

# İŞ INVESTMENT ANNUAL REPORT



2018



**iŞ INVESTMENT**





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İŞ YATIRIM MENKUL DEĞERLER A.Ş.

**BOARD OF DIRECTORS ACTIVITY REPORT**  
PREPARED IN ACCORDANCE WITH  
THE CAPITAL MARKETS BOARD COMMUNIQUÉ  
SERIAL NO II-14.1 ON  
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CAPITAL MARKETS

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**1<sup>st</sup> of January, 2018 – 31<sup>st</sup> of December, 2018**



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## 1. IS INVESTMENT IN BRIEF

Founded in 1996 by İşbank, IS Investment provides domestic and international, individual and institutional investors with high added-value services in the areas of corporate finance, investment advisory, asset management, market making and liquidity providing services as well as brokerage services.

IS Investment is a leader in the capital markets with a strategic affiliate structure in areas such as asset management, investment trusts, venture capital and wealth management. IS Investment also works with its brokerage subsidiary, Maxis Investments Ltd., which is based in London and fully owned by IS Investment.

Boasting the largest corporate and individual client base in Turkey, IS Investment has 16 branches located in Adana, Antalya, Bursa, Eskisehir, Gaziantep and Kayseri including six in Istanbul, two in Ankara and two in Izmir, and a liaison office in Diyarbakır.

As of the end of 2018, IS Investment had total assets of TL 6.4 billion and total shareholders' equity of TL 805.3 million, while writing a consolidated net profit TL 221.7 million during the year, marking an annual increase of 41%, and generating a 30% Return on Equity. The long-term national credit rating of IS Investment, whose shares have been traded on the stock market under the ISMEN ticker since May 2007, was announced as "AA +" by SAHA Rating. The short-term national credit rating was announced as A1 +. The outlook is stable for both maturities.

IS Investment offers a wide range of services in the field of corporate finance, such as private sector advisory consisting of equity public offerings, private sector debt securities issuances, mergers and acquisitions, restructuring and strategic planning, project financing advisory and venture capital advisory. As part of IS Bank since 1988 and as IS Investment since its establishment in 1996, a total of 70 public offering projects have been carried out. Having successfully completed the TL 3 billion secondary public offering of Aselsan in 2018, IS Investment has served as the leader in its sector with 32 equity public offerings, totaling TL 13.2 billion (USD 7.7 billion) realized since its foundation.

IS Investment continued its run of success in the Private Sector Debt Securities market, where it has mediated in approximately TL 120 billion of debt security issues since 2010, and continued its success in 2018 with a total of TL 19.7 billion in transactions as of the year-end, commanding a market share of 11%. With two transactions completed in 2018, the Company continues to be the leader in the sector, having mediated in 150 mergers and acquisitions since 2000 with a total size of over USD 12.8 billion.

IS Investment enables investors to trade from anywhere with an Internet connection through electronic trading platforms in capital markets, which began to develop in 2007. TradeMaster is a platform that allows investors to access all kinds of information related to their accounts and quickly execute stock, futures and warrant transactions on the Equity Market, and trade in futures and options contracts in the Futures and Options Market (VIOP) with real time data. TradeMaster International allows investors to trade stocks, futures contracts and contracts for difference on a selection of different stock markets throughout the world without the need for any intermediaries, easily and quickly. TradeMaster FX, on the other hand, is a MetaTrader 4-based electronic trading platform providing 24-hour access to the forex markets with the IS Investment guarantee.

Standing out with its products and services developed in line with its pioneering and innovative identity, IS Investment launched Turkey's first hedge fund. In 2010, it became the first Turkish firm to offer investors brokerage house warrants (Is Varant) when trading in these instruments began on the Borsa Istanbul. Some of the achievements reinforcing IS Investment's leadership position in the sector included being the first brokerage house to issue its own debt instruments in 2012, being the first brokerage firm to issue the Turkey's first private-sector leasing certificates (sukuk) denominated in Turkish Lira in 2013, the first liquidity provider of the BIST in 2014 and carrying out the first issuance of oil and GBP/USD warrants on the Borsa Istanbul, in 2015 and 2017 respectively.



## 2. AWARDS

IS Investment has frequently been deemed worthy of various awards by local and foreign organizations in recognition of its different fields of activity:

