923
- The part of maximum risk under guarantee with collateral etc.						
A. Net book value of financial assets that are neither past due nor impaired	-	-	150	1,180	27,125,534	132,371,923
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.

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.

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

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

31 December 2015

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	3,763	3,763	3,763	-	-	-
Other payables (*)	505,560	505,560	505,560	-	-	-
Total Liabilities	509,323	509,323	509,323	-	-	-

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

31 December 2014

Contractual maturities	Carrying Value	Contractual cash flows (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Trade payables	503,114	503,114	503,114	-	-	-
Other payables (*)	178,471	178,471	178,471	-	-	-
Total Liabilities	681,585	681,585	681,585	-	-	-

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

Market risk management

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

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

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

Foreign currency risk management

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

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

The foreign currency denominated assets and liabilities of monetary and non-monetary items as at 31 December 2015 and 31 December 2014 are as follows:

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

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

	TL (Functional currency)	US Dollar	Euro	Other
31 December 2014				
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	(119,433)	(49,265)	(1,838)	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. SHORT TERM LIABILITIES	(119,433)	(49,265)	(1,838)	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. LONG TERM LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	(119,433)	(49,265)	(1,838)	-
19. Off balance sheet derivatives net asset/liability position (19a-19b)	-	-	-	-
19a. Active off balance sheet derivative (foreign currency)	-	-	-	-
19b. Passive off balance sheet derivative (foreign currency)	-	-	-	-
20. Net foreign currency asset liability position	(119,433)	(49,265)	(1,838)	-
21. Net foreign currency asset / (liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a))	(119,433)	(49,265)	(1,838)	-
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23. Hedged portion of foreign currency assets	-	-	-	-
24. Hedged portion of foreign currency liabilities	-	-	-	-
23. Export	-	-	-	-
24. Import	-	-	-	-

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

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.

	31 December 2015			
	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	(36,665)	36,665	-	-
2 - Portion secured from US Dollar (-)	-	-	-	-
3 - US Dollar net effect (1 +2)	(36,665)	36,665	-	-
10% appreciation / depreciation of TL against Euro				
4 - Euro net asset / liability	(12,845)	12,845	-	-
5 - Portion secured from Euro (-)	-	-	-	-
6 - Euro net effect (4+5)	(12,845)	12,845	-	-
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)	(49,510)	49,510	-	-

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

Foreign currency risk sensitivity analysis

	31 December 2014			
	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	(11,424)	11,424	-	-
2 - Portion secured from US Dollar (-)	-	-	-	-
3- US Dollar net effect (1 +2)	(11,424)	11,424	-	-
10% appreciation / depreciation of TL against Euro				
4 - Euro net asset / liability	(519)	519	-	-
5 - Portion secured from Euro (-)	-	-	-	-
6 - Euro net effect (4+5)	(519)	519	-	-
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)	(11,943)	11,943	-	-
TOTAL (3 + 6 +9)	(11,943)	11,943	-	-

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

Interest rate risk

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

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

Interest Position Table

Fixed interest rate instruments	31 December 2015	31 December 2014
Financial assets		
Financial assets at fair value through profit or loss	47,479,668	56,411,137
Time deposits	10,299,700	20,381,564
Takasbank money market receivables	1,300,543	-
	59,079,911	76,792,701
Floating interest rate instruments		
Financial assets		
Financial assets at fair value through profit or loss	29,579,563	43,858,273
Financial assets held to maturity	10,011,350	10,006,300
	39,590,913	53,864,573

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 2015 and 31 December 2014 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:

31 December 2015			
Type of risk	Risk rate	Direction of risk	Effect on net profit
Interest rate risk	1%	Increase	(1,506,251)
		Decrease	1,710,992
31 December 2014			
Type of risk	Risk rate	Direction of risk	Effect on net profit
Interest rate risk	1%	Increase	(1,947,205)
		Decrease	2,047,805

Other price risks

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

According to the statement of financial position as at 31 December 2015, in case of 10% increase/decrease, if all the other variables remain constant, in the value of stock investment that are in the Company's portfolio, with the effect of equity investment designated at fair value through profit or loss and stock-indexed investment fund, net profit would be TL 472,371 (31 December 2014: TL 539,853) lower/higher.

According to the statement of financial position as at 31 December 2015, 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 227,177 (31 December 2014: TL 288,391) lower/higher.

