

Annual Report
2016

İŞ PRIVATE EQUITY 

Contents

Introduction

- 2 İş Private Equity in Brief
- 5 Our Vision
- 5 Our Mission
- 7 Key Indicators
- 8 Capital & Shareholding Structure
- 11 Dividend Policy
- 13 İş Private Equity's Investments in Numbers
- 14 Highlights from İş Private Equity's Corporate History
- 16 Message from the Chairman
- 20 Message from the CEO
- 25 The Macroeconomic Outlook
- 30 Sectoral Review
- 32 Our Business Model
- 34 İş Private Equity's Distinguished Advantages
- 36 Investments and Exits
- 38 The Companies in Our Portfolio
 - 40 Tatil Budur (Mika Tur)
 - 42 Radore
 - 44 İstanbul Food & Beverage Group (IFBG)
 - 48 Sportive
 - 50 Ortopro
 - 52 Nevotek
 - 54 A success story: Tüyap investment

- 58 An Expert Team: Right Analysis, Valuable Investments
- 59 Summary of 2016 Operations
- 61 Borsa İstanbul (BİST) - İş Private Equity Share
- 62 Dividend Policy
- 62 Changes in the Legal Framework during 2016

Corporate Governance and Risk Management

- 63 Organizational Chart
- 64 Board of Directors
- 65 Company Code of Ethics
- 66 Corporate Governance Principles Compliance Report
- 74 Risk Management and Internal Control
- 75 Legal Disclosures

76 Ordinary General Assembly Meeting Agenda

77 2016 Profit Distribution Table

Financial Information

- 78 Independent Auditors' Report
- 80 Financial Statements, Notes Report and Independent Auditors' Report

Contact Information

Company Profile

Reporting Period:

1 January 2016 - 31 December 2016

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

Headquarters: İstanbul

Founded: 31 October 2000

Contact Information: İş Kuleleri Kule 2,
Kat: 2 34330 Levent - İstanbul

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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

The sea is a totally different world with its thousands of colors; the smell of seaweed and iodine; the sound of the waves; its different species of fish and marine life. It provides peace and calm.

The maritime world, on the other hand, is a source of passion for some... Living on the sea, setting sail for the open sea, struggling against the elements and the waves and then bringing the boat back to the land safely brings not only beauty but also difficulty.

Like the cautious, brave and visionary sailors in difficult seas, İş Private Equity is a trusted partner who adeptly manages its business under floating and volatile market conditions.

İş Private Equity serves its customers under all conditions, growing with its customers and achieving success. Its flexible business model, know-how in the sector and expert team and the expertise of the İşbank Group all bring power and support, like the support which helps sailors safely bring their vessels back to port.

Quoting from the sailors' folklore, "may be your market calm, your bow clear and your wind easy..."

İş Private Equity in Brief

The Establishment of “Turkey’s Capital” - İş Private Equity

İşbank Group decided to establish a private equity fund named İş Risk Sermayesi Yatırım Ortaklığı A.Ş., in 1999. Preparation work started and an application to the Capital Market Board (CMB) was submitted in June 2000. Authorization for the private equity fund was approved with the CMB’s decision dated 5 October 2000 and the Company was recorded in the trade registry with TL 20 million of capital on 31 October 2000.

The Company received the support of the World Bank during its establishment process. The Company established its workforce in 2001 and started operation. The name of the Company was changed to İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (İş Private Equity) in 2004 and 37.69% of the shares were offered to the public on the Borsa İstanbul (BIST)* with a market value of USD 57.8 million in October 2004.

Strong support for SMEs and an end to end contribution to participations

SMEs, who are the drivers of our economy, are key economic actors with the value added, employment and export volumes they generate. Despite this importance, SMEs may encounter a number of difficulties in accessing healthy and sustainable finance resources. From this fact, İş Private Equity adopts a business model that finds an expression in “Turkey’s capital”, in order to increasingly contribute to SMEs and the Turkish economy. To this end, İş Private Equity focuses on investment projects. The Company became the one of the pioneer and leading players of the private equity sector in Turkey thanks to its projects carried out in a short space of time.

With its “smart money”, in other words its tangible and intangible assets, İş Private Equity provides diverse contributions to participations in their institutionalization and sustainable growth processes. İş Private Equity assumes diverse duties and responsibilities in companies’ sustainable growth journey.

* Borsa İstanbul (BIST): formerly known as İstanbul Stock Exchange (ISE).

In the participation activities that are carried out under a medium and long term perspective, İş Private Equity aims to bring the companies that it partners to a sustainable growth line and market capitalization and to reinforce their competitive power. İş Private Equity focuses on permanent value creation for all of its stakeholders.

İş Private Equity provides leadership to companies in the following areas:

- Strengthening their financial structures,
- Determining their road maps,
- The formation of their human resources,
- The improvement of their information technologies infrastructure,
- Ensuring participation in their board of directors.

İş Private Equity's performance between 2000 and 2016

İş Private Equity realized USD 135.6 million of investment in the 17 companies that it participated in from its foundation up until the end of 2016. Within this scope, İş Private Equity gained a return of USD 166.9 million from 11 exits. This performance corresponds to an average compound rate of return of 26.46% in USD terms.

İş Private Equity commands the position of having achieved the most exits in the sector. With its exit performance in the 2000-2016 period, the Company has obtained a remarkably high average return when compared to typical standards in the world and in Turkey.

Qualified human resources - İş Private Equity's most important asset

Under difficult market conditions marked by ever tougher competition, one of İş Private Equity's most important building blocks is its qualified human resources. A team of 18 people who are compatible for the Company's culture set themselves apart with their general know-how, industrial know-how and analytical and forecasting ability. The team is involved in all phases of the investment process and adds value to the process. İş Private Equity's professional human resources is an unwavering part of the Company's secure progress towards the future.



freshening winds

To forecast the direction where a freshening wind will come from and to capture the wind before the competitors.

**Total investment:
USD 135,6 million**

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.





to stow

To make a messy
and untidy place
tidy.

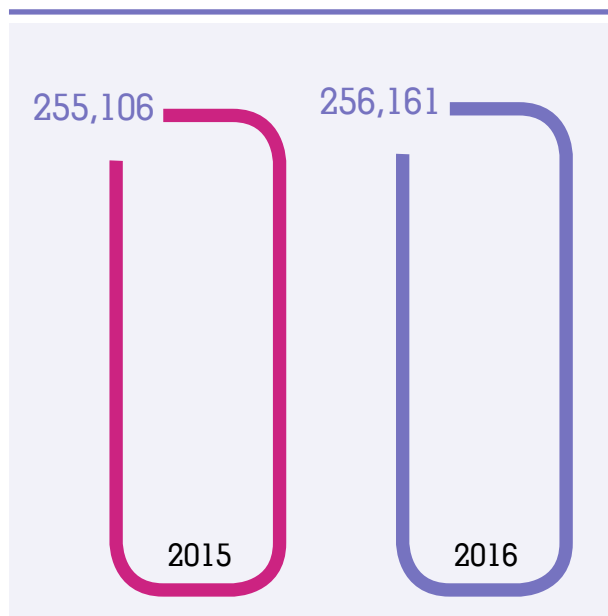
Investment summary:
17 investments - 11 exits - 9 exclusive
transactions

Key Indicators

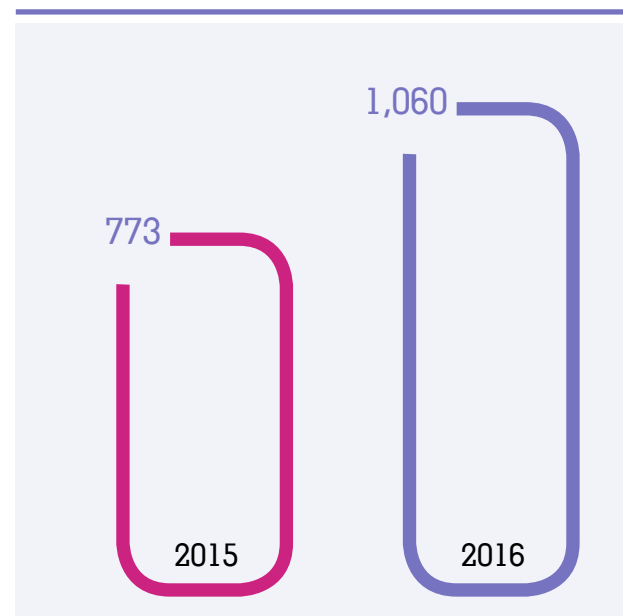
Financial Highlights

TL	2016	2015	Change (%)
Current Assets	119,404,622	116,796,810	2.23
Non-Current Assets	139,400,781	142,137,437	-1.92
Short-Term Liabilities	2,530,174	3,107,879	-18.58
Long-Term Liabilities	114,231	720,027	-84.13
Total Assets	258,805,403	258,934,247	-0.04
Equity	256,160,998	255,106,341	0.41
Current Year Profit	1,060,292	772,649	37.22
% Return on Equity	0.41	0.30	
% Return on Assets	0.40	0.30	

Equity (TL thousand)



Current Year Profit (TL thousand)



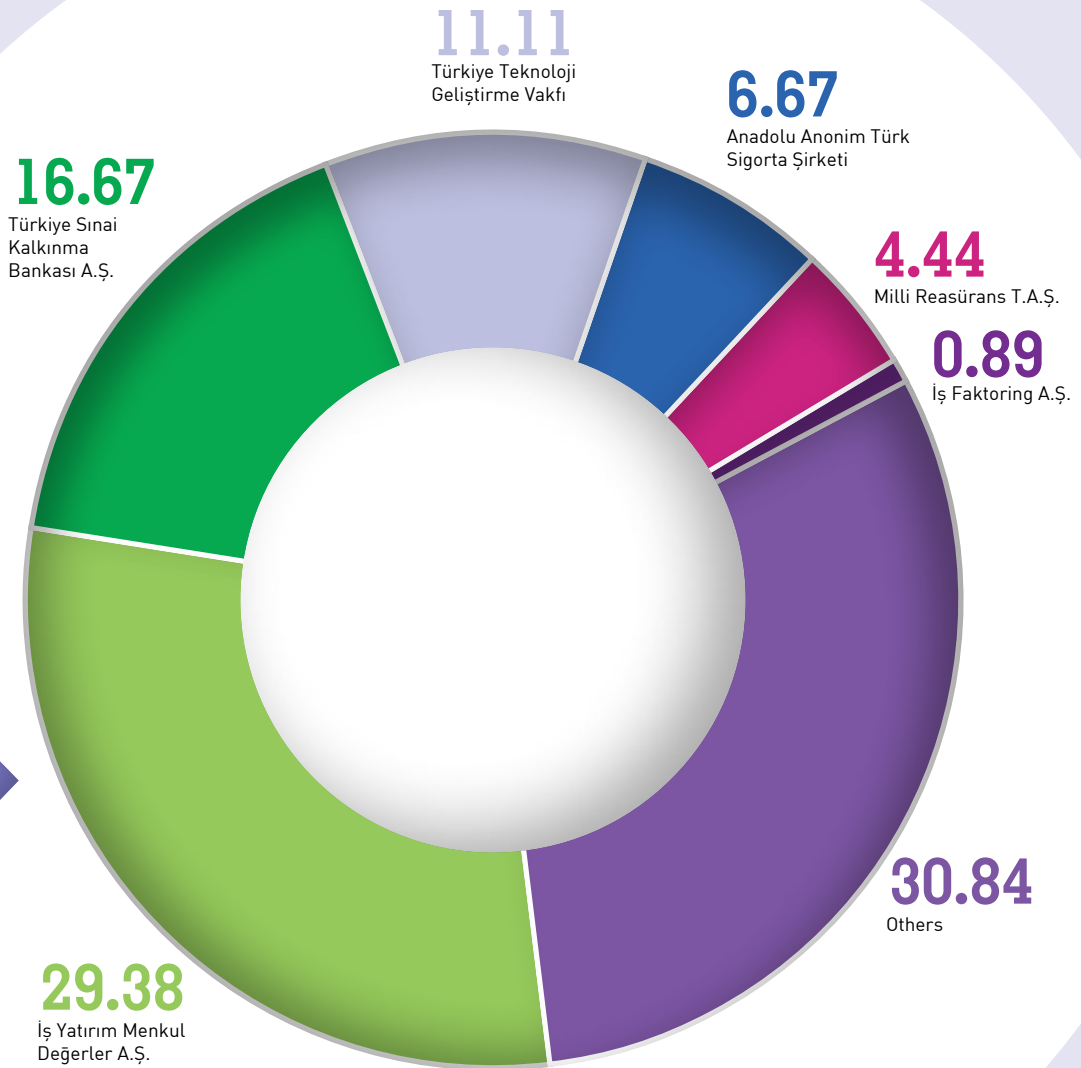
Capital & Shareholding Structure

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

Shareholder	Group	Share (TL)
		2016
İş Yatırım Menkul Değerler A.Ş.	A	6,635,776
İş Yatırım Menkul Değerler A.Ş.	B	15,300,180
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	23,021,428
Total		74,652,480

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

İş Private Equity 2016 Shareholding Structure (%)





to jibe

To change direction with a good and experienced team to reach the target without losing momentum.

Total employment:
1,027 people

Dividend Policy

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



A Steady and High Dividend Yield

According to a study conducted by İş Invest based on Borsa İstanbul data, İş Private Equity realized an average dividend yield of 8.36% in the 5 years between 2012 and 2016, more than three times higher than the 2.27% average dividend yield for companies listed on the Borsa İstanbul in the same period.



tying the bowline

To follow a strategy that provides endurance against all difficulties.

**The Last investment:
Tatil Budur/Mika Tur**

İş Private Equity's Investments in Numbers

Overview of the Fund

Total Assets
USD million

94.7

Total Investments to Date
USD million

135.6

Investments

17

Exits

11

Exclusive Transactions

9

Investment Summary

Companies Currently in the Portfolio

Total Turnover
USD million

159.6

Total Debt
USD million

55.7

Total Employment
People

1,027

Investment Amount for the Exited Companies
USD million

72.5

Internal Rate of Return on a USD Basis (IRR)