- Mergermarket - “Financial Mergers & Acquisitions Consultant of the Year in Turkey” (2010, 2017)
- Euromoney - “Turkey’s Best Investment Bank” (2010, 2011, 2013, 2018)
- Euromoney - “Turkey’s Best M&A Institution” (2009, 2014)
- Euromoney - “Turkey’s Best Brokerage house” (2007, 2008)
- EMEA Finance - “Best Equity Offering in the Central and Eastern Europe Region” (2017)
- EMEA Finance - “Best M&A in the Central and Eastern Europe Region” (2017)
- EMEA Finance - “Turkey’s Best Investment Bank” (2010, 2011, 2012, 2013, 2014, 2015, 2016)
- EMEA Finance - “Turkey’s Best Brokerage house” (2012, 2013, 2014, 2015, 2016)
- EMEA Finance - “Best Asset Management Company” (2016)
- Consensus Economics - “Most Accurate Macro Estimation” (Is Investment Research Department, 2017)
- Global Finance - “Turkey’s Best Investment Bank” (2016)
- Turkish Capital Markets Association “Borsa Istanbul Equity Market - Highest Trading Volume” (2015)
- Turkish Capital Markets Association “Highest Issuance and Sale of Capital Market Instruments” (2015, 2016)
- Turkish Capital Markets Association - “Leader in the Borsa Istanbul Futures and Options Market in terms of Trading Volume” (2017)
- Turkish Capital Markets Association - “Biggest increase in market share in the Borsa Istanbul Futures and Options Market” (2017)
- Turkish Capital Markets Association - “Corporate Finance Operations Share Issuance and Sales Leader” (2017)
- Turkish Capital Markets Association - “Corporate Finance Transactions Borrowing Instrument Issuance and Sales Leader” (2017)
- TUYID Investor Relations Society- “Best Research Unit Finance / Banking / Insurance” (Is Investment Research Department, 2017)
- TUYID Investor Relations Society - “Best Research Unit Reel Sector / Industry” (Is Investment Research Department, 2017)
- Capital Magazine “Turkey’s Most Admired Brokerage House” (2003, 2004, 2005, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2017)
- Ethical Values Association ETİKA “Turkey Ethics Award” (2012, 2013, 2014, 2015, 2016, 2017)
- Borsa Istanbul “Equity Market Trading Volume Leader” (2013, 2014)
- Borsa Istanbul - “Futures & Options Market Trading Volume Leader” (2013, 2014)
- IMKB 25th Year Awards - “Company with the Highest Trading Volume in Equities” (2010)
- Corporate Governance Association of Turkey “Company with the Highest Rating in The Board of Directors Category” (2011)

### 3. KEY FINANCIAL HIGHLIGHTS SUMMARY BALANCE SHEET AND INCOME STATEMENT

#### Summary Balance Sheet (x1,000 TL) 31 December 2018 31 December 2017

<b>Assets</b>		
Current Assets	6.194.908	7.510.184
Fixed Assets	175.774	163.310
<b>Total Assets</b>	<b>6.370.682</b>	<b>7.673.494</b>
<b>Liabilities</b>		
Short Term Liabilities	5.132.643	6.571.650
Long Term Liabilities	152.947	126.052
Non-Controlling Interests	279.807	293.914
Shareholders' Equity of Parent Company	805.285	681.878
<b>Total Liabilities</b>	<b>6.370.682</b>	<b>7.673.494</b>

#### Summary Income Statement (x1,000 TL) 1 Jan-31 Dec 2018 1 Jan-31 Dec 2017

Sales Revenue, Net	226.429	150.632
Interest and Derivative Income		
from Operating Activities, Net	164.721	147.202
Income from Services, Net	258.202	223.174
Other Operating Income, Net	77.865	57.099
<b>Gross Profit</b>	<b>727.217</b>	<b>578.107</b>
Operating Expenses	372.458	347.987
Other Income/ (Expenses), Net	4.947	(4.612)
<b>Operating Profit</b>	<b>359.706</b>	<b>225.508</b>
Share of Profit/(Loss) of Equity		
/ Accounted Investees	(4.698)	(2.388)
Financial Income/ (Expenses), Nett	(56.551)	(23.804)
<b>Profit before Tax from Continuing Operations</b>	<b>298.457</b>	<b>199.316</b>
Tax Expenses	(64.172)	(44.464)
<b>Period Profit/Loss</b>	<b>234.285</b>	<b>154.852</b>
Non-controlling Interests	12.584	(2.123)
<b>Period Profit/Loss</b>		
(Equity Holders of the Main Company)	221,701	156,975
Earnings per Share from		
Continuing Operations	0.6245	0.4422

#### Financial Ratios 31 December 2018 31 December 2017

Current Assets/Short-Term Liabilities	1,21	1,14
Total Liabilities/Equity	4,87	6,86
Return on Equity (%)	29,8	25,2

The financial statements and footnotes to the financial statements of IS Investment are available at [www.isinvestment.com](http://www.isinvestment.com)

## 4. CORPORATE VALUES, MISSION, VISION

### CORPORATE VALUES

#### CLIENT ORIENTATION

To be close to our clients, to be able to correctly carry out risk-reward analysis in compliance with investor expectations, to be able to provide a service of the necessary and desired quality with the aim of building the assets of our clients in line with this analysis.

#### MARKET FOCUS

To be able to generate the highest possible added value for our corporation and investors in line with developments by instantly monitoring domestic and foreign capital markets.

#### DYNAMISM AND INNOVATION

To constantly seek the better and the newer with an infinite energy for the continuous development of our products, services and values by remaining loyal to our corporate policies and in the most appropriate way for market conditions with human resources which are competent and specialized in their field.

#### CONFIDENTIALITY

To comply with the principles of confidentiality within the scope of laws, our corporate policies and ethical values in areas which qualify as inside information that may affect the value of our shares and the identities and transactions of our clients.