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

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

31 December 2015	Financial assets measured with effective interest method	Loans and receivables	Financial assets and liabilities at fair value through profit or loss	Other financial liabilities measured with effective interest method	Carrying Amount	Fair Value	Note
<u>Financial assets</u>							
Cash and cash equivalents	11,601,590	-	-	-	11,601,590	11,601,590	5
Financial investments	10,011,350	-	236,360,387	-	246,371,737	246,371,737	6
<u>Financial liabilities</u>							
Trade payables	-	-	-	3,763	3,763	3,763	7
Other financial liabilities ^(*)	-	-	-	505,560	505,560	505,560	8-15
31 December 2014	Financial assets measured with effective interest method	Loans and receivables	Financial assets and liabilities at fair value through profit or loss	Other financial liabilities measured with effective interest method	Carrying Amount	Fair Value	Note
<u>Financial assets</u>							
Cash and cash equivalents	20,382,855	-	6,742,837	-	27,125,692	27,125,692	5
Financial investments	10,006,300	-	230,829,959	-	240,836,259	240,836,259	6
<u>Financial liabilities</u>							
Trade payables	-	-	-	503,114	503,114	503,114	7
Other financial liabilities ^(*)	-	-	-	178,471	178,471	178,471	8-15

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

Fair value of financial instruments

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

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

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

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

Financial assets	31 December 2015	Fair value hierarchy at the end of the reporting period		
		Level 1 TL	Level 2 TL	Level 3 TL
Financial asset at fair value through profit or loss	236,360,387	104,500,617	-	131,859,770
Cash and cash equivalents				
Takasbank money market	1,300,543	1,300,543	-	-
Total	237,660,930	105,801,160	-	131,859,770

Financial assets	31 December 2014	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	230,829,959	127,764,150	-	103,065,809
Cash and cash equivalents				
(B type liquid funds)	6,742,837	6,742,837	-	-
Total	237,572,796	134,506,987	-	103,065,809

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

	Subsidiaries and associates
Balance as of 1 January 2015	103,065,809
Acquisitions	10,350,000
Disposals	(1,850,400)
Capital increase	25,000,000
Gain/ (loss) included in revenue	
- Changes in the fair value	(4,705,639)
Balance as of 31 December 2015	131,859,770

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

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

The Company has disposed part of its shares in Radore Veri Merkezi Hizmetleri A.Ş. which is 3% of Radore's share capital, to Mustafa Selçuk Saraç in return for USD 946,000 (TL 2,606,325) on 29 July 2015.

The Company has acquired the shares representing 20% of the paid-in capital of Tatil Budur from its shareholders Ahmet Kara, Beşir Kara, Çetin Yılmaz, Timuçin Kuş, Gencer Öztürk and Derya Bülent Kuş on 6 November 2015 in return for a purchase price which is to be determined by share price adjustment mechanisms stated on the purchase contract. The Company has acquired 20% shareholding in Tatil Budur in return for TL 11.5 million, with a reservation for adjustment in the purchase price depending on the actual net financial liability at the closing date, the level of the net working capital and the level of the total gross profit in the last 12 months ended on 30 September 2015. TL 10.35 million of the final purchase price to be determined through above parameters has been paid to the above shareholders at the closing date in cash and the remaining balance which is to be determined based on the 12-month financial statements of Tatil Budur as at 30 September 2015 will be paid later.

The Company has participated in the paid-in capital increase of its subsidiary Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. ("Ortopro") whose paid-in capital was TL 5,319,150 formerly, by the rate of 312.50% and by the nominal amount of TL 16,622,344 on 11 December 2015. Paid-in capital increase has been conducted through

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

rights issue. With the transactions on 11 December 2015, 17 December 2015 and 29 December 2015, a total of TL 25,000,000 has been paid to Ortopro.

28. EVENTS AFTER THE REPORTING PERIOD

There are no events after reporting period.