26.46%

Proceeds from Exits
USD million

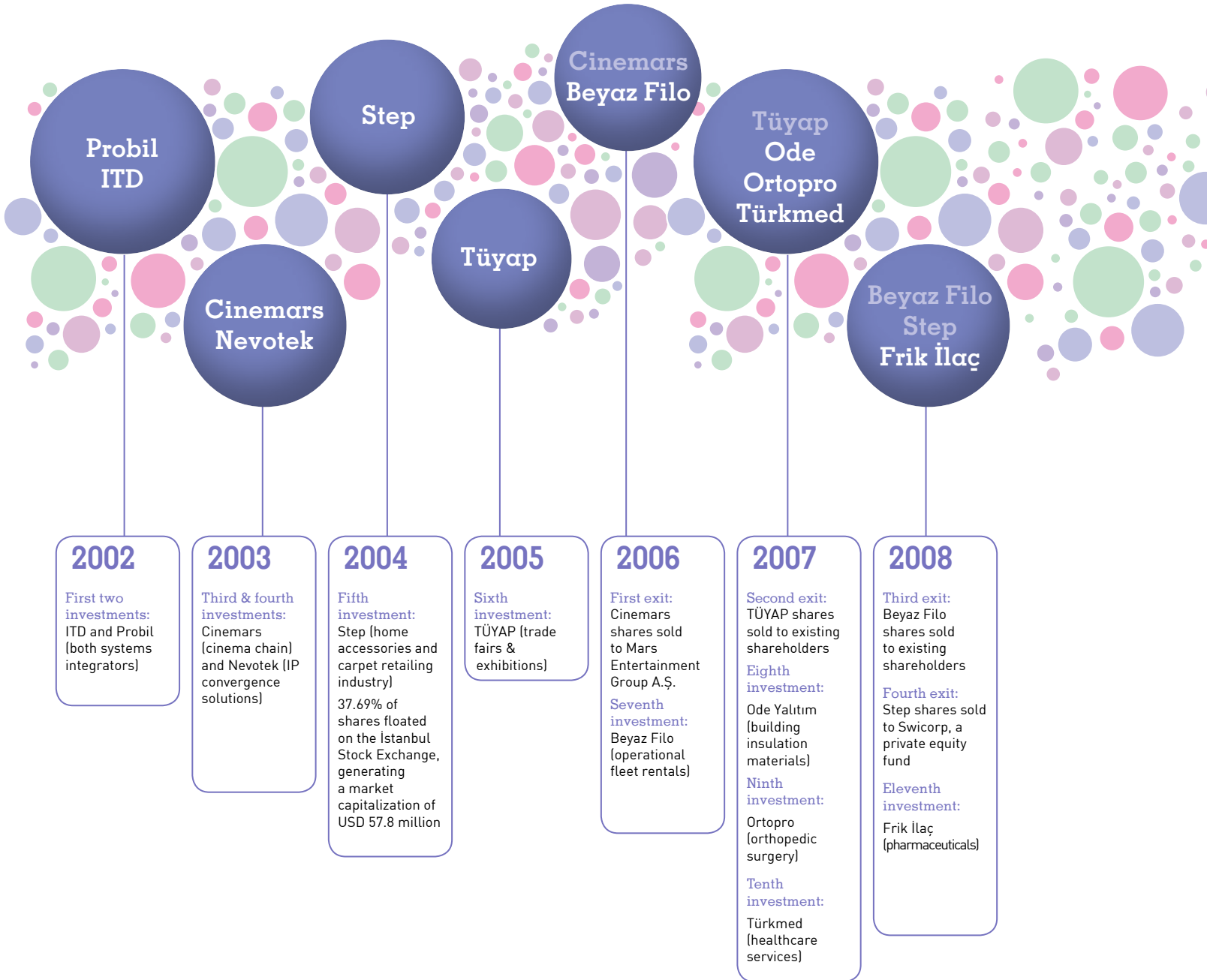
166.9

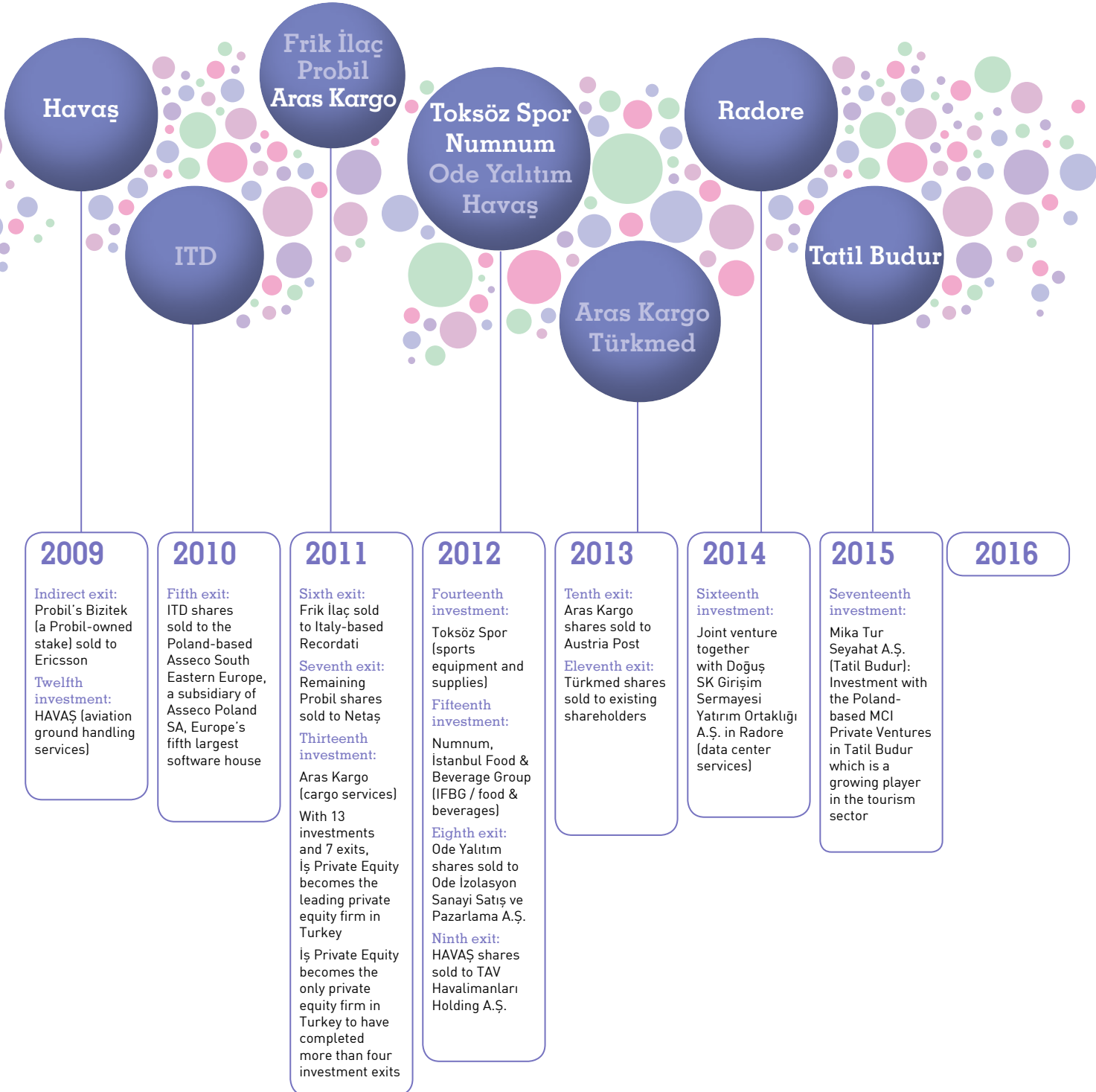
Money Multiple

2.30x

Exit Summary

Highlights from İş Private Equity's Corporate History





Message from the Chairman



GDP growth in Eurozone was realized at 0.3% in the third quarter of 2016, **indicating that economic activity remained stable, despite the Brexit vote.**

Dear stakeholders,

The Fed's surprise move...

The Fed announced its decision to raise its policy rate by 25 basis points in its December meeting, in line with market expectations. The Fed's 2017 projection, on the other hand, confused the markets and raised expectations of a rapid tightening in monetary conditions. The median forecast for the policy rate, published by the FOMC, was revised up by 25 basis points to 1.375%. While the number of rate hikes expected in 2017 was also revised upward from two to three.

This change in the interest rate forecast precipitated a rapid and sharp reaction from the market. While long term yields increased and the USD climbed, the capital markets suffered a decline.

The Fed, whose policies differ from other central banks, was now expected to continue to observe global balances, work by taking careful steps in 2017 and most importantly, strictly base any interest rate hike decisions on data for the US economy.

The point that should be watched carefully in this regard is the volatility that may arise from the policies of the Trump presidency in the US, once the new president is sworn in from January 2017.

While growth in Eurozone exceeded expectations, there are warnings of rising inflation.

GDP growth in Eurozone came in at 0.3% in the third quarter of 2016, indicating that economic activity maintained its stability despite the Brexit decision.

PMI data pertaining to November, on the other hand, indicated that consumer confidence in Germany and France, which are among the main Eurozone economies, has been improving, in line with the situation in neighboring countries. Analysts expect Eurozone GDP to have grown by 0.4% in the last quarter, eclipsing expectations.

Annual inflation in the Eurozone maintained its rise in November and reached 0.6%, its highest level since April 2014. In its December meeting, the ECB (European Central Bank) decided to continuously apply its expansionary monetary policy until the end of 2017, while decreasing the monthly purchase amounts, by keeping interest rates on hold.

Message from the Chairman

The biggest surprise in 2016 was the result of the US presidential election. Developments that can occur in the Eurozone countries which will enter election and referendum processes may lead to new risks.

The Eurozone is expected to round off 2016 with a growth rate of 1.6-1.7%.

OECD draws attention to fiscal policies...

The OECD raised its global growth forecast for 2017 from 3.2% to 3.3% and expects growth of 2.3% in the US and 1.6% in the Eurozone.

The OECD emphasized that the expansionary monetary policies in practice enable countries to focus on fiscal policies. The OECD believes that public spending in many countries can be raised by 0.5% of GDP over the next few years. It is emphasized that such an increase would not present a serious burden on budgets in the medium term and would strengthen countries' ability to escape the low growth trap.

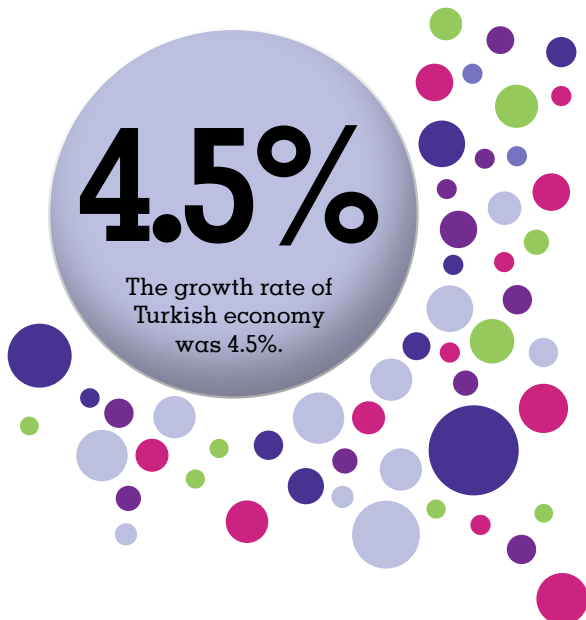
A loss of momentum in the Turkish economy in 2016. As a result of political developments in 2016, Turkish economy contracted by 1.8% in the third quarter of 2016 which is the first contraction since 9 years. While the economy grew in the first and second quarters by 2.3% and 3.1% respectively, the growth rate for the first two quarters of the year was revised to 4.5% as a result of methodology change within the scope of Turkish Statistical Institute's (TurkStat) compliance with System of National Accounts (SNA-2008) and European System of Accounts (ESA-2010).

The annual rate of CPI inflation, which had been on a downward trends for four months, came to its lowest level since May in November, at 7%. The domestic rate of PPI inflation, on the other hand, increased from 2.8% in October to 6.4% in November.

Volatility expected in the global markets in 2017.

A wave of volatility in the last quarter rounded off the year 2016. At the same time as mounting uncertainty on a global scale, risks surrounding economic policy increased again.

The biggest surprise in 2016 was the result of the US presidential election. Developments that can occur in the Eurozone countries which will enter election and referendum processes may lead to new risks.



İş Private Equity is determined to grow and fulfill its fundamental duty thanks to its "smart money" which is vital for our business world, especially for SMEs.

A more protectionist approach on foreign trade, as advocated by President Trump, may have a restrictive impact on world trade volume and risks in the global economy.

We will continue to support companies with our sustainable and transparent structure, which is appropriate for the conditions.

The volatility in global and domestic economic conditions looks set to continue affecting our sector and the real economy. This interaction may have both positive and negative repercussions in 2017 and beyond.

As long as strong and leading companies such as İş Private Equity maintain a proactive and robust stance against risks, while remaining dynamic and determined in seizing business opportunities, the private equity sector will continue to play an exemplary and important role in the growth and development of our country.

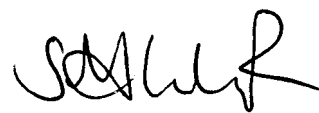
İş Private Equity is determined to grow and fulfill its fundamental duty thanks to its "smart money", so vital in our business world and especially so for SMEs.

In order to build a strong and steady future, we will continue to encourage the companies that we participate in as a result of detailed and analytical processes to utilize our know-how and expertise that we developed throughout the years.

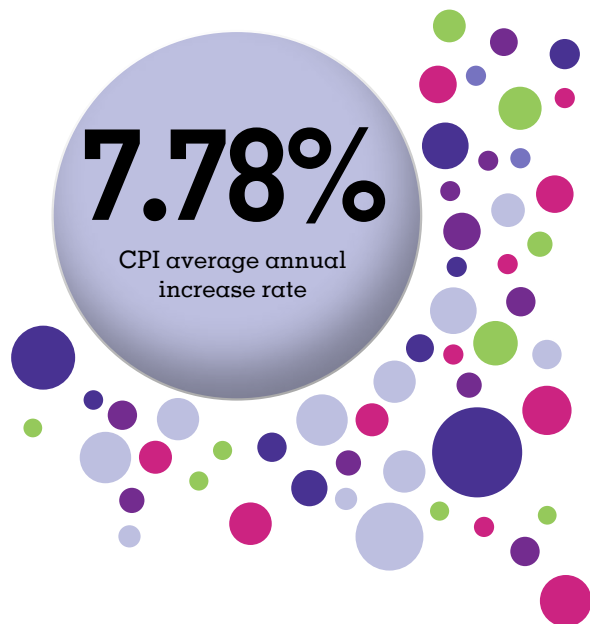
Flexibility, reliability, transparency and institutionalism will always remain our indispensable source of value and the key for success in our investment process.

We will increasingly continue to create value for our economy and the companies we participate in by combining the power and vision of the İşbank Group provided with our own competencies, the devoted efforts of our employees and our professionalism.

On behalf of our Company and the Board of Directors, I would like to extend my thanks and respect to our employees, who work to a busy schedule, to our business partners, to our stakeholder and to our shareholders.



Senar Akkuş
Chairman of the Board of Directors



Message from the CEO



İş Private Equity has invested USD 135.6 million in the 17 companies between 2000 and 2016. İş Private Equity has earned a return of USD 166.9 million in the 11 exits that it has completed.

Dear stakeholders,

The reasoning behind the maritime images and terms in this year's annual report is that the maritime environment so accurately and simply encapsulates the difficulties, the risks, the business opportunities and the ups and downs, in other words, the volatilities of the market conditions.

Just as navigating at sea requires dealing with difficult nature and weather conditions, as well as being a rewarding and fulfilling activity for sailors, private equity investments also have difficulties that need to be handled properly and risks that need to be managed carefully while at the same time offering potential and business opportunities for finance workers and business people.

The developments in the world and in our country, along with the hot agenda items, directly and rapidly affect market conditions. This situation confirms that we need to determine our corporate strategy with a proactive approach.

This situation gains more importance especially for companies operating in the private equity sector. In such an environment, the characteristics of planning, acting systemically and caution and being able to change route by forecasting potential risks become vital. These characteristics play a significant role in both short term and medium to long term performance.

Celebrating its 16th year of operations...

In its 16th year of operations, İş Private Equity, "Turkey's Capital", continued to support SMEs which are drivers of growth in the Turkish economy. The Company unwaveringly maintained its contribution to the developmental processes of SMEs under all economic conditions.

İş Private Equity's primary goals are the sustainable growth and creation of value added in the companies it participates in. At the same time, İş Private Equity supports projects that will generate value for Turkey.

İş Private Equity has invested USD 135.6 million in the 17 companies between 2000 and 2016. İş Private Equity has earned a return of USD 166.9 million in the 11 exits that it has completed.

Without showing any discrimination by sector, İş Private Equity established partnerships with companies whose potential we believed in and which we anticipated a level of value added creation power under an analytical view within the scope of business model. The investments undertaken by İş Private Equity include pioneering and leading companies

Message from the CEO

With its experienced team and investment focus, İş Private Equity has analyzed an average of 170 companies per year since its foundation.

operating in various business areas such as retail, IT, healthcare and fair organization.

The economic and social impact of the expansion of İş Private Equity's investment portfolio in a wide range of sectors is far reaching. However, İş Private Equity helped all of its participations adopt core concepts, such as institutionalization and sustainable growth, as "best practices".

Our primary goal is to demonstrate Turkey's potential and to grow with the country.

İş Private Equity is focused on investment projects with our experienced team that follows developments in various sectors, in addition to macroeconomic developments. İş Private Equity has analyzed an average of 170 companies each year since its foundation. Following extensive analysis, the Company selects strategic partnerships that it will participate in.

Under a holistic approach as part of our investment strategy, we seek to support Board-level professional managers in the companies we participate in and to help companies reach to competitive level thanks to the data-based analysis carried out.

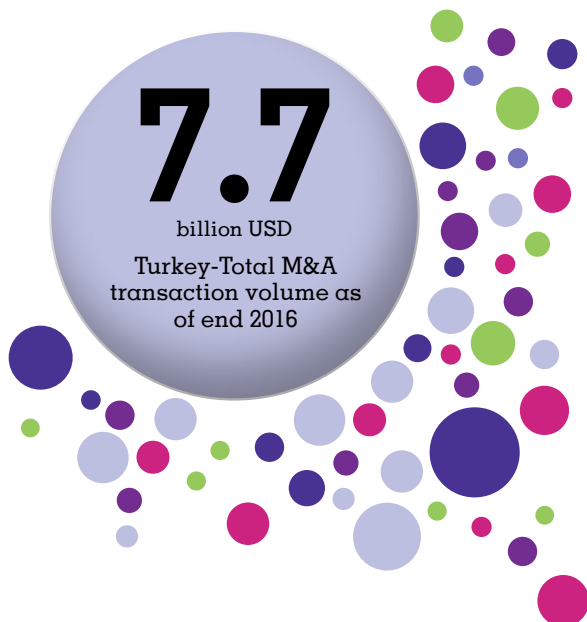
While this annual report includes a review of our investment portfolio, we are also seeking to provide information to our valued stakeholders by examining one of our experiences in partnership processes in each annual report.

This year we examined the Tüyap investment as a success story. İş Private Equity participated in this investment with the Netherlands Development Finance Company ("FMO") in 2005.

Our partnership in Tüyap, which lasted for less than two years, was terminated by a transfer of shares to the founding partners in return for USD 10.8 million. The most important gains from this investment were the increase in the value of the investment in a short period of time and the achievement of a rapid exit. İş Private Equity achieved a 45.75% internal rate of return in USD terms from its investment in the space of just 2 years. At the same time, the Company recorded one of the fastest exits ever achieved in the private equity sector in Turkey.

A decline in merger and acquisition transactions in our sector in 2016.

A total of 248 M&A transactions with a value of USD 7.7 billion took place in 2016, marking a 53% decrease when compared to the end of 2015.



The share of foreign investors in M&A transaction volumes decreased to 49% in 2016. Financial investors preferred to adopt a cautious stance in 2016, as they had in 2015. The share of financial investors in total investments stood at 21%, maintaining their 2015 level.

The number of transactions undertaken by financial investors increased by 92% when compared to 2015 to 100 thanks to the remarkable increase in venture capital and angel investor transactions in 2016. Venture capital and angel investors carried out 68 out of the 100 transactions in 2016 while private equity firms completed 21 transactions.

Our course in 2017 will be set in parallel with the economic growth, political outlook and developments in our country's neighboring region.

Looking ahead with hope and determination

With its flexible, transparent and long term investment approach and professional team renowned for its forecasting ability, İş Private Equity will maintain its march towards the goal of realizing long term synergies and its support for companies during periods of high volatility with its determined, cautious and risk sensitive steps by focusing its investment perspective on transactions that will generate value, both for companies in the current portfolio and for potential new partnerships.

Within this framework, we undertook an additional TL 10 million investment in Numnum, which is in our portfolio, through a cash capital increase in December 2016. Our goal in this investment is to strengthen the company's balance sheet in a manner that alleviates the impact of macro-economic problems, as faced by the sector, on the company and to provide the financial resources that will allow the company pursue growth opportunities when the conditions arise. Applying the same approach as in the Numnum case to other companies in our portfolio when needed will be one of main axes of our investment strategy under the current cyclical environment.

Although the markets that the companies in our portfolio operate in face volatilities in the short term as a result of various dynamics, we have full trust in the Turkish economy, the investors of this country, SMEs and our entrepreneurs in the medium to long term.

When we look at the future of our sector, we think our country will continue its progress in its sustainable growth path in the medium and long term. We also think this development will ensure a high return private equity funds and healthy growth opportunities in different business areas.

With public regulations that promote and encourage development of private equity funds in Turkey, we are further approaching a framework that is suitable for the more rapid development of our sector. In 2016, the government continued to provide various incentives to make our sector more attractive, as it had in previous years. Some examples of this support for the private equity sector include the passage of regulations regarding indirect taxes, such as stamp duty and BSMV (Banking and Insurance Transactions Tax - BİTT), the obligation to place employees' savings in private equity funds within the framework of automatic participation in the private pension system. In this way, by reaching the power that enables our sector to offer more support, more quickly to companies that have developmental potential, our sector continues to reinforce its self confidence that it can increase the contribution to entrepreneurship and Turkish economy.

İş Private Equity will continue to partner with success stories.

İş Private Equity will continue to record the best practices by partnering with success stories of visionary actors, as the Company has done since its foundation.

İş Private Equity, without doubt, will consider following characteristics regarding the companies that were participated: being corporate and sustainable; being among leading brands by enabling them to enter into new markets. İş Private Equity will aim to ensure these companies reach a strong position not only in Turkey but also in international markets.

I would like to extend my profound thanks primarily to the İşbank Group, our biggest supporter and also to our shareholders, business partners and employees for their hard work, support and trust.