#### REPUTATION

To remain a representative of the feelings of trust and success created by the "İş" brand, which we proudly represent in the capital markets.

#### VALUE FOR OUR EMPLOYEES

To ensure the continuous training and development of our specialized personnel which we have incorporated with an understanding of corporate social responsibility in compliance with our values; to apply a human resources policy within a comfortable, safe and certain career plan by providing equal rights to those who are under equal circumstances without discrimination on the basis of religion, language, race or gender.

#### TEAMWORK

To raise productivity to the highest levels by creating a synergy that combines the division of labor and cooperation, efficient sharing and solidarity.

#### RESPECT FOR THE LAWS, CORPORATE GOVERNANCE PRINCIPLES AND ETHICAL VALUES

To be able to realize the best international application in terms of compliance with the principles of corporate governance with an effective risk management and internal control mechanism, transparent governance to ensure success in our financial performance and market sustainability in compliance with the laws and our ethical values.

#### PERFECTIONISM

To remain aware that by seeking perfection at all times, anyone can be better.

#### OBJECTIVITY AND IMPARTIALITY

To ensure that our market commentary is realized with an objective understanding by carrying out relations with the client without allowing any conflict of interest while fulfilling capital market activities and informing our shareholders correctly, fully and in a timely manner.

#### SOCIAL RESPONSIBILITY

While trying to fulfill our aims of growth and generating profit, to exert maximum effort so that our employees, the environment and other internal and external factors are provided the maximum benefit

## **MISSION**

- To provide all kinds of investment banking services under one roof
- To produce qualified information, to establish information-based strategies
- To be innovative in product and service development
- To lead the development of the capital markets
- To follow technological developments and incorporate technology into our activities
- To ensure client satisfaction
- To increase the value created for shareholders

## **VISION**

To be the most preferred leader and reliable investment institution in Turkey and the region.

## 5. CHAIR'S MESSAGE

Distinguished Shareholders,

We experienced a period of change in the signs of recovery in the global economy in 2018. The ongoing slowdown in the Chinese economy, the emergence of trade wars, the effects of the FED rate hikes on emerging economies and developments such as the Brexit process all played a part in this. The Turkish economy, which started in 2018 buoyed by positive outlook and demonstrated growth in excess of expectations in the first half of the year, was also affected by these developments.

For IS Investment, 2018 turned out to be strong year in our own field, by the effective use of resources, the determination of the right strategies and sound risk management.

Resilience is the key concept that defined IS Investment's performance in 2018. The Company improved its operational and financial performance throughout the year despite the volatile market conditions. The fact that IS Investment reached all of its 2018 targets, reflecting the positive market expectations at the beginning of the year, was the most concrete indicator of this improvement. In addition, the Company continued to share its financial success with its investors by the distribution of cash dividends.

In today's world, where technological superiority is such an important competitive measure, IS Investment pursued the process of digitalization and advancements that will carry its activities further. In this vein, IS Investment launched data analysis features in 2018, which will allow it to get to know its clients better and become better acquainted with their expectations.

As we enter a new period of activity following a difficult year, we believe this process will be accomplished successfully considering the developments in the world and in Turkey.

IS Investment's top priority will be to protect the benefits for our clients and other stakeholders, especially our shareholders, in 2019. We aim to repeat our past successes by effective risk managements and maintaining our quality-focused approach. I have no doubt that we will achieve this goal with the trust and support of our esteemed stakeholders.

Respectfully yours,

**Senar Akkuş**  
IS Investment  
*Chair of the Board*



## 6. GENERAL MANAGER'S MESSAGE

Dear Shareholders,

Despite the challenges in the domestic and international markets, we have left behind a year of opportunities. With the impact of global developments, there was a loss of momentum in economic activity in 2018. The optimistic sentiment which prevailed in the first half of the year gave way to gathering clouds of uncertainty marked by a more protectionist discourse from world leaders.

These developments have left their mark on Turkey as in all countries. The growth trend seen in the first half of the year was replaced by a slowdown in economic activity, albeit temporarily, with a shift in exchange rates and a rise in inflation and interest rates.

### **A SUCCESSFUL YEAR, DESPITE THE UNCERTAINTIES**

Despite all these developments, IS Investment rounded off a successful year in all of its activities. Our consolidated net profit reached TL 221.7 million, up 41% YoY, and we generated a 30% Return on Equity, while our standalone net profit increased by 37% YoY to TL 226.4 million, marking a 34% Return on Equity in 2018. With a gross cash dividend of TL 110 million distributed in March 2018, our investors gained a 12.9% dividend yield.

After having reached a record high of 120,845 points in the first month of the year, the BIST 100 index tumbled in the following months and closed the year by 21% loss. On the other hand, ISMEN shares ended 2018 with nominal price decline of only 3%, outperforming the BIST 100 index by 22%.

### **CORPORATE STRUCTURE AND STRATEGIC MANAGEMENT**

As IS Investment, we managed to protect our Company from the negative effects that of the volatile conditions in 2018 thanks to our corporate structure, strategic management approach, competent human resources and sound financial structure.