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

Financial Statement Captions		Regulations	31.12.2015 (TL)	31.12.2014 (TL)
A	Monetary and Capital Market Instruments	Article 20/1- (b)	116,102,207	154,889,842
B	Private Equity Investments	Article 20/1- (a)	141,871,120	113,072,109
C	Subsidiaries in Portfolio Management and Advisory Companies	Article 20/1- (d) and (e)	-	--
D	Other Assets		960,920	1,162,526
E	Total Assets	Article 3/1- (a)	258,934,247	269,124,477
F	Financial Borrowings	Article 29	-	--
G	Provisions, Contingent Assets and Liabilities	Article 20/2- (a)	-	--
H	Equity		255,106,341	264,411,777
I	Other Liabilities		3,827,906	4,712,700
E	Total Liabilities and Equity	Article 3/1- (a)	258,934,247	269,124,477
Other Financial Information		Regulations	31.12.2015 (TL)	31.12.2014 (TL)
	Investments in Financial Market Instruments	Article 20/1- (b)		
	1. Financial Market Instruments		105,801,160	134,506,987
	A- Government Bonds		27,601,326	36,158,336
	TRT010420T19		1,622,790	1,607,310
	TRT060121T16		25,978,536	26,723,880
	TRT110215T16		-	7,827,146
	B- Private Sector Bonds		49,457,905	64,111,074
	Akbank T.A.Ş.		-	3,618,000
	Akfen Holding A.Ş.		675,987	672,035
	Aksa Holding A.Ş.		2,549,200	-
	Bank Pozitif Kredi ve Kalkınma Bankası A.Ş.		2,000,000	4,461,621
	Creditwest Faktoring A.Ş.		8,464,018	7,612,940
A1	Ereğli Demir Çelik Fab. A.Ş.		-	3,092,310
	İş Faktoring A.Ş.		3,436,178	978,670
	İş Finansal Kiralama A.Ş.		12,103,517	13,427,990
	İş Gayrimenkul Yatırım Ortaklığı A.Ş.		2,604,160	2,593,111
	İş Yatırım Menkul Değerler A.Ş.		973,770	2,634,520
	Karsan Otomotiv San. ve Tic A.Ş.		509,860	512,875
	Koç Fiat Finansman A.Ş.		-	3,114,990
	Mercedes-Benz Finansman Türk A.Ş.		-	3,582,653
	Orfin Finansman A.Ş.		9,009,000	9,063,000
	Rönesans Holding A.Ş.		2,560,700	8,746,359
	Tiryaki Agro Gıda Sanayi ve Tic. A.Ş.		2,532,475	--
	Timur Gayrimenkul A.Ş.		2,039,040	--
	C- Reverse Repo		1,300,543	--

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

Other Financial Information		Regulations	31.12.2015 (TL)	31.12.2014 (TL)
D- Investment Funds			22,717,675	28,839,050
	Kare Yatırım B Type Short Term Bond and Bills Fund		-	754,783
	İş Yatırım Bosphorus Capital B Type Short Term. Bond and Bills Fund		-	5,988,053
	İş Portföy Second Share Fund		3,733,619	4,141,425
	İş Yatırım Ark Hedge Fund		2,428,790	2,903,360
	İş Yatırım Bosphorus Capital Fixed Return Hedge Fund		3,642,276	3,185,700
	İş Yatırım Bosphorus Capital B Type Variable Fund		-	3,034,195
A1	İş Yatırım Bosphorus Capital Absolute Return Hedge Fund		2,138,981	1,623,861
	İş Yatırım Logos B Type Fixed Income Bond and Bills Fund		3,155,360	3,065,969
	İş Yatırım Logos Dynamic Hedge Fund		1,340,307	1,274,498
	Azimet PYS the Second Debt Securities Fund		2,790,494	2,515,383
	İş Yatırım Taaleri B Type Variable Fund		368,205	351,823
	İş Portföy Hedef Fund		3,119,641	--
E- Stocks			4,723,711	5,398,527
	İş Yatırım Ortaklığı A.Ş.		4,723,711	5,398,527
A2	TL and FX Denominated Term-Demand Deposits / Private Current - Sharing Account	Article 20/1- (b)	10,301,047	20,382,856
B1	Collective Investment Institutions Established Abroad	Article 21/3- (c)	-	--
B2	Combination of Debt and Equity Financing	Article 21/3- (f)	-	--
B3	Non-Listed Shares of Publicly Traded Private Equity Companies	Article 21/3- (e)	-	--
B4	Special Purpose Company	Article 21/3- (g)	-	--
C1	Participation in Portfolio Management Company	Article 20/1- (e)	-	--
C2	Participation in Consulting Company	Article 20/1- (d)	-	--
F1	Short-Term Loans	Article 29/1	-	--
F2	Long-Term Loans	Article 29/1	-	--
F3	Short-Term Borrowing Instruments	Article 29/1	-	--
F4	Long-Term Borrowing Instruments	Article 29/1	-	--
F5	Other Short-Term Financial Borrowings	Article 29/1	-	--
F6	Other Long-Term Financial Borrowings	Article 29/1	-	--
G1	Pledged	Article 20/2- (a)	-	--
G2	Collateral	Article 20/2- (a)	-	--
G3	Mortgages	Article 20/1- (a)	-	--
I	Outsourced Services Expenses	Article 26/1	2,878,630	2,284,813