Kind regards,



A. Murat Özgen
Chief Executive Officer



to shift

Adapting quickly
to new conditions
as wind changes. **The
strength and support of
İşbank Group**

The Macroeconomic Outlook

The US Department of Commerce revised its third quarter growth forecast up from 3.2% to 3.5%, which would be the highest since the third quarter of 2014.



An Overview of 2016

A volatile course for the world economy following the surprise result of the US presidential elections.

After a fiercely contested campaign, the Republican candidate Donald Trump won the US Presidential elections on 8 November 2016.

Throughout the election period, economists and business leaders were convinced that the next occupant of the White House following Obama's department would be the Democrat Party's candidate, Hillary Clinton. When Trump won the election, they focused on anticipating the economic policies and potential changes that a Trump presidency would bring, after he took up the position in January 2017.

The focus on economic policies that Trump declared throughout his election campaign was for an approach of stimulating growth through public spending. The new President promised the US public that there would be regulations on tax. The President also promised to increase public revenue and welfare. On the other hand, the new President has warned of additional import duties on foreign trade, in a sign of protectionist policies to come during the Trump presidency.

The US maintains its strong growth.

The US Department of Commerce revised its growth forecast for the third quarter from 3.2% to 3.5%.

This growth rate would be the highest rate since the third quarter of 2014. Brisk consumer expenditures and export growth have been instrumental in achieving the best performance of the last two years. The increase in consumer expenditures, which accounts for more than two thirds of the US economy, was also revised within the same scope from 2.8% to 3%.

Fed raises the policy rate in December, in line with expectations.

In the meeting dated 14 December 2016, the Fed increased its policy interest rate by 25 basis point to a 0.50-0.75% interval.

This increase had long been anticipated and had already been priced in by the market. However, the Fed set out its surprise move in its 2017 expectations, where the Fed declared that interest rates would likely be revised 3 times instead of 2 times during 2017. The impact of this change in expectations on the money and capital markets was immediate. Amidst the short term volatility, the USD gained strength but equity markets fell.

The Macroeconomic Outlook

Annual inflation in the Eurozone continued to climb, reaching 0.6% in November 2016, its highest since April 2014.

The Fed is expected to maintain its prudent policy in 2017 and will consider the delicate balance of the world economy under tightening monetary conditions. It is thought that the Fed will take decisions in line with data from the US economy and will avoid decisions that would harden monetary conditions. On the other hand, relations between the Fed and the new President, who will start work in January 2017 and the President's monetary policy will be watched closely.

ECB extends asset purchasing program for one more year.

In its ordinary meeting dated 8 December 2016, the European Central Bank (ECB) kept interest rates on hold and extended its asset purchasing program until December 2017. Despite the extension in the program period, the ECB decreased the monthly volume of asset purchases from Euro 80 billion to Euro 60 billion with effect from April 2017. Within the scope of the decisions taken with a majority vote, Mario Draghi, the President of the Bank, stated that ECB could consider raising the upper limit of the asset purchasing program again in the event of a deterioration in inflation conditions. The bank, in the same meeting, also implemented technical improvements aimed at supporting monetary conditions.

Eurozone posts its highest inflation readings since 2014...

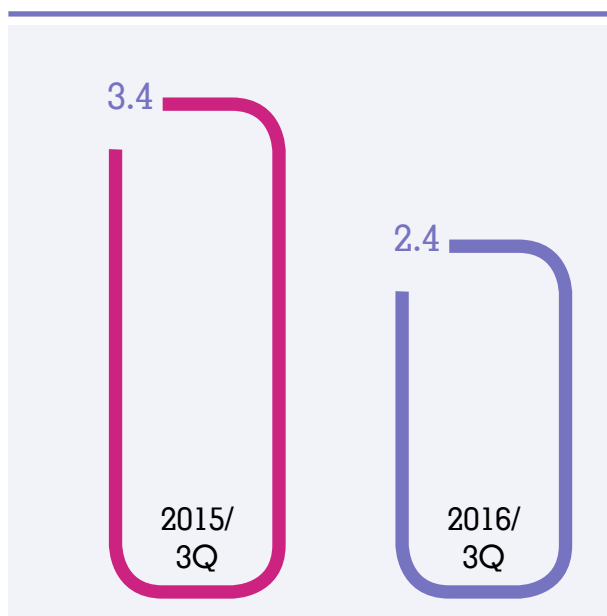
Growth in the Eurozone came in at 0.3% in the third quarter of 2016, despite the UK's vote to leave the EU, in an indication that economic activity in the EU will be relatively unaffected by Brexit. While the EU's core economies maintained their growth, there was an improvement in the economies of neighboring countries in the third quarter of the year. This situation was priced by financial markets as a positive development.

A further rise in the annual rate of inflation in the Eurozone.

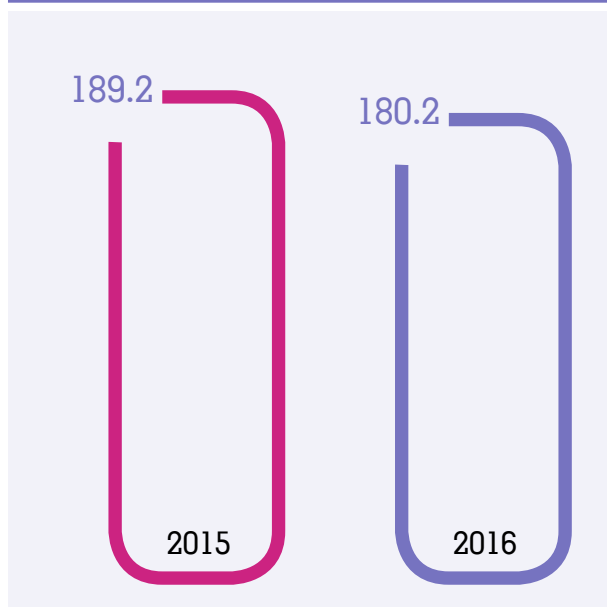
Inflation came in at 0.6% in November 2016, its highest since April 2014.

The PMI of Manufacturing industry in Germany, considered the motor of economic growth in the EU, reached its highest level in the last two years. This buoyant trend in the country's economy was also reflected to the labor markets. The rate of unemployment in Germany, at 6% in October 2016, was the lowest since 1990. The rate of unemployment in the Eurozone, on the other hand, stood at 9.8% in the same period.

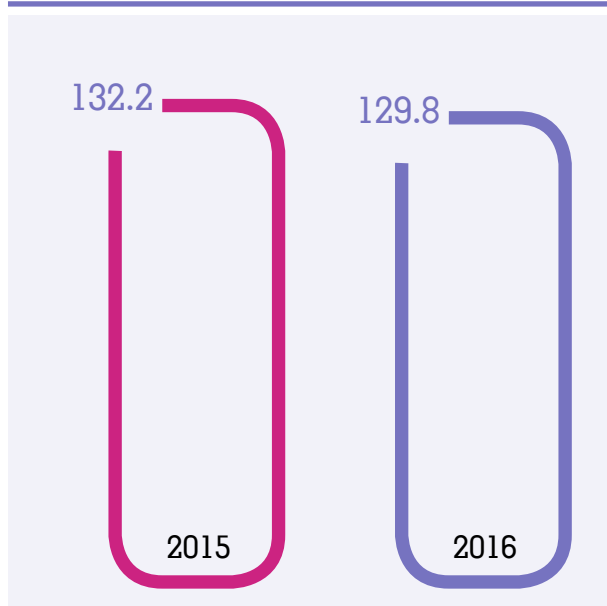
GNP (%)



Imports (billion USD/January-November)



Exports (billion USD/January-November)

**Turkish economy estimated to have grown by 3% in 2016.**

The Turkish economy recorded 4.5% growth rate in the first and second quarters of 2016. Under the stagnant market conditions following the failed coup attempt of July 15th, the economy contracted by 1.8% in the third quarter.

With the Turkish economy's revival in the last quarter of the year, the annual rate of growth in the Turkish economy is expected to have been around 3%.

US presidential election results precipitate a wave of capital outflows from Turkey and other emerging markets.

The expectation that Trump will follow a looser fiscal policy strengthened the expectation that the Fed could raise interest rates more rapidly than had been previously anticipated. The USD appreciated against the currencies of developed countries and reached a 14 year peak. Emerging markets saw their currencies lose value, while there was weaknesses in portfolio flows to these countries.

The fall of the TL, exacerbated by developments in foreign countries, accelerated after the US elections and the TL hovered at some of its weakest levels during this period.

CBT raises interest rates for the first time since January 2014

In its Board meeting dated 24 November 2016, the CBT raised the policy interest rate by 50 basis points from 7.5% to 8%. The Bank also increased the overnight lending rate by 25 basis point from 8.25% to 8.5%.

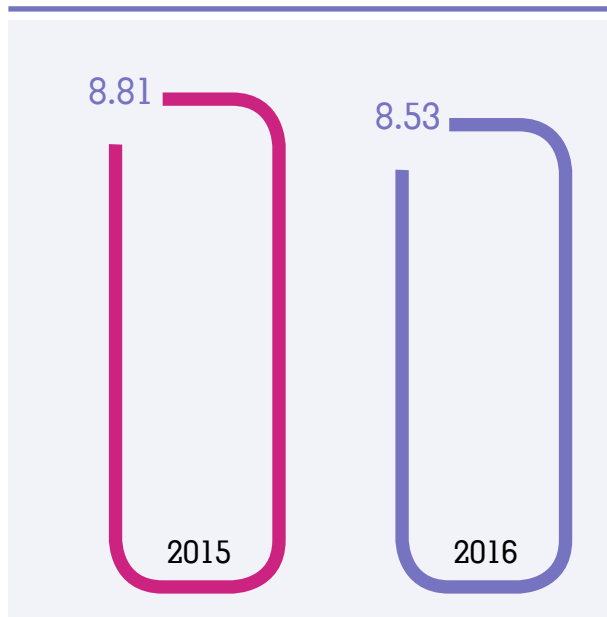
The CBT aimed to ease the impact of recent TL weakness on inflation with the decisions it took and aimed to provide an additional USD 1.5 billion of resources to the market through measures taken regarding required reserves.

A 1.9% decline in industrial production in the third quarter

After having increased moderately in August, industrial production contracted by 3.1% YoY in September due to the contraction in manufacturing industry. In this period, 16 out of the 24 manufacturing industry sub-sectors contracted and Turkey's industrial production decreased by 1.9% YoY in the third quarter of 2016. The weak trend in industrial production also affected expectations of growth for the third quarter of the year. Despite this, economic activity is expected to have recovered in the last quarter of 2016 on easing of macro prudential measures and the support of fiscal stimuli.

The Macroeconomic Outlook

CPI (%)



Rising automotive production...

According to the figures released by the Automotive Manufacturers Association's (OSD), automotive manufacturing production increased by 9% YoY in 2016, supported by higher exports. As well as the record high automotive production (1.4 million vehicles), the sector's exports remained buoyant throughout the year. On the other hand, the contraction in the domestic market continued.

Relative increase in imports...

Exports increased by 9.7% YoY in the month of November 2016 to USD 12.8 billion. Imports also increased by 6% to reach USD 16.9 billion in the same month, with the foreign trade deficit narrowing by 4.1% YoY to USD 4.12 billion.

The export coverage ratio improved from 73.1% in November 2015 to 75.7% in November 2016. In seasonally and calendar adjusted terms, exports and imports decreased by 0.9% and 4.6% month-over-month, respectively in November 2016.

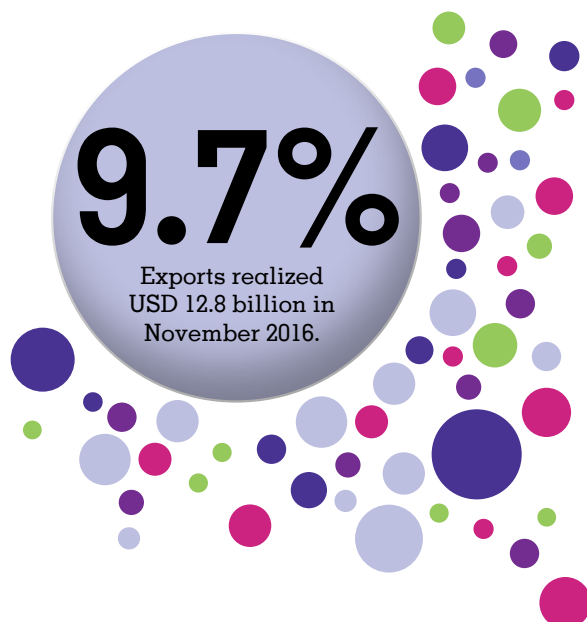
Some positive developments in CPI inflation...

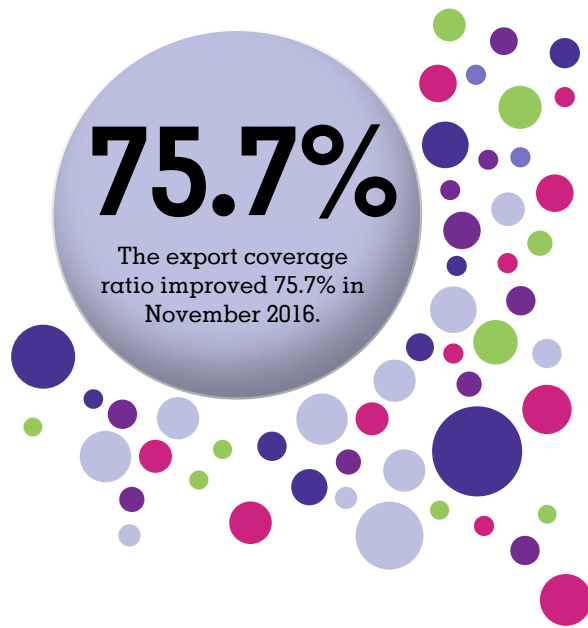
Contrary to market expectations, the rise in CPI inflation was limited. The CPI increased by 0.52% in November 2016, when compared to the previous month. This was markedly below the 0.83% increase in the CPI consensus in the CBT Survey of Expectations. The rate of domestic PPI inflation, on the other hand, came in at 2% in November, its single highest monthly reading since January 2014.

As a result, the rate of CPI inflation, which had already been declining for 4 months, decreased to 7%, its lowest level since May. The rate of domestic PPI inflation, on the other hand, shot up from 2.84% in October to 6.41% in November. This was a result of the base effect, as the rate of domestic PPI inflation had been low in November 2015.

Outlook for 2017

In its October 2016 World Economic Outlook report, the IMF set out its forecast that the world economy would grow at a relatively slow 3.1% in 2016, with some increase in the growth rate to 3.4% in 2017. The expectations for 2016 and 2017 were lowered by 0.1 of a percentage point in the report, which was published in April. This downward revision was to incorporate the negative impact of the Brexit decision on the EU and the risks associated with the lower than expected growth in the US. While all these developments put a repressive impact on interest rates globally, they do signal that monetary policies will remain loose for a longer period of time.





Financial markets' perception of emerging economies has been improving. Expectations regarding that interest rates will remain low in developed countries and recovery of Chinese economy in a short period of time were supportive with this sense. However, outlook for emerging countries continues to have differences across regions and countries. Political developments in EU countries, which have been in an election and referendum period since December, will stand out as risk factors in 2017.

The Turkish economy is set to maintain its moderate growth in 2017 with its sound economic foundations, despite potential regional and global difficulties. The financial system is expected to maintain its healthy position and continue to support the real economy. The most important challenge facing exporting sectors, on the other hand, will be the diversification of their markets in 2017.

The policies to be implemented by the new Republican President Donald Trump, who will take up the post in January 2017, the direction of relations with the EU, the pace of recovery in trade with Russia and developments in the Middle East will be the most important items shaping the performance of the Turkish economy.

Under such an economic cycle, successful management of various risks in the global economy will have an important bearing on the economic performance of policy makers, investors and corporate players in the coming period.

Sectoral Review

In 2016, the internet and mobile services sector, technology sector and energy sector accounted for 43% of the transaction in Turkey's M&A market. The energy, entertainment and financial services sectors ranked as the top three in terms of transaction volume for M&A activity.

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

An overview of Private Equity Legislation in Turkey

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

The first legal regulations regarding private equity were drafted by the Capital Markets Board. The Capital Markets Board paved the way for private equity to be formed as investment trusts in its communique numbered Serial: VIII, No: 21 which was published on 6 July 1994. Furthermore, the income of private equity companies established in that manner were exempted from corporation tax and income tax stoppages.

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

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

Within the scope of the authority provided to the Capital Market Board by the Capital Markets Law, the principles regarding the foundation of these funds, their activities, their sale to qualified investors and their activities were regulated in detail in accordance with the Principles for Private Equity Investment Funds Communique, which was published in issue 28870 of the Official Gazette, dated 2 January 2014.

Global Merger and Acquisition (M&A) Markets

According to mergermarket.com's 2016 Global and Regional M&A report, the transaction volume of USD 3.2 trillion in 2016 was the third highest realized since 2007. Despite this high volume, it still represented a decrease of 18% when compared to 2015.

The US market reached its second highest volume since 2001, with 4,951 transactions amounting to USD 1.5 trillion in 2016. Meanwhile, China broke a new record, quadrupling its 2015 volume in 2016. There were 6,756 transactions with a total value of USD 797.4 billion in the European M&A market.



Political uncertainty was the leading factor affecting the market, where the transaction volume decreased by 10.3% YoY.

When 2016 transactions are analyzed on a sector-by-sector basis, transactions in the energy and mining services, industry and chemicals sectors accounted for the majority of transaction volumes.

Cross-border transactions decreased by 7.9% YoY in 2016, ending the year at USD 1.3 trillion.

The most important trend within the scope of cross-border investments was Chinese investors' increased appetite for international transactions. Chinese investors completed 258 transactions and quadrupled their total transaction volume when compared to 2015. Chinese investors realized USD 185.3 billion of M&A transactions during the year.

The outlook for 2017 contains many uncertainties and the M&A market will largely be affected by the Brexit negotiations, policies to be followed by new president Trump and the general elections in France and Germany.

Turkish M&A Market

According to the 2016 M&A Transactions Report prepared by Deloitte, a total of 248 transactions amounting to USD 7.7 billion were completed in the Turkish M&A market in 2016 (245 transactions in 2015).

This transaction volume was the lowest level since the 2009 global economic crisis, marking a 53% contraction when compared to 2015.

A combination of slower economic growth, political instability and local developments were the major issues limiting the number of company partnerships in 2016.

In terms of the number of transactions, internet and mobile services, technology and energy sectors accounted for 43% of the total transactions. In terms of transaction volumes, energy, entertainment and financial services were the top 3 sectors.