### **EXPANDING SALES NETWORK**

We continued to expand our sales network in order to reinforce the broad and balanced income structure of IS Investment through its wide product range. We opened the Eskişehir and Ege branches and increased the number of branches to 16 in 2018. Our sales network will continue to expand in the coming periods within the framework of our technology based methodological client approach.

We maintained strong communication with domestic and foreign investors through numerous meetings, presentations, conferences and roadshows, as well as investor visits in 2018. We also held periodic meetings to ensure that clients were constantly informed of developments in capital markets and the factors that determine investment decisions.

### **IS INVESTMENT PULLS OFF THE LARGEST PUBLIC OFFERING OF THE YEAR**

In 2018, public offerings were realized of much more substantial amounts than in 2017, with TL 8.4 billion size. IS Investment led the TL 3 billion size of secondary public offering of Aselsan, completed in the first half of the year, which comprised 36% of the total size in the market. This was also the largest public offering of the year. On the other hand, after the public offering of Mavi Giyim Sanayi ve Ticaret A.Ş. in 2017, the sale of the company shares owned by Blue International Holding BV, one of the partners, was another significant transaction in 2018 with a transaction size of TL 496.7 million.

Intermediary activities in the corporate bond issuances market continued to constitute a significant proportion of our activities in 2018. In this field, we intermediated 108 issuances with a nominal size of TL 19.7 billion.

We have worked in important projects as consultant institution in other areas of our corporate finance services, such as mergers & acquisitions and project finance consultancy.

### **WE CONTINUED TO PRODUCE QUALIFIED INFORMATION**

We continued to create added value for our investors with macroeconomic reports, strategy reports, market reports, sector reports and company reports and analysis throughout the year, when informing investors and providing them with qualified reports is even more important during this period of uncertainty. Our model portfolio outperformed the BIST 100 Index by 19% in 2018.

### **CONTINUED GROWTH IN OUR SOCIAL RESPONSIBILITY PROJECT**

Our TradeMaster Campus project, which started six years ago with small steps, has now reached 24 universities thanks to the valuable contributions of IS Investment and IS Investment employees who are working personally on the training side of the project. A total of 579 teams from 30 universities competed in the 10th TradeMaster Investment League held in November 2018 and a record was broken with the participation of 1,158 students.

Our most important goal in this project is to reach all the students who need our support with the participation of new universities and to increase financial literacy throughout Turkey and contribute to the vision of our country's "Istanbul Financial Center".

### **A YEAR FULL OF AWARDS**

IS Investment received many awards in a number of domestic and foreign events in recognition of our various activities. IS Investment was handed the "Financial Mergers & Acquisitions Consultant of the Year in Turkey" award, which is held under the name Europe M&A Awards, given to the best in its sector in every country by Mergermarket, one of the world's most respected data provider companies in the field of Mergers and Acquisitions. In addition, we received the "Turkey's Best Investment Bank" Award from the Euromoney magazine this year. We have also received valuable awards from a number of organizations such as EMEA Finance, the Turkish Capital Markets Association, and the TUYID Investor Relations Society.

Despite all the difficulties, we look to 2019 with hope and optimism after a year in which we successfully achieved our goals. We will remain steadfast in our efforts to transform the expected challenges in 2019 into opportunities with a strategic, flexible, decisive and methodological approach, with the support and confidence of our investors. On this occasion, I would like to thank our shareholders for their trust in us, our Board of Directors, who have supported us in every respect, and our colleagues who have successfully carried IS Investment to the situation it is in today.

Respectfully yours,

**Riza İhsan Kutlusoy**  
IS Investment  
*General Manager*



## 7. GENERAL REVIEW

In Turkish markets which followed a fluctuating but broadly horizontal track due to the developments in global markets and geopolitical risks in the first months of 2018, a wave of sales independent of global markets started from March, especially in the foreign exchange and bond markets. The cuts to credit ratings, the rise in inflation and mounting geopolitical risks were the main factors triggering the change in risk perceptions towards Turkish markets. In the period that followed, factors such as the strengthening dollar, pressure of rising interest rates, distorted current account balance and the high level of US dollar denominated debt left Turkey more vulnerable to the global volatility, and Turkish markets negatively decoupled from other developing countries in Turkey's peer group. In addition, the deterioration in relations between Turkey and the US, the pricing-in of expectations of a hard landing in the economy and the continued rise in inflation also kept Turkish markets behind world markets. With all these developments, the wavelength in financial markets reached its peak in mid-August. Subsequently, the markets were only brought onto an even keel by the steps taken by the CBRT and BRSA. The steps taken by the government and the institutions, combined with the sharp hike in interest rates from the Central Bank, along with the announcement of the New Economic Program envisaging a controlled balance in economic activity, precipitated a recovery in risk appetite for Turkish assets. In the last quarter of the year, Turkey's assets decoupled positively from the world, thanks to the preservation of financial stability and some normalization in relations between the U.S. and Turkey, despite the severe economic downturn. In the same period, the correction in the current account balance and high level of interest rates maintained the strength of the TL.