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

Portfolio Restrictions ^(*)		Regulations	31.12.2015	31.12.2014	Min. /Max. Rate
1	Monetary and Capital Market Instruments	Article 22/1- (b)	44.84	57.55	≤65%
	Financial Market Instruments	Article 22/1- (c)	40.86	49.98	
	A- Government Bonds		10.66	13.44	
	TRT010420T19		0.63	0.60	≤ 10%
	TRT060121T16		10.03	9.93	≤ 10%
	TRT110215T16		-	2.91	≤ 10%
	B- Private Sector Bonds		19.10	23.82	
	Akbank		-	1.34	≤ 10%
	Akfen Holding A.Ş.		0.26	0.25	≤ 10%
	Aksa Holding A.Ş.		0.98	-	
	Bank Pozitif Kredi ve Kalkınma Bankası A.Ş.		0.77	1.66	≤ 10%
	Creditwest Faktoring A.Ş.		3.27	2.83	≤ 10%
2	Ereğli Demir Çelik Fab. A.Ş.		-	1.15	≤ 10%
	İş Faktoring A.Ş.		1.33	0.36	≤ 10%
	İş Finansal Kiralama A.Ş.		4.67	4.99	≤ 10%
	İş Gayrimenkul Yatırım Ortaklığı A.Ş.		1.01	0.96	≤ 10%
	İş Yatırım Menkul Değerler A.Ş.		0.38	0.98	≤ 10%
	Karsan Otomotiv San. ve Tic A.Ş.		0.20	0.19	≤ 10%
	Koç Fiat Finansman A.Ş.		-	1.16	≤ 10%
	Mercedes-Benz Finansman Türk A.Ş.		-	1.33	≤ 10%
	Orfin Finansman A.Ş.		3.48	3.37	≤ 10%
	Rönesans Holding A.Ş.		0.99	3.25	≤ 10%
	Tiryaki Agro Gıda Sanayi ve Tic. A.Ş.		0.98	--	≤ 10%
	Timur Gayrimenkul A.Ş.		0.79	--	≤ 10%
	C- Reverse Repo		0.50	--	≤ 10%

Notes to the Financial Statements as at and For the Year Ended 31 December 2015

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

Portfolio Restrictions ^(*)	Regulations	31.12.2015	31.12.2014	Min. /Max. Rate
D- Investment Funds		8.77	10.72	
Kare Yatırım B Type Short Term Bond and Bills Fund		-	0.28	≤ 10%
İş Yatırım Bosphorus Capital B Type Short Term. Bond Bills Fund		-	2.23	≤ 10%
Azimet PYS Short-Term Debt Securities Fund		1.44	1.54	≤ 10%
İstanbul Portföy Ark Hedge Fund		0.94	1.08	≤ 10%
Azimet PYS First Hedge Fund		1.41	1.18	≤ 10%
Azimet PYS Fourth Variable Fund		-	1.13	≤ 10%
2 Azimet PYS Targeted Absolute Return Hedge Fund		0.83	0.60	≤ 10%
Logos B Type Fixed Income Bond and Bills Fund		1.22	1.14	≤ 10%
Logos Dynamic Hedge Fund		0.52	0.47	≤ 10%
Azimet PYS the Second Debt Securities Fund		1.08	0.93	≤ 10%
Taaleri B Type Variable Fund		0.14	0.13	≤ 10%
İş Portföy Hedef Fund		1.20	--	≤ 10%
E- Stocks		1.82	2.01	≤ 10%
İş Yatırım Ortaklığı A.Ş.		1.82	2.01	≤ 10%
3 Private Equity Investments	Article 22/1- (b)/ (ğ)	54.79	42.01	≥ 35%
4 Participation in Portfolio Management Company	Article 22/1- (ç)	-	--	≤ 10%
5 Collective Investment Institutions Established Abroad	Article 22/1- (e)	-	--	≤ 49%
6 Combination of Debt and Equity Financing	Article 22/1- (h)	-	--	≤ 25%
7 Non-Listed Shares of Publicly Traded Private Equity Companies	Article 22/1- (f)	-	--	≤ 25%
8 TL and FX Denominated Term-Demand Deposits / Private Current - Sharing Account ^(*)	Article 22/1- (ı)	3.98	7.57	≤ 20%
9 Face Values Of Short-Term Borrowings and Debt Instruments ^(*)	Article 29	-	--	≤ 50%
10 Face Values Of Long-Term Borrowings and Debt Instruments	Article 29	-	--	≤ 200%
11 Pledged, Collateral and Mortgages	Article 22/1- (d)	-	--	≤ 10%
12 Outsourced Services Expenses	Article 26/1	1.11	0.85	≤ 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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