In 2016, 92% of transactions had a value of USD 100 million or less and these transactions corresponded to 45% of total transaction volume. The top 10 transactions, on the other hand, had a 39% share in total transaction volumes in 2016. The average transaction volume in 2016 stood at USD 31 million.

The first of the top 10 transactions in terms of transaction volume that was completed in 2016 was the Mars Cinema (Mars Entertainment Group) deal. Transactions in the energy sector play an important role in transaction value. Privatizations posted a volume of USD 1.1 billion with six transactions among the M&A transactions completed in 2016. All of these transactions were in the energy sector and contributed 14% to the transaction volume.

The share of foreign investors in the transaction volume also decreased, from 70% in 2015 to 49% in 2016.

It was observed that financial investors took a cautious and strategic stance in 2016. Financial investors had a 19% share in total investments in 2015, a level that was maintained in 2016, at 21%. The transaction volumes of financial investors more than halved YoY from USD 3.1 billion to USD 1.6 billion. Due to an increase in private equity and angel investments, the number of transactions by financial investors increased by 92% YoY to 100 transactions in 2016. While 68 of these 100 closed deals were being carried out by venture capitals and angel investors, private equities acted in a risk sensitive manner and completed the year with 21 transactions.

Transaction values of M&A deals in Turkey (2016)

Range	% Share of Total Number	% Share to Total Value
Over USD 500 mn	0.4	9
USD 250-500 mn	2	20
USD 100-250 mn	6	26
USD 50-100 mn	7	17
Below USD 50 mn	85	28
Total	100	100

Our Business Model

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

Our Investment Philosophy

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

- İş Private Equity, together with the Company management, determines strategies that will create value for the Company. İş Private Equity's aim is to enable the Turkish companies it enters partnership with to compete not only in Turkey but also in international markets. The primary value creation strategies that İş Private Equity pursues for its participations are to help companies grow organically or by acquiring new companies to create competitive advantage, to help companies increase their operational efficiency, to help them enter new markets and to assist companies in forming the best available capital structures.
- İş Private Equity is one of the private equity funds active in Turkey and has a proven historical performance. İş Private Equity has a wealth of experience in meeting the needs of companies during different phases of their institutionalization and growth processes.
İş Private Equity does not intervene in the daily operations of the companies.

Our Investment Strategy

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

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

İş Private Equity determined its geographical focus as companies based in Turkey, but preferably with connections abroad. İş Private Equity prefers to invest in sectors that are large and are continuing to grow rapidly while being not affected by cyclical changes.

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

Our Investment Criteria

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

1. The expectation of a high return
2. A realistic growth expectation
3. Operating profitability
4. A strong, experienced, innovative and highly energetic management team who are integrated with their business and who can take decisions rapidly
5. Sustainable competitive power with market share and branding, a business plan which is realistic and difficult to imitate, products and services that are genuine and which have a competitive advantage
6. Exit opportunities (sale to a financial/ strategic buyer, public offering, sale to current shareholders)

İş Private Equity's Distinguished Advantages

Strong Execution Capability

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

Project Creation Ability

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

Value for Companies in the Portfolio

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

Local Know-How and Enterprise

Local Know-How and Wide Experience in the Private Equity Sector

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

A Proven Historical Performance

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

Investments and Exits

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

İş Private Equity examined about 2,700 projects in its project assessment process between 2000 and 2016 to determine projects that meet its investment criteria. İş Private Equity invested in 17 companies during this period.

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

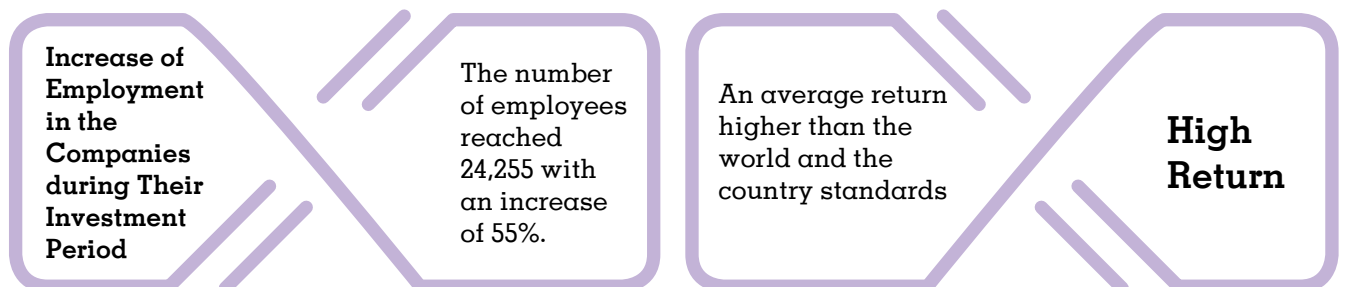
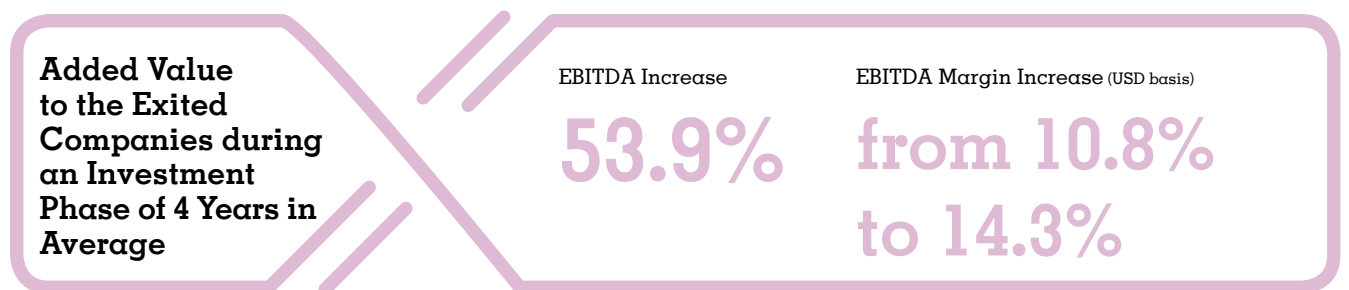
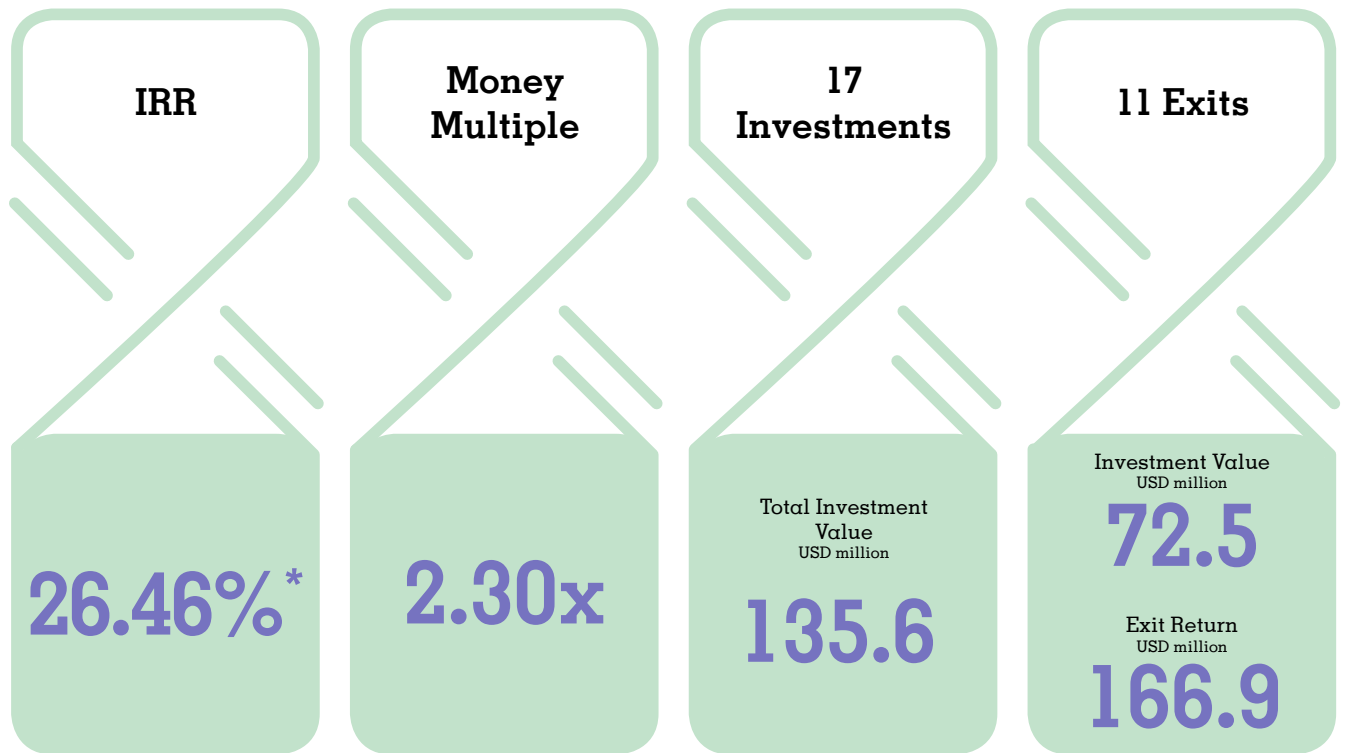
The 17 investments undertaken between 2000 and 2016 had a total volume of USD 135.6 million, while the total volume of the 11 exits was USD 72.5 million.

Attracting attention with its recent exit oriented activities

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

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

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



* According to the Cambridge Associates data as of June 2016, average 10-year IRR of the limited partners in global private equity firms is 8.77%.

The Companies in Our Portfolio

Tatil Budur



Radore



IFBG



Sportive



Ortopro



Nevotek



Tatil Budur (Mika Tur)

tatil
Budur!.com

mika tur

www.mikatour.com
www.tatilbudur.com





Tatil Budur has notched up a number of firsts in the Turkish tourism sector since 1997. The company maintains its operations within MİKA Tur. Tatil Budur operates in 59 cities in the areas of domestic tourism, outgoing tourism, culture and congress tourism.

Tatil Budur has a wide product portfolio which includes booking services for 2,500 hotels in Turkey and 150,000 abroad, for the purpose of both individual and mass services.

Tatil Budur meets its customers' vacation needs through the via www.tatilbudur.com website which was visited by about 32 million people annually, as well as its 444 0 484 call center, its customer services and its authorized agencies.

Tatil Budur organized vacations for 670,000 customers in 2016, while increasing the number of customers by a CAGR of 18% while reaching an 87% customer satisfaction ratios.

Radore

(Radore Veri Merkezi Hizmetleri A.Ş.)



www.radore.com





In 2014 İş Private Equity invested in Radore, which offers data center services for consumer and corporate clients. Radore achieved 10% growth in 2016 with an efficient and successful performance.

Radore, an independent company in the Turkish data center services, was established in 2004. Backed by its technical infrastructure, the company has maintained growth with a range of services including server hosting, dedicated servers, cloud services, web hosting, CDN and managed services. The company provides data center solutions to about 3,000 individuals and corporations with its team of 66 employees and with its data center, which has a capacity for 10,000 servers.

Following İş Private Equity's participation, steps were taken to develop the company's corporate governance. Within this scope, a professionalization process for the company's staff was initiated; a new General Manager, who had served as senior manager in the ICT sector many years, was appointed in 2016; and a systematic structure was brought to reporting activities.

In addition to these steps, the company's server area was expanded to 1,050 m², its server capacity increased to 10,000 units, the Radore website was renewed, new products were developed in the cloud computing and security areas and the company completed the ISO 9001, ISO 27001 and PCI DDS certifications, as needed by the data center.

İstanbul Food & Beverage Group (IFBG)



İSTANBUL
YİYECEK İÇECEK
GRUBU

www.iyig.com.tr





In 2012 İş Private Equity partnered with the IFBG, a brand that creates value in the gastronomy sector. Although the IFBG could not meet its growth targets in 2016 due to the negative economic and political developments in Turkey and in the world, it succeeded in maintaining its competitive position in the market thanks to its strong brands.

İş Private Equity increased its stake in Numnum Food and Beverages to 83.57% through a capital increase in 2016.

IFBG was founded under the guidance of Mehmet Gürs in 1996. The group has a range of operations such as Mikla, Numnum Cafe & Restaurant, Trattoria Enzo, Kronotrop and Terra Kitchen. IFBG continues to offer a differentiated and innovative product and services to its customers in the restaurant sector through its concepts which range from casual dining to fine dining options.

Gaining from the cooperation between İş Private Equity and the IFBG

The synergistic cooperation between İş Private Equity and IFBG provided important gains in the area of corporate governance. Corporate governance standards, with priority on reporting and analytical methods, were developed and work was undertaken to resolve operational and financial issues.

This investment and cooperation paved the way for efficient growth through the new brands offered to the market within the framework of the strategic goals. Within the scope of activities to open new branches for the brands under IFBG, the necessary steps have continued to be taken on issues such as the company's own investment, economic feasibility, its franchise strategy and management agreement.

Istanbul Food & Beverage Group (IFBG)

IFBG hosted 1.1 million visitors at its 17 services points spread over 6,000 m², with its brand portfolio reaching 5 brands by the end of 2016.

IFBG gains following İş Private Equity's investment in 2012 are listed below.

- In line with corporate governance requirements, the senior management was enhanced, reporting and analytical methods were set up and governance standards were developed.
- As part of the strategic goals, new brands were developed with franchise and management agreement models used as investment alternatives during the expansion period.
- Governance processes were developed; systematic work was carried out with IFBG to determine strategic goals.
- Before the investment, IFBG had been serving around 700,000 guests from 8 service points under 2 brands, having a 4,500 m² area. In 2016, IFBG served 1.1 million guests from 17 service points under 5 brands, having a 6,000 m² area.

IFBG's brands

A summary of the 5 brands that operate under the IFBG is provided below:



Mikla: Mikla is a modern "Istanbulite" that started operations in October 2005, offering a fusion of traditional and global flavors presented expertly with the accompaniment of music. The restaurant has a view of the historical peninsula being located in the uppermost two floors of the Marmara Pera Otel.

It was not long before Mikla received the accolade of being listed as one of Istanbul's outstanding restaurants, thanks to its visionary management approach. Mikla set itself apart with its "New Anatolian Cuisine" concept that it launched in 2012. The restaurant, which has carved out a name for itself in the international arena, is listed among "The World's Top 100 Restaurants".



Numnum Cafe & Restaurant: Numnum Cafe & Restaurant offers qualified examples of American and Italian cuisines. The Numnum Cafe & Restaurant was established with the concept of being a family restaurant which offers good food, fast service and reasonable prices.



The Numnum Cafe & Restaurant, which opened its first restaurant in 2003 in the Maçka G-Mall, is now active in 9 locations.

The Numnum Cafe & Restaurant opened its first restaurant in 2003 in the Maçka G-Mall and it has 9 branches, four of which are located in İstanbul (Levent Kanyon, Ümraniye Meydan, Ataşehir Brandium and Akasya Acıbadem) and four in Ankara (Panora, Gordion, Tepe Prime, Armada) along with one in Bursa (Podyum Park).



Trattoria Enzo: Trattoria Enzo was opened in March 2014 in the Akasya Acıbadem Shopping Mall and is specialized in Italian "homemade food". The restaurant is acclaimed for its fresh pasta, range of pizzas, its main dishes and its special wines and the restaurant stands out from its peers with its price and quality balance.



Kronotrop: Kronotrop, a third generation coffee shop, was acquired by IFBG in 2014. Its stores offer a real coffee experience for coffee connoisseurs at its stores in Cihangir, the Allianz Tower and the Orjin Maslak Plaza. Kronotrop is one of the world's top 25 coffee shops according to Buzzfeed, a popular news site. In addition to its free workshops, Kronotrop develops new products in its R&D and Training Center where it trains new baristas. With its coffee roasting facility, Kronotrop provides coffee to an impressive array of outstanding venues such as the Babylon Music Club and the Four Seasons İstanbul Bosphorus.



Terra Kitchen: Terra Kitchen started its operations in 2004 with the philosophy of "eat good food, feel good". Terra Kitchen serves its customers with its concept of providing good food quickly and at a reasonable price. Terra Kitchen differentiates itself with its range of fresh products which do not include industrial foods and its impressive menu. Terra Kitchen has 3 restaurants in İstanbul, in the Özdilek Shopping Mall, the Orjin Maslak Plaza and the Allianz Tower.



Sportive

(Toksöz Spor Malzemeleri Ticaret A.Ş.)

sportive

www.sportive.com.tr





İş Private Equity participated in Sportive, one of Turkey's leading sports retail chains, in 2012. Sportive maintained its sustainable performance in 2016.

Sportive which was established in 1985, has continued its growth with İş Private Equity's investments. The share of sales conducted through the website, www.sportive.com.tr, in total sales reached 4%, increasing by more than 50% when compared to previous years.

With a retail area of around 28,000 m², Sportive is Turkey's largest local multi branded sports retail chain. The share of retail revenue in total revenues increased from 53% in 2011 to 64% in 2016.

As a result of İş Private Equity's investment, a professional senior management team was appointed in Sportive, the organization was restructured and internal auditing and procedures were established as well as reporting systems. Furthermore, penetration potential is provided considering franchising opportunities, e-commerce activities were focused via the company's website, a new and modern warehouse was established to enhance the logistics infrastructure.

Ortopro

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

ORTOPRO
ORTHOPAEDICS

www.ortopro.com.tr





İş Private Equity invested in Ortopro in 2007, one of Turkey's leading domestic manufacturers in the orthopedic surgery sector, which started operations in 2002. İş Private Equity increased its share in the company to 83.64% through capital increase in 2015.

İş Private Equity invested in Ortopro in 2007, one of the leading domestic manufacturers in the Turkish orthopedic surgery sector, started its operations in 2002. İş Private Equity increased its share in the company to 83.64% through a capital increase in 2015. The share of exports in the company's total sales stood at 46% in 2016.

Ortopro manufactures medical devices for orthopedics, traumatology and brain surgery. Following İş Private Equity's investments, Ortopro (once a small domestic oriented market player) reached sales to 50 branches and 25 hospitals in Turkey and became an international company with sales to 32 countries in 4 continents. A new factory was established in Izmir and investments in machinery and equipment were undertaken. In addition to the appointment of a general manager, the senior management of the company was enhanced and strengthened.

Ortopro invested in its growth and export strategy through its UK based subsidiary, Covision. The company's products meet global standards for quality with a number of certifications such as ISO 9001 and CE. The company also has domestic producer status to the US as it is certified by the US Food and Drug Administration (FDA).