Looking at macroeconomic trends, growth in the Turkish economy fell short of expectations, at 1.6% in the third quarter following strong growth performance in the first half of the year. The slowdown in growth in the third quarter stemmed from the impact of the volatility in financial markets and the tight monetary stance being reflected to private consumption and investments. Meanwhile, net exports continued to support economic activity, confirming the continued balance between growth components.

In the last quarter of the year, growth contracted on an annual basis due to negative effects of monetary tightening on financial conditions, the depreciation of the TL which continued to inhibit investment and consumption appetite, and the high levels of inflation. In this context, the overall growth rate in 2018 was 2.6%. The contraction in growth is expected to continue in the first half of 2019, on the expectation that the factors influential in the last quarter of the year will affect economic activity in the first half of 2019 as well. With the moderate recovery in the second half of 2019, the Turkish economy is expected to grow by 1% in 2019 in total.

Consumer price inflation remained in double digits throughout 2018 due to the impact of the weaker TL on prices, cost-driven inflationary pressures and high food prices. Inflation, which peaked at 25.2% in October, started to decline due to tax incentives, the program to tackle Inflation and the slowdown in economic activity in the last quarter, and closed the year at 20.3%. The annual rate of inflation is expected to remain in a 19-20% band in the first quarter of 2019 due to the tax incentives and the 3 month extension of the program to tackle inflation (there is also an 18% probability depending on the course of domestic demand). Inflation is expected to remain relatively high in the first half of 2019 due to pressure from producer prices, and is expected to decline to 16% in the second half of the year due to the reflection of the slowdown in economic activity and the base effect.

In order to limit the deterioration in the inflation outlook and the negative impact of the depreciation of the TL on pricing behavior, the CBRT stepped up its monetary tightening in April 2018 and increased its weighted average funding cost by a total of 1125 basis points during the year, to 24%. In the first meeting of 2019, the Central Bank maintained its firm stance, drawing attention to the continued risks to inflation. The incentives announced since the beginning of the year, which will support economic activity, and the advances amounting to approximately TL37 billion to be given to the market as additional liquidity

from the Central Bank's profit of 2018, which will decrease the interest rate requirement in the short term, will limit the risk of a hard landing in economic activity.

On the other hand, the possible pressure of any cut in interest rates on the exchange rate in an environment marked by increasing global uncertainty indicates a cut in interest rates may still be premature in terms of financial stability. At their current levels, Turkey has the highest interest rates among its emerging country counterparts. However, with inflation too high to allow for early interest rate cuts and the risk of a hard landing in growth, the Central Bank is likely to maintain its tight stance until the middle of the year, despite the mounting pressure from interest rates. According to our baseline scenario, we foresee that the CBRT will cut interest rates in the second half of 2019 depending on the course of inflation and the performance of the TL.

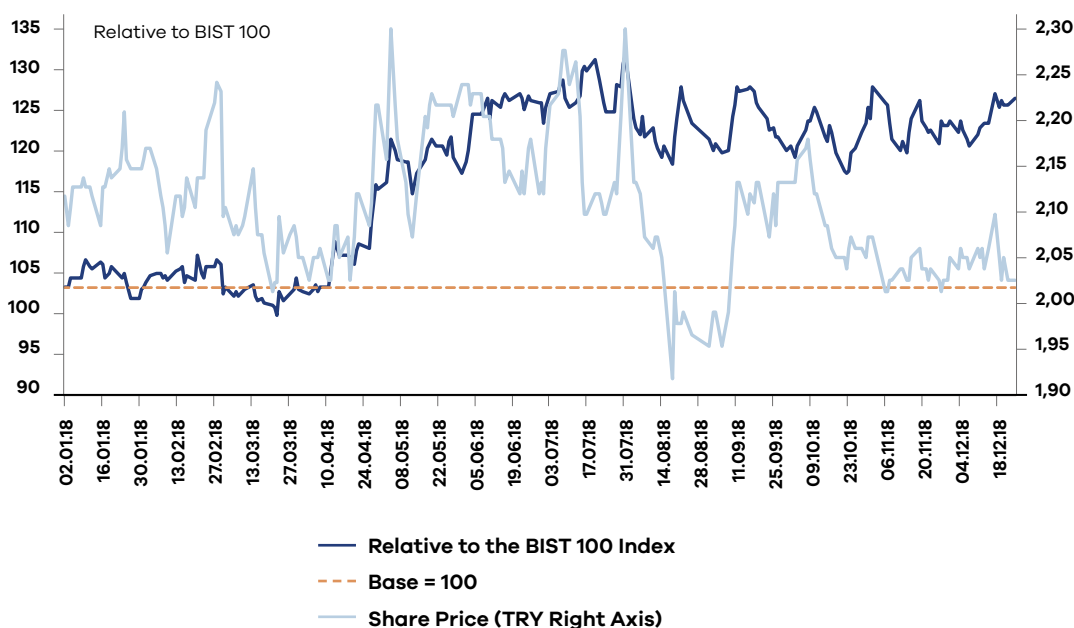
Finally, the annual current account deficit, which had grown in the first half of 2018 on the back of the strong trend in domestic demand, increased energy costs and continued imports of gold, started to contract in the second half of the year. The rebalancing process in the current account deficit gained momentum from August on the back of the positive impact of the weaker TL on exports, the slowdown in domestic demand and imports, and the rise in tourism receipts. The contraction in the current account deficit is expected to continue in 2019 as a result of the slowdown in domestic demand and the relatively moderate course of oil prices. In this context, the current account deficit, which had stood at USD 27.6 billion in 2018, is expected to decline to USD 18 billion in 2019. (to 2.3% of GDP).

## 8. INVESTOR RELATIONS

In 2018, a period marked by an intensive agenda, investor relations activities were carried out effectively, with meetings were with local/foreign institutions and qualified individual investors.

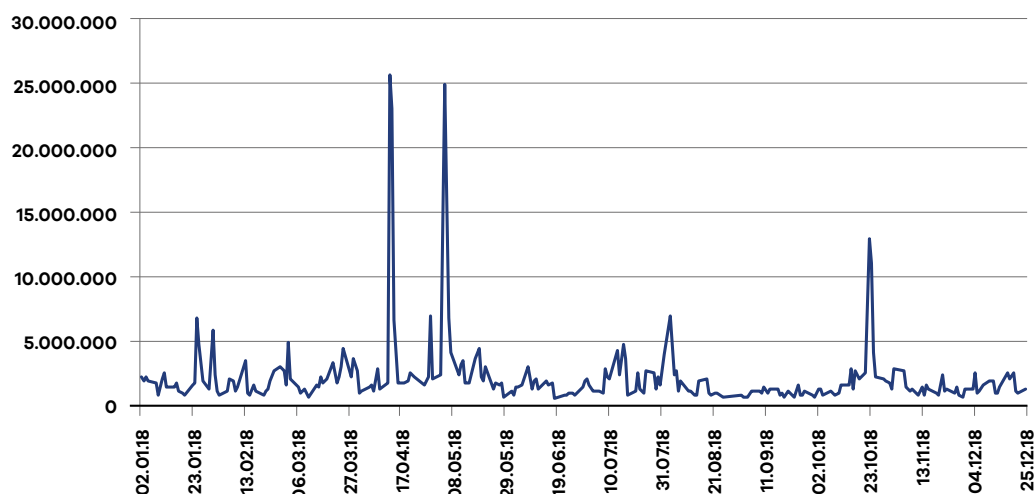
ISMEN, which closed 2017 with a price of TL 2.13 per share, rounded off the year 2018 with a share price of TL 2.06 and outperformed the BIST 100 index by 22%, with a fall of only 3% in the nominal share price despite the domestic and regional political developments with excessive fluctuations in monetary and capital market indicators during the period.

### PERFORMANCE OF ISMEN RELATIVE TO BIST 100 INDEX



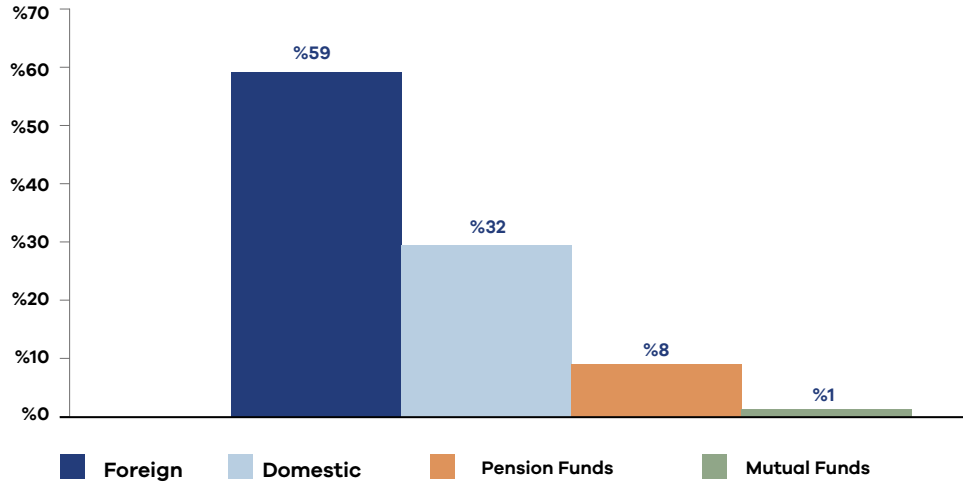
ISMEN's daily average trading volume stood at TL 1.8 million in 2018. The free float rate of the Company's shares is 28%. Of that amount, 59% is held by foreign investors, 8% by private pension funds, 32% by individual investors and 1% by investment funds.