Nevotek

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

NEVOTEK
The IP Convergence Company

www.nevotek.com



...es may not be fit for Spain opener; Germany's double blow
...ster Fernando Torres may not be fit for the start of the World Cup, according to medical staff
...nglish club side Liverpool.



...e for "want-away" players to show some respect? Should Ce



Strategic partnership between Nevotek and Cisco

Nevotek started its operations in 2001 and entered a partnership with Cisco, one of the world's leading ICT companies. The company is specialized in software solutions for the transmission of voice, data and image over internet based communication infrastructure.

İş Private Equity has invested in Nevotek between 2003 and 2006. The company, which generated integrated solutions focused on "IP telephone", expanded its market and developed a number of projects following the investment.

Apart from Cisco, Nevotek has close relations with LG, Samsung and Microsoft. Some of the projects carried out by Nevotek following İş Private Equity's investments are summarized below.

- Nevotek developed a cloud based software for communication devices to determine the location of customers in a hotel and to serve customers through the internet. Within the scope of the agreement signed between Cisco and IHG (InterContinental Hotels Group), hotel guests may reach hotel services by accessing the internet via wireless devices. The project is expected to be rolled out to about 4,000 locations in the IGH global hotel chain over a 5-year period. The installation work for the project started in the third quarter of 2016. Nevotek is among Cisco's main software solutions partners within the framework of the project.
- As part of providing services to the Turkish finance sector, the company became a solution partner in İşbank's project within the framework of IP telephone in 2011.
- Nevotek aims to move its products and services to online platforms in line with technological developments throughout the world. The company aims not only to acquire customers but also to enhance customer loyalty with products that are developed based on the cloud and have a recurring revenue model. Within this scope, guests are able to select a room during the reservation process thanks to cloud based software, offering additional services before check-in. Moreover, Nevotek aims to improve the customer experience with services that enable guests to reserve services that are difficult to sell, such as for the restaurant, meeting room, spa or hotel transfers. The company also aims to provide more value added by conducting new projects regarding the check-in and check-out processes.



A success story: Tüyap investment

İTÜYAP İstanbul

www.tuyap.com.tr



Tüyap - Our first Investment in partnership



The fair sector, which was developed in Europe, primarily Germany, also started to gain pace in developing countries in the new millennium.

With the shift in production to developing countries and their breakthroughs in domestic consumption, production and exports also set the stage for a new business line for Turkey. By recognizing the shortage of strategic locations for such events in Turkey, İş Private Equity decided that Tüyap, a leading player in fair and exhibition company, was the most suitable platform to host such events. İş Private Equity invested USD 7 million during the partnership. The partnership, which started in 2005, was terminated in 2007 after İş Private Equity transferred its shares to the founding partners for USD 10.8 million. İş Private Equity realized an average annual return of 45.75% from the Tüyap investment in USD terms.

Investment theme

Fair organization has the attraction of low capex and working capital requirements, a flexible cost structure allowing rapid adjustment to sectoral volatility in line with the economy; high value creation potential identified with fairs depending on turning organization companies into brand.

Quick exit opportunity

In line with the global consolidation trend, the fair organization sector was seen to be remarkably active with mergers and acquisitions, which presented the prospect of a quick and easy exit opportunity when the time came. Moreover, thanks to the positive developments in Turkey, the ability of the founding partners to acquire the Investors' shares by obtaining funds from another resource at reasonable cost became one of the remarkable exit models.

A success story: The Tüyap investment

İş Private Equity transferred its shares in Tüyap for USD 10.8 million in February 2007 and exited the company. İş Private Equity saw the value of its investment increase by 1.5 times in 2 years and obtained a return of 45.75% in USD basis.



In view of these findings, İş Private Equity entered a partnership with Tüyap in February 2005. İş Private Equity invested a total of USD 7 million into the company between 2005 and 2007.

First Investment with Partnership

A USD 19 million restructuring was carried out by obtaining an additional USD 12 million of resources from the Netherlands Development Finance Company ("FMO"), which was the joint investor. With this transaction, İş Private Equity gained the opportunity to conduct the first restructuring and first partnership in a transaction in which it held a majority of the shares.

Value Creation

- An active management approach
- The elimination of unprofitable fairs and an increase in efficiency and profitability with effective cost analysis
- The appointment of an experienced CFO
- Improvement in the financial reporting capacity by applying new IT infrastructure
- Preparation of formats of the reports that are presented to the board of directors
- Bringing corporate governance rules and principles
- Reduction in cost of capital via restructuring financial and refinancing
- Enhancing the balance sheet
- Improving the working capital requirement

Achievements with the Exit

Institutionalization efforts have got underway in the company, which have included a reorganization of the inner structure, the establishment of an executive committee and the development of the company's IT infrastructure. In parallel with these institutionalization efforts, while revenues have increased by 26.3% and EBIT by 129.4%, net debt has been reduced by 59.7%.

İş Private Equity had exit options such as a public offering, sale to a strategic or financial buyer or sale to the founding partners. İş Private Equity prioritized an exit which was in line with the current shareholders' preferences. Mr. Bülent Ünal, one of the founding partners, declared that he was willing to buy the shares in Tüyap held by İş Private Equity and FMO. Accordingly, İş Private Equity transferred its shares for USD 10.8 million in February 2007 and exited the company. İş Private Equity saw the value of its investment multiply by 1.5 times in 2 years and it obtained a return of 45.75% in USD terms. İş Private Equity realized one of the most rapid exits in the private equity sector in its exit from Tüyap.

Message from the Chairman of Tüyap's Board of Directors to İş Private Equity

“With İş Private Equity’s contribution and the strength and expertise of its management approach, its ability to act quickly and its understanding of Turkey’s dynamics, we rapidly achieved ever higher echelons of success by setting ourselves apart in the competitive environment of the sector.”



The 2001 financial crisis marked a period in which our company placed importance on investments which had rapid growth potential. Investments geared to rapid growth and crises had a serious impact on our financial structure. Thanks to the cooperation with İş Private Equity, which came into our lives during these tough times, our company had, by 2005, reached a sustainable and strong financial structure.

With the contribution of İş Private Equity and the expertise and strength of its management approach, its ability to act quickly and its understanding of Turkey’s dynamics, we rapidly achieved ever higher echelons of success by setting ourselves apart in the competitive environment of the sector. İş Private Equity played an important role in establishing operating efficiency and facilitated the taking of important steps for corporate governance and financial transparency. With its financial debt to EBIT ratio declining from 4.2 to 0.7, our company stayed on a clear path forward in terms of growth and profitability. Expansion was achieved through the establishment of a new fair center during our partnership. Our EBIT and EBIT margins more than doubled in the space of just 2 years.

The value added with İş Private Equity went far beyond just improving the financial structure of our company. İş Private Equity’s investment team, which has some of the deepest expertise and know-how in the sector, played an active role in our Board of Directors. They helped us realize outstanding financial results and advances in corporate governance in less than 2 years through weekly Executive Committee meetings in addition to the monthly Board of Directors meetings. In particular, İş Private Equity was instrumental in helping us establish analytical systems based on data, the appointment of an experienced CFO, the formation of management reports that are presented to the Board of Directors, fair analyses based on profitability data, enhancing financial reporting abilities with a new IT infrastructure and strong cash flow management.

In addition, İş Private Equity’s investment enabled the Netherlands Development Finance Company to be a co-investor in this project. I would like remark on İş Private Equity’s role in attracting foreign investment into our country and mobilizing it on behalf of our company. All these points confirm that İş Private Equity is an institution that has achieved a host of firsts in Turkey’s private equity sector and has provided an important contribution to the development of the sector.

We will always be proud to cooperate with such an institution.

Bülent Ünal
Chairman and Founding Partner of Tüyap Fair

An Expert Team: Right Analysis, Valuable Investments

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



Summary of 2016 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 2016 the Company's non-private equity portfolio consisted of investments in TL denominated debt instruments, mutual funds, stocks and fixed-term deposits.

The cash portfolio was reduced by TL 10,938,195 as a result of the Tatil Budur additional payment of share transfer, which was undertaken on 22 September 2016 and the participation in the capital increase of Numnum through a rights issue in December 2016.

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

Information about the private equity components of İş Private Equity's long-term financial investments as of 31 December 2016 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.	83.57
Radore Veri Merkezi Hizmetleri A.Ş.	25.50
Mika Tur Seyahat Acenteliği ve Turizm A.Ş.	20.00

Administrative Operations

Human Resources

As of end-2016, İş Private Equity had 18 people on its payroll. Management personnel are identified in the "Corporate Governance & Risk Management" section of this report.

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

Summary of 2016 Operations

Annual General Meeting

İş Private Equity's Annual General Meeting for 2015 was held on 16 March 2016. Meeting-related announcements were made within statutorily-mandated periods of time via the KAP (Public Disclosure Platform), Türkiye Ticaret Sicili Gazetesi (Turkish Trade Registry Gazette) the Company's corporate website and the e-sirket.mkk.com.tr portal. Decisions of material importance taken at the meeting were concerned with electing members of the Board of Directors, the Company's independent directors, with the Company's dividend distribution decision and Changes to the Articles of Association. At the ordinary General Assembly meeting, it was decided not to distribute the capital increase through rights issues and/or cash dividend from profit for the period. The results of the Annual General Meeting were registered on 24 March 2016.

69.16% 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

- 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 and at the ordinary General Meeting dated 16 March 2016, the amendment of Articles 6, 7, 8, 9, 10, 11, 17, 18, 19, 23, 29, 30, 35, 36 and 37 of the Company's Articles of Association and the abrogation of Article 21 were approved.
- 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 ratio 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.

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 20 material event disclosures were published by the Company on the Public Disclosure Platform during 2016.

Borsa İstanbul (BIST) - İş Private Equity Share

Market Value

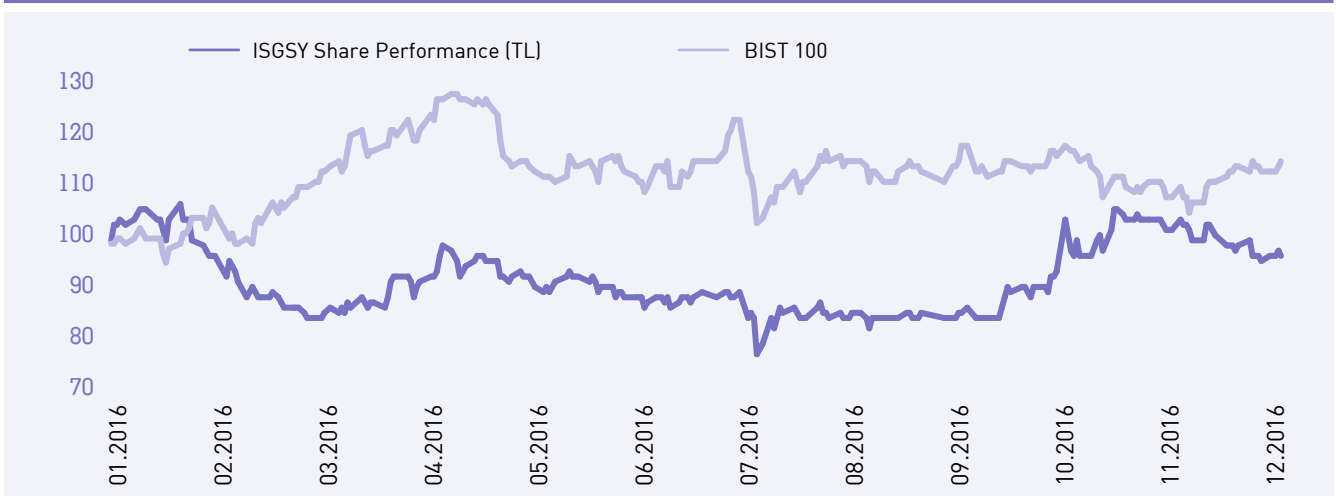
İş Private Equity's adjusted share price decreased by 2.6% between 1 January 2016 and 31 December 2016. In the same period, the BIST 100 index decreased by 14%.

TL	2016
Stock Price*	1.50
Market Value	111,978,720

* Stock exchange closing prices for 2016 are adjusted.

Source: Capital IQ

ISGSYO Share Price



Dividend Policy

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

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

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

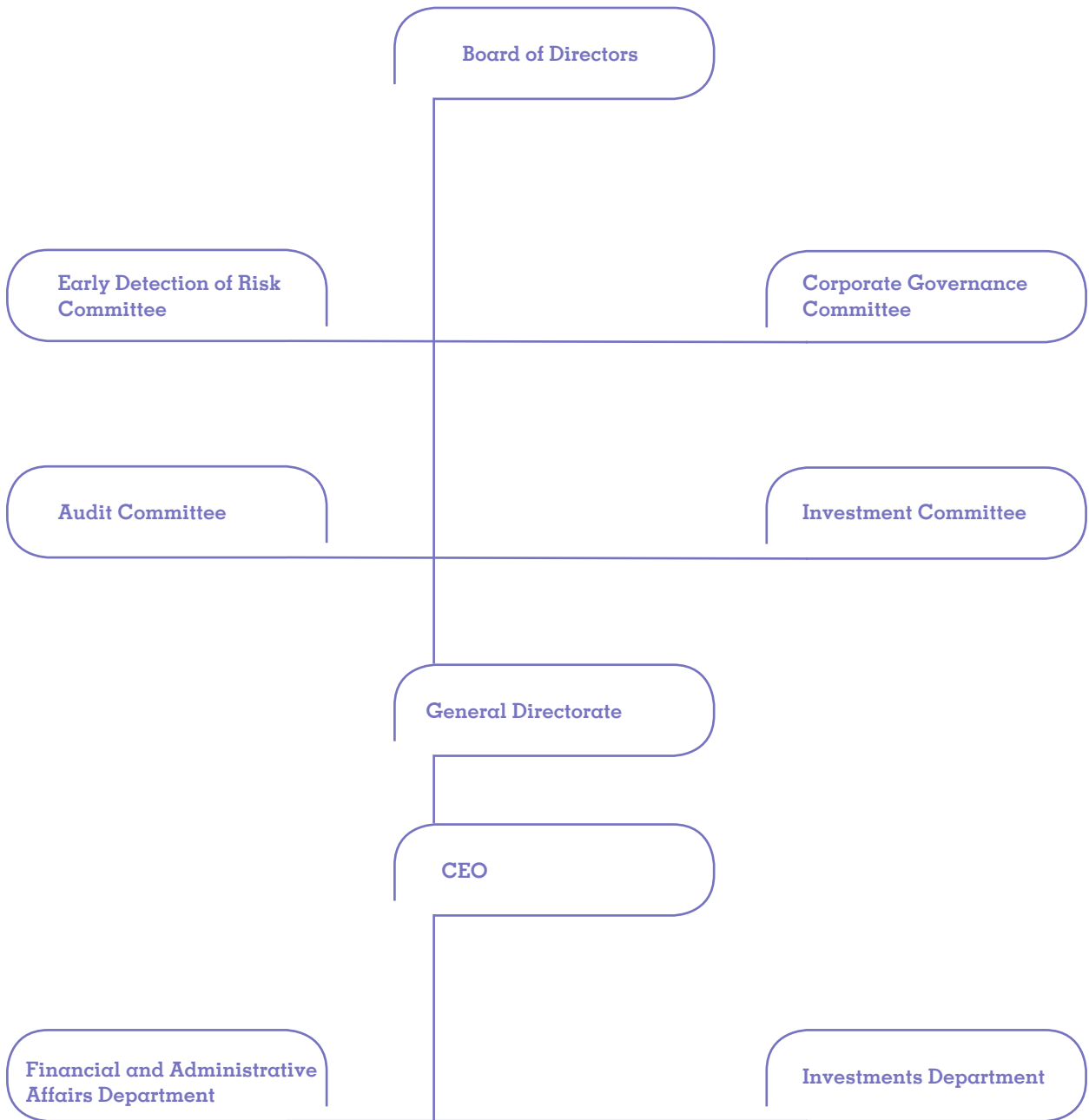
No shares of profits may be allocated to members of the Board of Directors or to Company employees until and unless shareholders' cash dividends have been paid as decided on at a General Meeting.

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

Changes in the Legal Framework during 2016

There were no changes in the legal framework that were of material concern to the Company during 2016.

Organizational Chart



Board of Directors

Board of Directors

The members of the Board of Directors, who have been elected during the Company's 2015 Annual General Meeting held on 16 March 2016 to serve until the next Annual General Meeting, the external audit firm designated for 2016 and the latest management team is presented below.

There is a member who left the Board of Directors during the reporting period. Ali Erdal Aral, who was appointed on 3 May 2013, has left his office as of 8 June 2016 and on the same date Riza İhsan Kutlusoy was appointed as a member of the Board of Directors.

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

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

Members of the Board of Directors

Name - Surname	Title	Date Elected
Senar Akkuş	Chairman	16 March 2016
Ahmet Mete Çakmakçı	Deputy Chairman	16 March 2016
Meltem Gülsoy	Member	16 March 2016
Riza İhsan Kutlusoy*	Member	8 June 2016
Volkan Kublay	Member	16 March 2016
Faik Byrns	Independent Member	16 March 2016
Ali Rıza Kutay	Independent Member	16 March 2016

* Riza İhsan Kutlusoy was appointed as a board member to replace Ali Erdal Aral, on 8 June 2016. Ali Erdal Aral's term of office is between 3 May 2013 and 8 June 2016.

External Audit Firm

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

Company Management

Name - Surname	Title	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
Süleyman Burak Bayhan	Senior Managing Director	1 April 2016
Hulki Okan Tabak	Senior Managing Director	1 April 2016
Burçe Kabatepe	Director	1 April 2016
Koray Doğançay	Director	1 April 2016

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.

	Selami Düz	Burcu Perişanoğlu
Phone	212 - 325 17 44	212 - 325 17 44
E-mail	sduz@isgirisim.com.tr	bkalender@isgirisim.com.tr
License	Third Level and Corporate Governance	Third Level and Corporate Governance

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

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

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

SECTION I - SHAREHOLDERS

Investor Relations Unit

The Financial and Administrative Affairs Department carries out the duties of Investor Relations Unit. This department operates under Murat Özgen who is the Chief Executive Officer responsible for Financial and Administrative Affairs. İş Private Equity sought to provide necessary explanations in response to shareholders who requested information concerning the Company, provided these were not of a confidential nature or contained business secrets. The Finance and Administration Department keeps the stakeholders informed about topics that need to be publicly disclosed by submitting material event disclosure forms and financial statements of the Company to the Public Disclosure Platform (in Turkish: KAP) (www.kap.gov.tr). The same information is also posted on the corporate website. A report on the Investor Relations activities has been presented to the Board of Directors on 21 December 2016.