### ISMEN DAILY AVERAGE TRANSACTION VOLUME (TL)



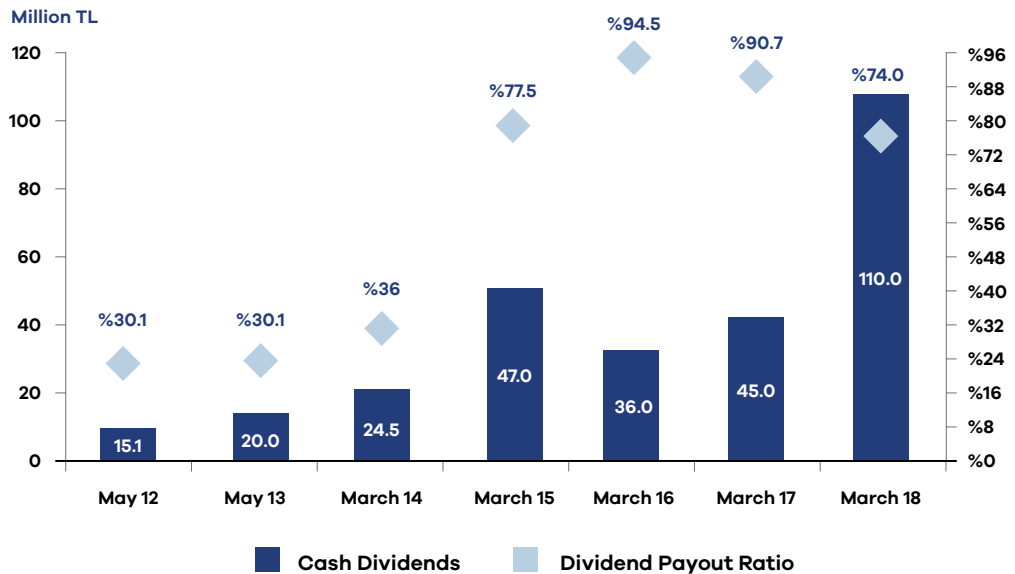
**ISMEN FREE FLOAT SHAREHOLDING STATUS**

(Source: CSD & Data Distribution Channels)



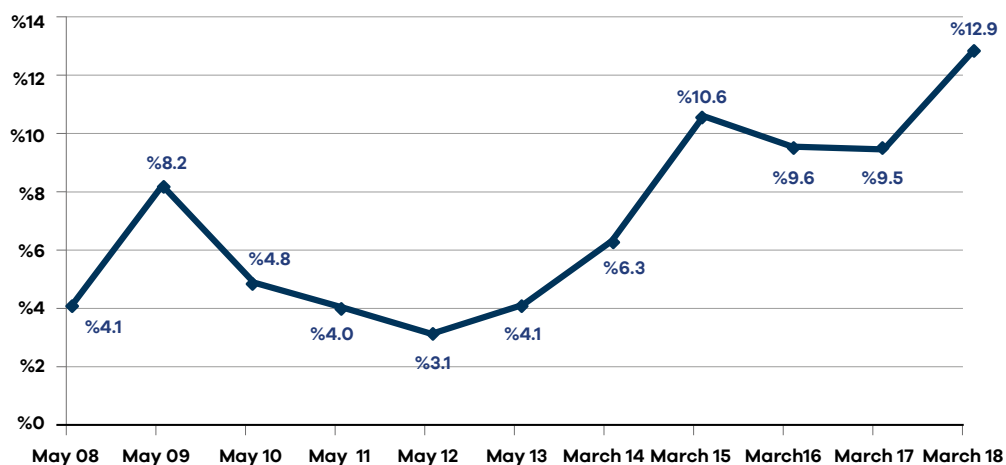
In line with our dividend policy, we steadily continued to distribute a cash dividend. According to the dividend distribution table approved in the Annual General Meeting, a gross dividend of TL 110 million, corresponding to 74% of the distributable profit, was distributed to shareholders in March.

**ISMEN CASH DIVIDEND PAYMENTS**



Ismen provided a 12.9% dividend yield to its investors with a gross cash dividend of TL 110 million distributed in March 2018.

## ISMEN DIVIDEND YIELD



The dividends distributed and capital increases since the public offering of IS Investment are set out in the table below;

### IS Investment Dividend & Capital Information

Date	Transaction Type	Cash Dividend Paid (TL Million)	Dividend Per Share (TL 0.01)	Capital Increase Through Bonus Issue (%)	Capital Before Increase (TL Million)	Capital After Increase (TL Million)
May 08T		9,5	8,0			
May 09T		12,9	10,8			
May 10	T	19,9	16,7			
June 10B			67,5	119	200	
May 11	T	20,0	10,0			
July 11 B			30,0	200	260	
May 12	T	15,1	5,8			
June 12B			10,0	260	286	
May 13	T	20,0	7,0			
June 13B*			8,6	286	311	
March 14	T		24,5	7,89		
June 14B*			6,9	311	332	
March 15	T		47,0	14,16		
June 15B*			6,9	332	355	
March 16	T		36,0	10,14		
March 17	T		45,0	12,67		
Mart 18	T	110,0	30,98			

D: Cash Dividend, B: Increase by Bonus Issue

\* Share dividends by capital increase through bonus issues



Strategic planning studies continued to be carried out during the year in order to provide resources for the Strategic Planning of the Executive Board and the Board of Directors.