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 2015 General Meeting took place in İstanbul. The meeting date and quorum are given below:

General Meeting	Date	Required Quorum (%)	Meeting Quorum (%)
Annual	16 March 2016	25	69.16

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

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

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

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

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

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

In 2015, the Company did not make any charitable grants or donations and information on the same has been provided during the 2015 General Meeting. In 2016, the Company donated TL 100,000.00 to the July 15th Solidarity Campaign and this matter will be presented for the information of shareholders at the Company's 2016 ordinary General Assembly 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 2016.

The meetings that were simultaneously held physically and electronically, shareholders participated just physically in the Annual General Meeting held in 2016.

Dividend Right and Dividend Policy

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

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

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

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

Corporate Governance Principles Compliance Report

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

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

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

At the ordinary General Assembly Meeting held in 2016, it was decided not to distribute cash dividend from profit of the period.

Transfer of Shares

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

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

Company Information Policy

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

Material event disclosures about the Company are submitted to local authorities and also published on the corporate website. Furthermore, information that is not of trade secret nature and press releases are made available on the Company website. The Company made 20 material event disclosures during the reporting period.

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

Company Website

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

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

Annual Report

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

SECTION III - STAKEHOLDERS

Keeping Stakeholders Informed

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

stakeholders and since no problems are experienced in terms of communication, the Company's acts in violation of the legislation or ethical rules, if any, can be notified to the Corporate Governance Committee and the Audit Committee forthwith. For these reasons, a special communication mechanism has not been created.

Stakeholder Participation in Management

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

Human Resources Policy

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

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

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

Code of Ethics and Social Responsibility

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

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

SECTION IV - BOARD OF DIRECTORS

Structure and Formation of the Board of Directors

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

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

There are no conflicts of interests since the Board members who serve on other organizations besides the Company do not engage in commercial transactions with the Company. Board members holding positions outside the Company devote sufficient amount of their times to the Company's activities. Given the fact that there are no conflicts of interest between the Board members and the Company and that Board members dedicate sufficient time for the Company affairs, specific rules concerning the relationship of Board members and the Company have not been documented. Within the scope of the exception set out in Article 6-1 of the Corporate Governance Communiqué, there are two independent Board of Directors members. Two independent members have been elected in the annual General Meeting held in 2016. Independent member nominees have been presented to the Board of Directors with the report dated 16 March 2016 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.

Declaration of Interest by the Independent Board Member

Declaration by our Company's independent Board members for 2016 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

Corporate Governance Principles Compliance Report

any employment relationship in an executive capacity involving major duties and responsibilities, collectively or individually held more than 5% of the capital or voting rights or privileged shares in, or established any commercial interest of a significant nature, with the Company, or with any companies in which the Company has management control or material influence and with any shareholders having management control or material influence over the Company, or with any corporate entity which are controlled by these shareholders,

- That within the most recent five years, I have neither been a shareholder controlling 5% or higher share, or an employee in an executive position involving major duties and responsibilities nor a board member in any company from/to which the Company purchases/sells significant amount of services or products under the agreements made during such time when services or products were purchased or sold and particularly in companies involved in the Company's auditing, rating, or consulting,
- That I possess the professional training, knowledge and experience necessary to duly fulfill the duties I shall undertake as an independent member of the Board of Directors,
- That, if elected, I shall not work on full-time basis at any public institution or organization during my term of office, apart from serving as a faculty member,
- That I am a resident of Turkey for the purposes of the Income Tax Law (member residing in Turkey),
- That I possess solid ethical standards and professional reputation and experience sufficient to enable me to make a positive contribution to the Company's affairs, to maintain my impartiality in any dispute that may arise between the Company and its shareholders and to come to decisions freely on the basis of all stakeholders' rights,
- That I will be able to devote to the Company's affairs an amount of my time sufficient to keep track of the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking,
- That I have not served as a member on the Company's Board of Directors for more than six years within the most recent ten years,
- That I am not serving as an independent board member in more than three of the companies in which the Company, or shareholders having management control over the Company, have management control, or in more than five companies, in the aggregate, traded on the stock exchange,
- That I have not been registered and promulgated in the name of a legal entity elected as a member of the Board of Directors.

Members of the Board of Directors and Senior Management

Senar Akkuş (Chairman)

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

Ahmet Mete Çakmakçı (Representative)

Technology Development Foundation of Turkey Deputy Chairman

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

Rıza İhsan Kutlusoy (Member)

Rıza İhsan Kutlusoy graduated from Middle East Technical University, Faculty of Economics and Administrative Sciences, Business Administration. Starting his career at Türkiye İş Bankası A.Ş. as an Assistant Internal Auditor in 1988, Mr. Kutlusoy was appointed to Capital Markets

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

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). She has been serving as a board member since 2013 in İş Girişim Sermayesi A.Ş.

Volkan Kublay (Member)

Mr. Volkan Kublay graduated from the Department of Economics (English) in the Faculty of Economics and Administrative Sciences at Marmara University. He began his career at İşbank in 2000 as a trainee assistant inspector where he was appointed as Assistant Manager to the Subsidiaries Division in 2008. Having served as Board of Directors auditor at TSKB, Arap Türk Bankası (Arab Turkish Bank), İş Finansal Kiralama A.Ş. and İş Faktoring A.Ş., Mr. Kublay was appointed as Unit Manager in the Subsidiaries Division in 2012. He also holds a member's seat on the boards of directors of İş Yatırım Menkul Değerler A.Ş., İş Yatırım Ortaklığı A.Ş., Yatırım Finansman Menkul Değerler A.Ş. and Efes Varlık Yönetim A.Ş.

Faik Byrns (Independent Member)

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

Ali Rıza Kutay (Independent Member)

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

Murat Özgen (CEO)

After receiving his bachelor's degree in business administration from İstanbul University in 1990, Mr. Özgen got his master's degree from the Mercer University in the US in 1993. He worked in the US from 1993 to 1999, dealing with risk and portfolio management at the Facility Group Inc. and with risk and portfolio management at Commerzbank AG. He functioned as the Division Manager of Project and Investment Finance at Koçbank A.Ş. from 1999 until 2002. Mr. Özgen joined İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. as an Investment Manager in 2002, where he has been serving as the CEO since 2006. 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.

Corporate Governance Principles Compliance Report

Metin Yılmaz (Senior Managing Director)

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

S. Burak Bayhan (Senior Managing Director)

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

Hulki Okan Tabak (Senior Managing Director)

In May 2011, he rejoined İş Girişim Sermayesi A.Ş., at which he had held office before. Currently, he is a Senior Managing Director in the investment team of companies; IFB Group and Radore, which are among the current investments of İş Girişim Sermayesi A.Ş. He served as a Board member at Mars Sinema, Step Halı and ITD investments exited by İş Girişim Sermayesi A.Ş. Starting his career in finance sector, Mr. Tabak previously worked in the field of venture capital within the body of AIG and ILAB. Mr. Hulki Okan Tabak graduated from Bilgi University's MBA program and Koç University International Relations Department.

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, 28 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 Selami Düz.

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 4,929,017 gross.

Risk Management and Internal Control

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

Market risk

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

Liquidity risk

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

Capital investment risk

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

Credit risk

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

Operational risk

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

Reputational risk

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

Risk Assessment

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

portfolio is invested within the frame of the requirements introduced by the CMB communiqués and resolutions and subject to the limitations determined by internal decisions.

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

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

Operational risk level is low at our Company.

Risk Management and Internal Control Mechanism

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

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

Legal Disclosures

Related Party Transactions

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

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

As a result of the transactions carried out with related parties during 2016; TL 2,764,421 was derived on interest income on deposits. The Company paid TL 516,106 for rental fees, TL 94,379 for insurance costs, TL 163,221 for office overhead expenses, TL 133,151 for transaction and commission and advisory expenses, TL 71,770 for service charges and TL 6,228 for other expenses, while TL 648,861 was generated on dividend income.

Relations with the Group of Companies

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

"Commercial transactions realized with the controlling shareholder and its affiliates during 2016, 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 2016 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 2016 amounted to TL 4,929,017 gross.

Grants and Charitable Donations

The Company did not make any charitable grants or donations in 2015 and information on the same has been provided during the 2015 ordinary General Meeting.

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

Changes to the Articles of Association during the Reporting Period

Articles of Association amended in 2016 and that was announced on KAP (Public Disclosure Platform-PDP). At the ordinary General Meeting dated 16 March 2016, the amendment of Articles 6, 7, 8, 9, 10, 11, 17, 18, 19, 23, 29, 30, 35, 36 and 37 of the Company's Articles of Association and the abrogation of Article 21 were approved.

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

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

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

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

Other

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

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. Approval of the election made for vacated seats on the Board of Directors during the reporting period,
6. Discharge of the Board Members for their activities in 2016,
7. Discussing and deciding about the Board of Directors' proposal for the distribution of 2016 profits,
8. Election of the Board Members and determining the terms of their service,
9. Determining the remuneration of the Board Members,
10. Election of the Independent Audit Firm,
11. Authorization of the Board Members for carrying out the transactions provided under the Articles 395 and 396 of the Turkish Commercial Code,
12. Submitting information on the donations made within the year,
13. Determination of the upper limit for donations to be made within the year 2017.

İş Private Equity 2016 Profit Distribution Table (TL)

İş Private Equity 2016 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	1,060,192.00	3,663,357.61
4.	Taxes Payable	-	-
5.	Net Profit for the Period	1,060,192.00	3,663,357.61
6.	Losses in Prior Years (-)	-	-
7.	General Legal Reserves (-)	183,167.88	183,167.88
8.	Net Distributable Profit for the Period	877,024.12	3,480,189.73
9.	Donations during the Year (+)	100,000.00	100,000.00
10.	Net Distributable Profit for the Period Including Donations	977,024.12	3,580,189.73
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	877,024.12	3,480,189.73
20.	Other Resources to be Distributed	-	-

GROUP (1)		TOTAL DIVIDENDS		TOTAL DIVIDENDS / NET	OF TL 1 NOMINAL VALUE	
		CASH (TL)	BONUS (TL)	DISTRIBUTABLE PERIOD	AMOUNT (TL)	DISTRIBUTED PROFIT
				PROFIT		
				RATE (%)		RATE (%)
NET	A	-	-	-	-	-
	B	-	-	-	-	-
	TOTAL	-	-	-	-	-
(1) There are no privileged shares in profit distribution.						

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. Independent Auditor's Report



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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 2016 and the statements of profit or loss and other comprehensive income, changes in equity and 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

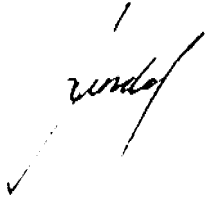
In our opinion, the financial statements present fairly, in all material respects, the financial position of İş Girişim Sermayesi Yatırım Ortaklığı as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with the Turkish Accounting Standards.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. Independent Auditor's 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 27 January 2017.
- 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 2016, 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

27 January 2017
İstanbul, Turkey

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.
Statement of Financial Position
As at 31 December 2016

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

	Notes	Audited 31 December 2016	Audited 31 December 2015
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	45,734,742	11,601,590
Financial Investments	6	72,854,247	104,500,617
Other Receivables	8	-	1,180
Prepaid Expenses	14	295,743	246,926
Other Current Assets	15	519,890	446,497
TOTAL CURRENT ASSETS		119,404,622	116,796,810
Non-current Assets			
Other Receivables	8	150	150
- Other Receivables from Related Parties	4	150	150
Financial Investments	6	139,314,730	141,871,120
Tangible Assets	9	81,604	236,135
Intangible Assets	10	4,297	30,032
TOTAL NON-CURRENT ASSETS		139,400,781	142,137,437
TOTAL ASSETS		258,805,403	258,934,247

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.
Statement of Financial Position
As at 31 December 2016

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

	Notes	Audited 31 December 2016	Audited 31 December 2015
LIABILITIES			
Current Liabilities			
Trade Payables	7	21,897	3,763
- Due to Related Parties	4	21,897	3,763
Other Payables	8	798	750
Employee Benefit Payables	16	45,284	36,912
Short-Term Provisions		1,711,981	1,878,814
- Short-Term Employee Benefits	13	1,711,981	1,878,814
Other Current Liabilities	15	750,214	1,187,640
TOTAL CURRENT LIABILITIES		2,530,174	3,107,879
Non-current Liabilities			
Long-Term Provisions		114,231	720,027
- Long-Term Employee Benefits	13	114,231	720,027
TOTAL NON-CURRENT LIABILITIES		114,231	720,027
TOTAL LIABILITIES		2,644,405	3,827,906
EQUITY			
Share Capital	17	74,652,480	74,652,480
Adjustments to Share Capital	17	21,606,400	21,606,400
Items That Will Never be Reclassified to Profit or Loss		(5,635)	-
- Defined Benefit Plan Remeasurement Losses		(5,635)	-
Share Premiums	17	7,000,000	7,000,000
Legal Reserves	17	20,700,306	20,488,276
Retained Earnings	17	131,147,155	130,586,536
Profit for the Year		1,060,292	772,649
TOTAL EQUITY		256,160,998	255,106,341
TOTAL EQUITY AND LIABILITIES		258,805,403	258,934,247

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2016

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

	Notes	Audited 1 January- 31 December 2016	Audited 1 January- 31 December 2015
CONTINUING OPERATIONS			
Revenue	18	11,348,450	12,407,484
Cost of Sales (-)	18	-	(1,850,400)
GROSS PROFIT		11,348,450	10,557,084
Administrative Expenses (-)	19	(10,343,935)	(9,740,823)
Other Operating Income	20	172,424	33,659
Other Operating Expenses (-)	20	(116,647)	(77,271)
OPERATING PROFIT		1,060,292	772,649
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS		1,060,292	772,649
Income tax from continuing operations	21	-	-
PROFIT FOR THE YEAR		1,060,292	772,649
OTHER COMPREHENSIVE INCOME			
Items That Will Never be Reclassified to Profit or Loss		(5,635)	-
Remeasurement of Defined Benefits Plans	13	(5,635)	-
OTHER COMPREHENSIVE INCOME		(5,635)	-
TOTAL COMPREHENSIVE INCOME		1,054,657	772,649
Basic and Diluted Earnings per Share	22	0.01420	0.01035

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.
Statement of Changes in Equity
For the Year Ended 31 December 2016

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

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

Notes	Share Capital	Adjustments To Share Capital	Other Comprehensive Income/Expense that may be Reclassified to Profit or Loss		Retained Earnings		Profit For the Year	Total	
			Remeasurements of Defined Benefit Plan	Share Premium	Legal Reserves	Retained Earnings			
Balance at 1 January 2016	74,652,480	21,606,400	-	7,000,000	20,488,276	130,586,536	772,649	255,106,341	
Transfers	17	-	-	-	-	212,030	560,619	(772,649)	-
Total comprehensive income		-	-	(5,635)	-	-	-	1,060,292	1,054,657
Balance at 31 December 2016	<u>74,652,480</u>	<u>21,606,400</u>	<u>(5,635)</u>	<u>7,000,000</u>	<u>20,700,306</u>	<u>131,147,155</u>	<u>1,060,292</u>	<u>256,160,998</u>	

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Statement of Cash Flows

For the Year Ended 31 December 2016

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

	Notes	Audited 1 January- 31 December 2016	Audited 1 January- 31 December 2015
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		1,060,292	772,649
Adjustments to reconcile net profit			
Adjustments for depreciation and amortisation	9,10	206,609	205,868
Adjustments for provisions for employee benefits	13	766,565	405,229
Adjustments for other provisions		60,235	326,569
Adjustments for interest income	18	(3,149,655)	(2,559,564)
Adjustments for the fair value gains of financial instruments	18	203,830	3,179,959
Adjustments for disposal of tangible assets	20	(1,695)	-
Profit from disposal of financial investments		-	(755,925)
Changes in working capital			
(Increase)/decrease in financial investments		33,998,930	(7,959,511)
Decrease in other receivables		1,180	
(Increase)/decrease in prepaid expenses		(48,817)	(194,940)
Increase/(decrease) in due to related parties		18,134	(499,351)
Increase in employee benefits		8,372	4,267
Increase in other payables to third parties		48	520
(Increase)/decrease in other assets		(73,393)	230,910
Increase/(decrease) in other liabilities		(497,661)	431,868
Net cash from/(used in) operating activities			
Interest received		3,136,586	2,786,078
Payments for the provisions of employee benefits	13	(1,544,829)	(1,553,896)
Net cash used in operating activities		34,144,731	(5,179,270)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of tangible assets		1,695	-
Acquisition of tangible assets	9	(26,343)	(29,022)
Acquisition of intangible assets	10	-	(11,210)
Net cash from investing activities		(24,648)	(40,232)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	17	-	(10,078,085)
Net cash used in financing activities		-	(10,078,085)
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)			
		34,120,083	(15,297,587)
D. EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD			
		-	-
NET INCREASE/(DECREASE) IN CASH EQUIVALENTS (A+B+C+D)			
		34,120,083	(15,297,587)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
		11,586,247	26,883,834
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)			
	5	45,706,330	11,586,247

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

(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 2016, the Company has 18 employees (31 December 2015: 19 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 2016 were approved by the Board of Directors and authorization for issue is given for publishing on 27 January 2017. 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 2016 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 and Presentation Currency

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

The foreign exchange rates used by the Company as at 31 December 2016 and 31 December 2015 are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
US Dollar	3.5192	2.9076
Euro	3.7099	3.1776

e) 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.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

f) 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 2016 financial statements were applied consistent with the financial statements prepared as at 31 December 2015.

2.3 Changes in the Accounting Estimates and Errors

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

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

2.4 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.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

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:

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

Intangible Assets

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

Computer software

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

Useful life for software is 3 years.

Financial instruments

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

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

Effective interest method

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

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

Financial assets at fair value through profit or loss

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

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

Held-to-maturity investments

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

Loans and receivables

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

Trade receivables

Trade receivables are receivables arising from private equity investments.

Impairment of financial assets

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

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

Cash and cash equivalents

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

Financial liabilities

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

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

Financial liabilities are classified as or other financial liabilities.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

(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.

Events After the Reporting Period

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

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

Related Parties

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

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

Segment Reporting

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

Income Tax

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

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

Employee Benefits

Employee severance pay liability

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

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

Employee bonuses

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

Other short-term employee benefits

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

Post-employment plans

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

Statement of Cash Flows

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

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

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

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

Share Capital and Dividends

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

2.5 Significant Accounting Estimates and Judgments

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

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:

<u>Name of subsidiary and associate</u>	<u>Discount rates</u>	<u>Ongoing growth rates</u>
Toksöz Spor Malzemeleri Ticaret AŞ ("Toksöz")	17.4%-18.4%	5.0%-6.0%
Numnum Yiyecek ve İçecek A.Ş. ("Numnum")	16.9%-17.9%	5.0%-6.0%
Nevotek Bilişim Ses ve İletişim Sistemleri Sanayi ve Ticaret A.Ş. ("Nevotek")	11.5%-12.5%	1.3%-2.3%
Radore Veri Hizmetleri Anonim Şirketi ("Radore")	15.0%-16.0%	5.0%-6.0%
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. ("Ortopro")	17.0%-18.2%	5.0%-6.0%
Mika Tur Seyahat Acenteliği ve Turizm A.Ş. ("Tatil Budur")	19.1%-20.1%	5.0%-6.0%

2.6 Comparative information and correction of the previous year financial statement

The Company's financial statements as at 31 December 2016 have been presented in comparison with the prior period, in order to be able to determine financial position and performance. The Company has prepared its statement of financial position as at 31 December 2016 in comparison with that as at 31 December 2015, its statement profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the period ended 31 December 2016 in comparison with the period ended 31 December 2015.

Due to the changes in the format of the statement of cash flows of Public Disclosure Platform (PDP) as at 30 June 2016, cash inflows of TL 10,565,836 from increase in financial investments which has been presented under the cash flows from investing activities and cash inflows of TL 2,606,325 from the sales of financial investments in the Company's statement of cash flows for the year ended 31 December 2015 have been reclassified as the cash flows from operating activities in the statement of cash flows for the year ended 31 December 2016.

2.7 Standards and interpretations issued but not yet effective

Standards issued but not yet effective and not early adopted

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

TFRS 9 - Financial Instruments - Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new TFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

TFRS 15 Revenue from Contracts with Customers

As issued in September 2016, the new standard replaces existing TFRS 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 TFRS. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (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. The Company will make the necessary changes to its consolidated 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 -IFRS 9 (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. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2013) introduces the mandatory effective date of 1 January 2018 for IFRS 9, 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 TAS 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 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases - Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments to IAS 12 Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

IAS 40 - Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of/from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is in the process of assessing the impact of the amendment on financial position or performance of the Company.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

2.8 Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014-2016 Cycle. The amendments are effective as of 1 January 2018. 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 IFRSs 2014-2016 Cycle

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

IAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

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.

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 2016	31 December 2015
Wage and other benefits	4,929,017	3,564,890
	4,929,017	3,564,890

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements**As at and for the Year Ended 31 December 2016**

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

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

Financial investments	31 December 2016	31 December 2015
Investment funds		
İş Portföy Hedef Hedge Fund	10,297,554	3,119,641
İş Portföy Second Stock Fund	3,463,030	3,733,619
İş Portföy İş Bank Subsidiary Index Share Fund	2,801,341	-
İş Portföy Private Sector Debt Fund	4,664,206	-
	21,226,131	6,853,260
Financial investments	31 December 2016	31 December 2015
Private sector bonds		
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	7,681,050	2,604,160
İş Yatırım Menkul Değerler A.Ş.	974,020	973,770
İş Finansal Kiralama A.Ş.	-	12,103,517
İş Faktoring A.Ş.	-	3,436,178
	8,655,070	19,117,625
Financial investments	31 December 2016	31 December 2015
Shares quoted to stock exchange		
İş Yatırım Ortaklığı A.Ş.	4,983,255	4,723,711
	4,983,255	4,723,711
Cash and cash equivalents	31 December 2016	31 December 2015
Türkiye İş Bankası A.Ş. Time Deposit	45,028,024	10,299,700
Türkiye İş Bankası A.Ş. Demand Deposit	2,215	44
	45,030,239	10,299,744

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

		31 December 2016			
		Receivables Current		Payables Current	
		Trade	Other	Trade	Other
Balances with related parties					
Anadolu Anonim Türk Sigorta Şirketi		-	-	(2,262)	-
İş Merkezleri Yönetim ve İşletim A.Ş.		-	-	(3,676)	-
Numnum Yiyecek ve İçecek AŞ		-	-	(91)	-
İş Yatırım Menkul Değerler A.Ş.		-	-	(15,750)	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.		-	-	(118)	-
		-	-	(21,897)	-
		31 December 2015			
		Receivables Current		Payables Current	
		Trade	Other	Trade	Other
Balances with related parties					
Anadolu Anonim Türk Sigorta Şirketi		-	-	(2,682)	-
İş Merkezleri Yönetim ve İşletim A.Ş.		-	-	(1,081)	-
		-	-	(3,763)	-
		31 December 2016			
		Receivables Non-current		Payables Non-current	
		Trade	Other	Trade	Other
Balances with related parties					
Other		-	150	-	-
		-	150	-	-
		31 December 2015			
		Receivables Non-current		Payables Non-current	
		Trade	Other	Trade	Other
Balances with related parties					
Other		-	150	-	-
		-	150	-	-

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

Transactions with related parties	1 January - 31 December 2016						
	Interest received	Service expenses	Insurance expenses	Transaction and advisory commission expenses	Rent expenses	Dividend income	Other expenses
Numnum Yiyecek ve İçecek A.Ş.	-	-	-	-	-	-	(6,228)
Türkiye İş Bankası A.Ş.	2,764,421	(58,806)	-	(4,145)	-	-	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	-	-	-	(516,106)	-	-
İş Yatırım Menkul Değerler A.Ş.	-	-	-	(129,006)	-	-	-
İş Merkezleri Yönetim ve İşletim A.Ş.	-	-	-	-	-	-	(163,221)
Anadolu Anonim Türk Sigorta Şirketi	-	-	(94,379)	-	-	-	-
İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş.	-	(12,964)	-	-	-	-	-
İş Yatırım Ortaklığı A.Ş.	-	-	-	-	-	648,861	-
	2,764,421	(71,770)	(94,379)	(133,151)	(516,106)	648,861	(169,449)

Transactions with related parties	1 January - 31 December 2015						
	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)

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

5. CASH AND CASH EQUIVALENTS

Details of cash and cash equivalents as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Cash on hand	192	352
Cash at banks	45,032,161	10,300,695
<i>Demand deposit</i>	4,137	995
<i>Time deposits with maturities less than 3 months</i>	45,028,024	10,299,700
Receivables from Takasbank money market transactions	702,389	1,300,543
	45,734,742	11,601,590

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

	31 December 2016	31 December 2015
Cash and cash equivalents	45,734,742	11,601,590
Less: Accrued interest	[28,412]	[15,343]
	45,706,330	11,586,247

As at 31 December 2016, the Company has no restricted deposits (31 December 2015: None).

As at 31 December 2016 and 31 December 2015 interest and maturity details of the bank deposits are as follows:

	31 December 2016			
	Interest Rate %	Maturity	Currency	Amount TL
TL Time Deposit	11.50	31 January 2017	TL	25,015,751
TL Time Deposit	11.20	24 February 2017	TL	20,012,273
				45,028,024

	31 December 2015			
	Interest Rate %	Maturity	Currency	Amount TL
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

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 2016, gross interest rate on Takasbank money market transactions is 10.10% (31 December 2015: 15.25%).

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements**As at and for the Year Ended 31 December 2016**

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

6. FINANCIAL INVESTMENTS**6.1 Current financial investments**

	31 December 2016	31 December 2015
Financial assets designated at fair value through profit or loss	72,854,247	104,500,617
	72,854,247	104,500,617
	31 December 2016	
	Nominal^(*)	Fair value
Private sector bonds	23,170,000	23,607,019
Government bonds	14,000,000	22,464,820
Investment funds	692,364,277	21,799,153
Shares quoted to stock exchange	5,190,891	4,983,255
		72,854,247
	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

^(*) 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 2016, interest rates of private sector bonds and government bonds held for trading are between the rates 8.96% and 15.11% per annum (31 December 2015: between 9.49% and 15.01% per annum).

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

6. FINANCIAL INVESTMENTS

6.2 Non-current financial investments

As at 31 December 2016 and 31 December 2015, details of private equity investments are as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Investments held-to-maturity	-	10,011,350
Financial investments designated at fair value through profit or loss	139,314,730	131,859,770
	<u>139,314,730</u>	<u>141,871,120</u>

Investments held-to-maturity

As at 31 December 2016 there are no investments held-to-maturity. As at 31 December 2015 details of investments held-to-maturity are as follows:

<u>Company name</u>	<u>Nominal</u>	<u>31 December 2015</u>
Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. Bond	10,000,000	10,011,350
	<u>10,000,000</u>	<u>10,011,350</u>

As disposal of this investment are not planned in the short term, they are classified as non-current investments and on 26 December 2016, this investment is amortized.

Financial investments designated at fair value through profit or loss

As at 31 December 2016 and 31 December 2015, fair vale details of the subsidiaries and the associate are as follows:

<u>Name of subsidiary/associate</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Toksöz Spor	31,617,850	35,542,100
Ortopro	23,512,701	33,457,905
Numnum	36,189,989	23,447,736
Radore	18,301,605	15,960,450
Nevotek	15,980,785	13,101,579
Tatil Budur	13,711,800	10,350,000
	<u>139,314,730</u>	<u>131,859,770</u>

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

As at 31 December 2016 and 31 December 2015, 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 2016	31 December 2015	
Nevotek	30 September 2003	Turkey	81.24	81.24	81.24
Ortopro	10 December 2007	Turkey	83.64	83.64	83.64
Toksöz Spor	13 November 2012	Turkey	55.00	55.00	55.00
NumNum ^(*)	5 December 2012	Turkey	83.57	61.66	83.57
Radore	1 December 2014	Turkey	25.50	25.50	25.50
Tatil Budur ^(**)	6 November 2015	Turkey	20.00	20.00	20.00

^(*)The Company has participated in the paid-in capital increase of its subsidiary Numnum Yiyecek ve İçecek A.Ş. ("Numnum") whose paid-in capital was TL 2.702.500 formerly, by the rate of 133,33% and by the nominal amount of TL 3,603,333 on 26 December 2016. Paid-in capital increase has been conducted through restricting the right of priority of the shareholders except the Company. On 22 December 2016, TL 10,000,000 has been paid to Numnum against this transactions. The Company's share in Numnum has increased to 83.57%.

^(**)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. Transfer of the shares correspond to 20% (TL 10,350,000) of Tatil Budur has been made on 6 November 2015 and outstanding balance amounting to TL 938,195 to the final purchase price amount to total TL 11,288,195 has been paid on 22 September 2016 which arisen depending upon the adjusting value correction mechanism applied within the framework of agreement terms.

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 1.3% with 6% estimated EBITDA ratio is between 1.9% with 37.1%, estimated risk adjusted discount rates are between 11.5% and 20.10%.

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 2016 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

Sensitivity analysis 31 December 2016	Profit or (loss)	
	Increase	Decrease
Annual revenue growth rate (0.5% change)	4,901,903	(4,500,511)
EBITDA growth rate (0.5% change)	7,598,757	(7,629,421)
Risk adjusted discount rate (0.5% change)	8,894,057	(8,164,488)

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

As at 31 December 2016, the Company has pledged Group A shares belongs to Tolga Yalçınkaya, a shareholder of Ortopro, amounting to TL 2,526,595. The share of this shareholder capital is 11.5% in total.

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.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

7. TRADE PAYABLES

As at 31 December 2016 and 31 December 2015, the details of the Company's trade payables are as follows:

	31 December 2016	31 December 2015
Short term trade payables		
Due to related parties	21,897	3,763
	21,897	3,763

8. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables:

As at 31 December 2016 and 31 December 2015, the details of the Company's other receivables are as follows:

	31 December 2016	31 December 2015
Other Short Term Receivables		
Other receivables		1,180
		1,180
Other Long Term Receivables		
Deposits and guarantees given	150	150
	150	150

b) Other Payables:

As at 31 December 2016 and 31 December 2015, the details of the Company's other payables are as follows:

	31 December 2016	31 December 2015
Other Short Term Payables		
Other miscellaneous payables	798	750
	798	750

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements**As at and for the Year Ended 31 December 2016**

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

9. TANGIBLE ASSETS

For the years ended 31 December 2016 and 31 December 2015, the details of the Company's tangible assets are as follows:

	Furniture and Fixtures	Leasehold Improvements	Total
Cost			
Opening balances at 1 January 2016	459,084	1,056,400	1,515,484
Acquisitions	26,343	-	26,343
Disposals	(16,440)	-	(16,440)
Net carrying amount at 31 December 2016	468,987	1,056,400	1,525,387
Accumulated depreciation			
Opening balances at 1 January 2016	(370,070)	(909,279)	(1,279,349)
Charge for the year	(52,407)	(128,467)	(180,874)
Disposals	16,440	-	16,440
Net carrying amount at 31 December 2016	(406,037)	(1,037,746)	(1,443,783)
Net carrying amount at 31 December 2016	62,950	18,654	81,604
Net carrying amount at 1 January 2016	89,014	147,121	236,135

Total current year depreciation expenses amounting to TL 180,874 is included in administrative expenses (31 December 2015: TL 182,423).

	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
Net carrying amount 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)
Net carrying amount 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 2015	114,197	275,339	389,536

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

10. INTANGIBLE ASSETS

For the years ended 31 December 2016 and 31 December 2015, the details of the Company's intangible assets are as follows:

<u>Cost</u>	<u>Computer software</u>	<u>Total</u>
Opening balance at 1 January 2016	75,054	75,054
Acquisitions	-	-
Net carrying amount at 31 December 2016	75,054	75,054
<u>Accumulated amortization</u>		
Opening balance at 1 January 2016	(45,022)	(45,022)
Charge for the year	(25,735)	(25,735)
Net carrying amount at 31 December 2016	(70,757)	(70,757)
Net carrying amount at 31 December 2016	4,297	4,297
Net carrying amount at 1 January 2016	30,032	30,032

Total current year amortization expenses amounting to TL 25,735 is included in administrative expenses (31 December 2015: TL 23,445).

<u>Cost</u>	<u>Computer software</u>	<u>Total</u>
Opening balances at 1 January 2015	63,844	63,844
Acquisitions	11,210	11,210
Net carrying amount at 31 December 2015	75,054	75,054
<u>Accumulated amortization</u>		
Opening balances at 1 January 2015	(21,577)	(21,577)
Charge for the year	(23,445)	(23,445)
Net carrying amount 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

For the years ended 31 December 2016 and 31 December 2015, the Company does not have any internally generated intangible assets.

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The shares of İş Girişim Sermayesi in Ortopro have been pledged in order to obtain a 5-year maturity loan for Ortopro from Yapı Kredi Bankası A.Ş. amounting to maximum of TL 20,000,000 (twenty million Turkish Lira) for the purpose of restructuring Ortopro's short-term loans.

12. COMMITMENTS

None (31 December 2015: None).

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.
Notes to the Financial Statements
As at and for the Year Ended 31 December 2016

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

13. EMPLOYEE BENEFITS

As at 31 December 2016 and 31 December 2015, the details of the Company's employee benefits are as follows:

	31 December 2016	31 December 2015
Short Term		
Provision for employee bonuses	1,136,179	1,375,899
Vacation pay liability	575,802	502,915
	1,711,981	1,878,814
Long Term		
Provision for employee bonuses	-	586,179
Reserve for employee severance payments	114,231	133,848
	114,231	720,027

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 2016 is based on the monthly ceiling amounting to TL 4,297.21 (31 December 2015: TL 3,828.37).

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 2016, 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 2015: 6.15%) and a discount rate of 10.80% resulting in a net discount rate of approximately 4.38%. The anticipated rate of forfeitures is also considered.

The movement of reserve for employee severance payments:

	1 January- 31 December 2016	1 January- 31 December 2015
Provision as at 1 January	133,848	106,477
Cost of services	22,995	35,137
Interest cost	14,498	9,849
Severance indemnity paid	(62,745)	(17,615)
Actuarial loss	5,635	-
Provision as at 31 December	114,231	133,848

Actuarial differences are accounted for in comprehensive income.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

The movement of provision for employee bonuses:

	1 January - 31 December 2016	1 January - 31 December 2015
Provision as at 1 January	1,962,078	3,167,939
Charge for the year	550,000	299,850
Employee bonuses paid	(1,375,899)	(1,505,711)
Provision as at 31 December	<u>1,136,179</u>	<u>1,962,078</u>

The movement of vacation pay liability:

	1 January - 31 December 2016	1 January - 31 December 2015
Provision as at 1 January	502,915	473,092
Vacation liability paid	(106,185)	(30,570)
Charge for the year	179,072	60,393
Provision as at 31 December	<u>575,802</u>	<u>502,915</u>

14. PREPAID EXPENSES

As at 31 December 2016 and 31 December 2015, the details of the Company's prepaid expenses are as follows:

<u>Current</u>	31 December 2016	31 December 2015
Prepaid expenses	289,514	234,835
Job advances	6,229	12,091
	<u>295,743</u>	<u>246,926</u>

There is not any long term prepaid expense (31 December 2015: None).

15. OTHER ASSETS AND LIABILITIES

As at 31 December 2016 and 31 December 2015, the details of the Company's other assets and liabilities are as follows:

<u>Other Current Assets</u>	31 December 2016	31 December 2015
Prepaid taxes and funds	519,890	446,497
	<u>519,890</u>	<u>446,497</u>
<u>Other Short-Term Liabilities</u>	31 December 2016	31 December 2015
Accrued expenses	565,045	504,810
Taxes and funds payable	185,169	682,830
	<u>750,214</u>	<u>1,187,640</u>

There is not any long term liability (31 December 2015: None).

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

16. EMPLOYEE BENEFIT PAYABLES

As at 31 December 2016 and 31 December 2015, the details of the Company's liabilities related to employee benefits are as follows:

	31 December 2016	31 December 2015
Social security contributions payable	45,284	36,912
	45,284	36,912

17. CAPITAL AND RESERVES

a) Share Capital

As at 31 December 2016 and 31 December 2015, the capital structure of the Company is as follows:

Shareholder	Company	%	31 December 2016	%	31 December 2015
İş Yatırım Menkul Değerler A.Ş.	A	8.9	6,635,776	8.9	6,635,776
İş Yatırım Menkul Değerler A.Ş. ^(*)	B	20.5	15,300,180	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	30.8	23,021,428	31.2	23,303,093
Nominal capital			74,652,480		74,652,480

^(*) Based on the resolution of the Board of Directors of the Company dated 27 June 2016, a contract has been signed on 28 June 2016 with İş Yatırım Menkul Değerler A.Ş. in order for it to engage in the market-making activities over the shares of the Company quoted in Istanbul Stock Exchange. With regard to the contract, İş Yatırım Menkul Değerler A.Ş. has started the market-making activities on 29 June 2016. As at 31 December 2016, İş Yatırım Menkul Değerler A.Ş. has purchased publicly traded shares of the Company with a nominal amount of TL 281,665.

As at 31 December 2016 the Company's share capital consists of 7,465,248,000 unit shares (31 December 2015: 7,465,248,000 shares). The par value of each share is TL 0.01 (31 December 2015: 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 2016, 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 2015: 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.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

d) Legal reserves

In accordance with Turkish Commercial Code, legal reserves consist of first and second legal reserves. First legal reserves are generated by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of historical based paid-in share capital (not adjusted for the effects of inflation). Second legal reserve is generated by 10% over the total of cash dividend distribution after the first legal reserves and dividend distributions. The Company has performed transfer to legal reserves amounting to TL 212,030 in year 2016 (31 December 2015: TL 1,303,027). As at 31 December 2016, the Company has legal reserves amounting to TL 20,700,306 (31 December 2015: TL 20,488,276).

e) Retained Earnings

As at 31 December 2016, the Company has retained earnings amounting to TL 131,147,155 (31 December 2015: TL 130,586,536).

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 16 March 2016 in the General Assembly of the Company, it has been decided not to distribute dividends and TL 560,619 in retained earning has been reclassified to extraordinary reserves after deducting legal reserves (31 December 2015: TL 10,078,085 dividend distributed in cash).

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

18. REVENUE AND COST OF SALES

For the years ended 31 December 2016 and 31 December 2015 the details of the Company's revenue and cost of sales are as follows:

a) Revenue	1 January - 31 December 2016	1 January - 31 December 2015
Interest income from treasury bonds and private sector bonds	6,620,919	9,156,880
Investment security fair value gains (net)	3,279,405	1,525,680
Interest income on bank deposits	3,149,655	2,559,564
Investment security trading income (net)	832,682	7,532
Dividend income	648,861	970,697
Reverse repo and Takasbank interest income	300,163	286,446
Decrease in fair value of subsidiaries and associates (net)	(3,483,235)	(4,705,640)
Domestic sales ^(*)	-	2,606,325
<i>Disposal of associate</i>	-	2,606,325
	11,348,450	12,407,484
b) Cost of sales	1 January- 31 December 2016	1 January- 31 December 2015
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 2016 and 31 December 2015, the details of the Company's administrative expenses are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Personnel expenses	(5,113,750)	(4,452,978)
Audit and consultancy expenses	(893,520)	(1,142,443)
Rent expenses	(622,088)	(562,040)
Outsourcing expenses	(618,570)	(571,024)
Tax and Dues	(606,609)	(1,064,271)
Salaries of Board of Directors	(599,550)	(546,000)
Increase in provision for bonus expenses	(550,000)	(299,850)
Executive insurance	(294,466)	(282,710)
Depreciation and amortization expenses	(206,609)	(205,868)
Increase in unused vacation provision expenses	(179,072)	(60,393)
Communication, electricity and stationary expenses	(172,033)	(170,047)
Representation Expenses	(94,201)	(113,507)
Increase in provision for employee termination benefits	(37,493)	(44,986)
Other	(355,974)	(224,706)
	(10,343,935)	(9,740,823)

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

20. OTHER OPERATING INCOME AND EXPENSES

For the years ended 31 December 2016 and 31 December 2015, the details of the Company's other operating income and expenses are as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Other operating income		
Foreign exchange gains	244	32,168
Fixed asset sales	1,695	-
Other income and profits	170,485	1,491
	172,424	33,659
	1 January- 31 December 2016	1 January- 31 December 2015
Other operating expenses		
Commissions paid	(115,467)	(77,232)
Foreign exchange losses	-	(39)
Other expenses and losses	(1,180)	-
	(116,647)	(77,271)

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 2015: None).

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements**As at and for the Year Ended 31 December 2016**

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

22. EARNINGS PER SHARE

	1 January- 31 December 2016	1 January- 31 December 2015
Earnings per share		
Weighted average number of shares available during the period (full amount)	74,652,480	74,652,480
Total	74,652,480	74,652,480
Net profit for the year	1,060,292	772,649
Basic and diluted earnings per share (TL 1 nominal value)	0.01420	0.01035

23. EFFECTS OF FOREIGN EXCHANGE RATE CHANGES

The analysis of the effects of changes in foreign exchange in 31 December 2016 and 31 December 2015 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 INSTRUMENTSCapital 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.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

	Receivables				Cash and Cash Equivalents (**)	Financial Investments (***)
	Trade Receivables		Other Receivables			
31 December 2016	Related Parties	Third Parties	Related Parties	Third Parties		
Maximum credit risk exposure as at report date (*)	-	-	150	-	45,734,550	67,870,992
- The part of maximum risk under guarantee with collateral etc.						
A. Net book value of financial assets that are neither past due nor impaired	-	-	150	-	45,734,550	67,870,992
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-
- the part under guarantee with collateral etc.						
D. Net book value of impaired assets						
- Past due (gross carrying amount)						
- Impairment (-)						
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Elements including credit risk on off statement of financial position						

(*) 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.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements**As at and for the Year Ended 31 December 2016**

(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.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

Liquidity risk management

Liquidity risk management responsibility mainly belongs to the top management. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities. The Company does not have any loans and uses only its shareholders equity. Investments in equity companies are financed through security portfolio or funds in time deposit. Securities in portfolio have secondary market and have high liquidity and maturity is arranged according to liquidity requirements.

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

31 December 2016

Contractual maturity	Carrying Value	Contractual cash flows (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Trade payables	21,897	21,897	21,897	-	-	-
Other payables ^(*)	565,843	565,843	565,843	-	-	-
Total liabilities	587,740	587,740	587,740	-	-	-

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

31 December 2015

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	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.

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.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

Foreign currency risk management

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

The foreign currency denominated assets and liabilities of monetary and non-monetary items as at 31 December 2016 and 31 December 2015 are as follows:

	TL (Functional currency)	US Dollar	Euro	Other
31 December 2016				
1. Trade Receivables	-	-	-	-
2a. Monetary Financial Assets	-	-	-	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. CURRENT ASSETS	-	-	-	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. NON-CURRENT ASSETS	-	-	-	-
9. TOTAL ASSETS	-	-	-	-
10. Trade Payables	-	-	-	-
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	(253,806)	(65,044)	(1,838)	(4,188)
12b. Other Non-Monetary Liabilities	-	-	-	-
13. SHORT TERM LIABILITIES	(253,806)	(65,044)	(1,838)	(4,188)
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-
17. LONG TERM LIABILITIES	-	-	-	-
18. TOTAL LIABILITIES	(253,806)	(65,044)	(1,838)	(4,188)
19. Off balance sheet derivatives net asset/liability position (19a-19b)	-	-	-	-
19a. Active off balance sheet derivative (foreign currency)	-	-	-	-
19b. Passive off balance sheet derivative (foreign currency)	-	-	-	-
20. Net foreign currency asset liability position	(253,806)	(65,044)	(1,838)	(4,188)
21. Net foreign currency asset/(liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a))	(253,806)	(65,044)	(1,838)	(4,188)
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-
23. Hedged portion of foreign currency assets	-	-	-	-
24. Hedged portion of foreign currency liabilities	-	-	-	-
23. Export	-	-	-	-
24. Import	-	-	-	-

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

	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	-	-	-	-

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

(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 2016			
	Profit/Loss		Equity	
	The appreciation of foreign currency	The depreciation of foreign currency	The appreciation of foreign currency	The depreciation of foreign currency
	10% appreciation/depreciation of TL against the U.S. Dollar			
1 - US Dollar net asset/liability	(22,890)	22,890	-	-
2- Portion secured from US Dollar (-)	-	-	-	-
3- US Dollar net effect (1 +2)	(22,890)	22,890	-	-
	10% appreciation/depreciation of TL against Euro			
4 - Euro net asset/liability	(682)	682	-	-
5 - Portion secured from Euro (-)	-	-	-	-
6 - Euro net effect (4+5)	(682)	682	-	-
	10% appreciation/depreciation of TL against other currencies			
7- Other foreign currency net asset/liability	(1,809)	1,809	-	-
8- Portion secured from other currency (-)	-	-	-	-
9- Other currency net effect (7+8)	(1,809)	1,809	-	-
TOTAL (3 + 6 +9)	(25,381)	25,381	-	-

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

Foreign currency risk sensitivity analysis

	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	-	-

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

	31 December 2016	31 December 2015
Fixed interest rate instruments		
Financial assets		
Financial assets at fair value through profit or loss	29,601,800	47,479,668
Time deposits	45,028,024	10,299,700
Takasbank money market receivables	702,389	1,300,543
	75,332,213	59,079,911
Floating interest rate instruments		
Financial assets		
Financial assets at fair value through profit or loss	16,470,039	29,579,563
Financial assets held to maturity	-	10,011,350
	16,470,039	39,590,913

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

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 2016 and 31 December 2015 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 2016			
Type of risk	Risk rate	Direction of risk	Effect on net profit
Interest rate risk	1%	Increase	(1,105,149)
		Decrease	1,149,665
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

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 2016, 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 498,326 (31 December 2015: TL 472,371) lower/higher.

According to the statement of financial position as at 31 December 2016, 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 217,992 (31 December 2015: TL 227,177) lower/higher.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

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

	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
31 December 2016							
<u>Financial assets</u>							
Cash and cash equivalents	45,734,742	-	-	-	45,734,742	45,734,742	5
Financial investments	-	-	212,168,977	-	212,168,977	212,168,977	6
<u>Financial liabilities</u>							
Trade payables	-	-	-	21,897	21,897	21,897	7
Other financial liabilities ⁽¹⁾	-	-	-	565,843	565,843	565,843	8-15
31 December 2015							
<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 ⁽¹⁾	-	-	-	505,560	505,560	505,560	8-15

⁽¹⁾Taxes and other duties payables are excluded from other liabilities.

Fair value of financial instruments

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

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

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

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

Financial assets	31 December 2016	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	212,168,977	72,854,247	-	139,314,730
Total	<u>212,168,977</u>	<u>72,854,247</u>	<u>-</u>	<u>139,314,730</u>

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 (B type liquid funds)	1,300,543	1,300,543	-	-
Total	<u>237,660,930</u>	<u>105,801,160</u>	<u>-</u>	<u>131,859,770</u>

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

Subsidiaries and associates	2016	2015
Balance as of 1 January 2016	131,859,770	103,065,809
Acquisitions ^(*)	938,195	10,350,000
Disposals	-	(1,850,400)
Capital increase	10,000,000	25,000,000
Gain/(loss) included in revenue		
- Changes in the fair value	(3,483,235)	(4,705,639)
Balance as at 31 December 2016	<u>139,314,730</u>	<u>131,859,770</u>

^(*)Acquisition of 20% of the shares of Tatil Budur as at 31 December 2016 and 31 December 2015 as explained Note 6.2.

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 participated in the paid-in capital increase of its subsidiary Numnum Yiyecek ve İçecek A.Ş. ("Numnum") whose paid-in capital was TL 2.702.500 formerly, by the rate of 133,33% and by the nominal amount of TL 3,603,333 on 26 December 2016. Paid-in capital increase has been conducted through restricting the right of priority of the shareholders except the Company. On 22 December 2016, TL 10,000,000 has been paid to Numnum against this transactions.

28. EVENTS AFTER THE REPORTING PERIOD

There are no events after reporting period.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

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

Financial Statement Captions		Regulations	31.12.2016 (TL)	31.12.2015 (TL)
A	Monetary and Capital Market Instruments	Article 20/1-(b)	118,588,989	116,102,207
B	Private Equity Investments	Article 20/1-(a)	1139,314,730	141,871,120
C	Subsidiaries in Portfolio Management and Advisory Companies	Article 20/1-(d) and (e)	-	-
D	Other Assets		901,684	960,920
E	Total Assets	Article 3/1-(a)	258,805,403	258,934,247
F	Financial Borrowings	Article 29	-	-
G	Provisions, Contingent Assets and Liabilities	Article 20/2-(a)	-	-
H	Equity		256,160,998	255,106,341
I	Other Liabilities		2,644,405	3,827,906
E	Total Liabilities and Equity	Article 3/1-(a)	258,805,403	258,934,247
Other Financial Information		Regulations	31.12.2016 (TL)	31.12.2015 (TL)
Investments in Financial Market Instruments		Article 20/1-(b)		
1. Financial Market Instruments			73,556,635	105,801,160
A- Government Bonds			22,464,820	27,601,326
TRT010420T19			-	1,622,790
TRT060121T16			22,464,820	25,978,536
B- Private Sector Bonds			23,607,019	49,457,905
Akfen Holding A.Ş.			666,666	675,987
Aksa Enerji Üretim A.Ş.			2,541,825	2,549,200
Bank Pozitif Kredi ve Kalkınma Bankası A.Ş.			-	2,000,000
Creditwest Faktoring A.Ş.			2,027,560	8,464,018
İş Faktoring A.Ş.			-	3,436,178
İş Finansal Kiralama A.Ş.			-	12,103,517
Deva Holding A.Ş.			1,522,098	-
İş Gayrimenkul Yatırım Ortaklığı A.Ş.			7,681,050	2,604,160
İş Yatırım Menkul Değerler A.Ş.			974,020	973,770
Karsan Otomotiv San. ve Tic. A.Ş.			-	509,860
Orfin Finansman A.Ş.			6,162,960	9,009,000
Rönesans Holding A.Ş.			-	2,560,700
A1	Tiryaki Agro Gıda Sanayi ve Tic. A.Ş.		-	2,532,475
Timur Gayrimenkul A.Ş.			2,030,840	2,039,040
C- Reverse Repo			702,389	1,300,543
D- Investment Funds			21,799,152	22,717,675
IYD İş Portföy Second Stock Fund			3,463,030	3,733,619
IAF İstanbul Portföy Ark I Hedge Fund			-	2,428,790
IBG Azimut PYS First Hedge Fund			-	3,642,276
IBR Azimut PYS Absolute-Return Targeted Hedge Fund			-	2,138,981
TI3 İş Bankası Subsidiaries Indexed Stock Fund			2,801,341	-
ILG Logos Portföy Private Sector Debt Instruments Fund			-	3,155,360
IDD Logos Portföy Dynamic Distribution Hedge Fund			-	1,340,307
GTF Azimut PYS First Debt Instruments Fund			-	2,790,494
IYB Taaleri Portföy Variable Fund			573,021	368,205
IYR İş Portföy Target Hedge Fund			10,297,554	3,119,641
SUB Ünlü Portföy Second Variable Fund			-	-
TBV İş Portföy Private Sector Debt Fund			4,664,206	-
TIV İş Portföy Short-Term Debt Fund			-	-
E- Stocks			4,983,255	4,723,711
İş Yatırım Ortaklığı A.Ş.			4,983,255	4,723,711

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements**As at and for the Year Ended 31 December 2016**

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

Other Financial Information	Regulations	31.12.2016 (TL)	31.12.2015 (TL)
A2 TL and FX Denominated Term-Demand Deposits/Private Current - Sharing Account	Article 20/1-(b)	45,032,352	10,301,047
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	2,794,868	2,878,630

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.

Notes to the Financial Statements

As at and for the Year Ended 31 December 2016

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

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

Portfolio Restrictions ^(*)	Regulations	31.12.2016	31.12.2015	Min./Max. Rate
1 Monetary and Capital Market Instruments	Article 22/1- (b)	45.82	44.84	≤ 65%
Financial Market Instruments	Article 22/1- (c)	28.42	40.86	
A- Government Bonds		8.68	10.66	
TRT010420T19		-	0.63	≤ 10%
TRT060121T16		8.68	10.03	≤ 10%
B- Private Sector Bonds		9.12	19.10	≤ 10%
Akfen Holding A.Ş.		0.26	0.26	≤ 10%
Aksa Enerji Üretim A.Ş.		0.98	0.98	≤ 10%
Bank Pozitif Kredi ve Kalkınma Bankası A.Ş.		-	0.77	≤ 10%
Creditwest Faktoring A.Ş.		0.78	3.27	≤ 10%
İş Faktoring A.Ş.		-	1.33	≤ 10%
İş Finansal Kiralama A.Ş.		-	4.67	≤ 10%
Deva Holding A.Ş.		0.59	-	≤ 10%
İş Gayrimenkul Yatırım Ortaklığı A.Ş.		2.97	1.01	≤ 10%
İş Yatırım Menkul Değerler A.Ş.		0.38	0.38	≤ 10%
Karsan Otomotiv San. ve Tic. A.Ş.		-	0.20	≤ 10%
Orfin Finansman A.Ş.		2.38	3.48	≤ 10%
Rönesans Holding A.Ş.		-	0.99	≤ 10%
Tiryaki Agro Gıda Sanayi ve Tic. A.Ş.		-	0.98	≤ 10%
2 Timur Gayrimenkul A.Ş.		0.78	0.79	≤ 10%
C- Reverse Repo		0.27	0.50	≤ 10%
D- Investment Funds		8.42	8.77	
IYD İş Portföy Second Stock Fund		1.34	1.44	≤ 10%
IAF İstanbul Portföy Ark I Hedge Fund		-	0.94	≤ 10%
IBG Azimut PYS First Hedge Fund		-	1.41	≤ 10%
IBR Azimut PYS Absolute-Return Targeted Hedge Fund		-	0.83	≤ 10%
TI3 İş Bankası Subsidiaries Indexed Stock Fund		1.08	-	≤ 10%
ILG Logos Portföy Private Sector Debt Instruments Fund		-	1.22	≤ 10%
IDD Logos Portföy Dynamic Distribution Hedge Fund		-	0.52	≤ 10%
GTF Azimut PYS First Debt Instruments Fund		-	1.08	≤ 10%
IYB Taaleri Portföy Variable Fund		0.22	0.14	≤ 10%
IYR İş Portföy Target Hedge Fund		3.98	1.20	≤ 10%
SUB Ünlü Portföy Second Variable Fund		-	-	≤ 10%
TBV İş Portföy Private Sector Debt Fund		1.80	-	≤ 10%
TIV İş Portföy Short-Term Debt Fund		-	-	≤ 10%
E- Stocks		1.93	1.82	≤ 10%
İş Yatırım Ortaklığı A.Ş.		1.93	1.82	≤ 10%
3 Private Equity Investments	Article 22/1- (b)/(g)	53.83	54.79	≥ 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- (i)	17.40	3.98	≤ 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	1.08	1.11	≤ 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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