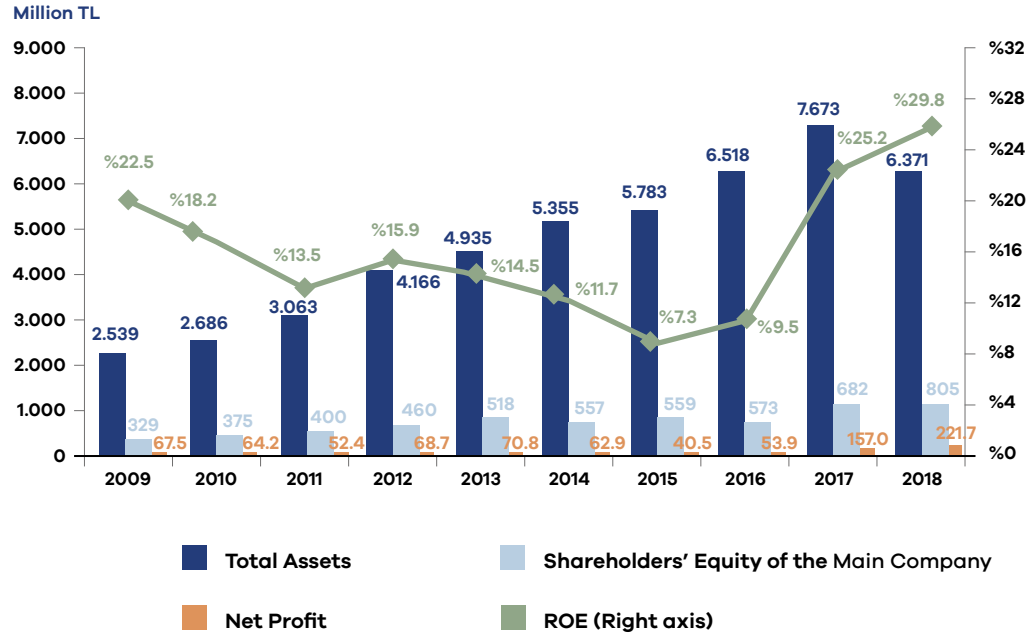
Our Company's long and short-term national credit rating were last announced on 2 October 2018 by SAHA Corporate Governance and Credit Rating A.Ş. as AA + for our long-term rating and A1 + for our short-term rating, with a stable outlook.

The Company's public disclosure obligations were fulfilled in 2018 and the electronic environment continued to be used as an effective information tool.

"IS Investment IR" (Investor Relations), which we developed in compliance with iOS and Android devices and implemented with the slogan of "ISMEN in Your Pocket" in June 2016, is the first application for the brokerage sector. And one of the first ones among companies listed on the stock exchange, the application has proven extremely popular, being downloaded more than 2,100 times in the first two months following its introduction, with more than 3,400 downloads by the end of 2016 and 10,000 by the end of 2018.

IS Investment disclosed a net profit of TL 221.7 million in 2018, up 41% YoY, while generating a consolidated Return on Equity of 29.8%.

#### ISMEN CONSOLIDATED MAIN FINANCIAL FIGURES



## CONSOLIDATED IS INVESTMENT SUBSIDIARIES

Name	Equity Stake	Equity Stake (%)	Nominal Value
Maxis Investments Ltd.	6.500.000 GBP	100,0	6.500.000 GBP
Maxis Girişim Sermayesi Portföy Yönetimi A.Ş.	5.000.000 TL	100,0	5.000.000 TL
Efes Varlık Yönetim A.Ş.	40.000.000 TL	74,00	29.600.000 TL
İş Portföy Yönetimi A.Ş.	65.000.000 TL	70,00	45.500.000 TL
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	74.652.480 TL	29,0	21.654.296 TL
İş Yatırım Ortaklığı A.Ş.	160.599.284 TL	28,9	46.454.101 TL

\* Shares owned directly

**Issued Capital:** 355.000.000.-TL

**The Registered Capital Ceiling** 750.000.000.-TL

## Ownership Structure (31 December 2018)

Company (Commercial Title)	Share (%)*
Türkiye İş Bankası and Group Companies	72
Free Float	28
<b>Total</b>	<b>100</b>

\*The ratios are rounded. İşbank's direct share is 67.23%. İşbank's ownership structure can be accessed at [www.isbank.com.t](http://www.isbank.com.t)

## INFORMATION ON SHARES REPRESENTING THE CAPITAL

Class	Registered /Bearer	Total Nominal Value(TL)	Ratio to Capital(%)	Privileges	Listed/Not Listed
A	Registered	150.000*	0,04	Six Board members are nominated by Class A shareholders	Not Listed
B	Bearer	354.850.000	99,96	None	98,464,436 Shares are Listed (free float) **

\* New Class A shares may not be issued in capital increase

\*\* Central Registry Agency data.

## CAPITAL MARKET INSTRUMENTS TRADED ON THE STOCK EXCHANGE

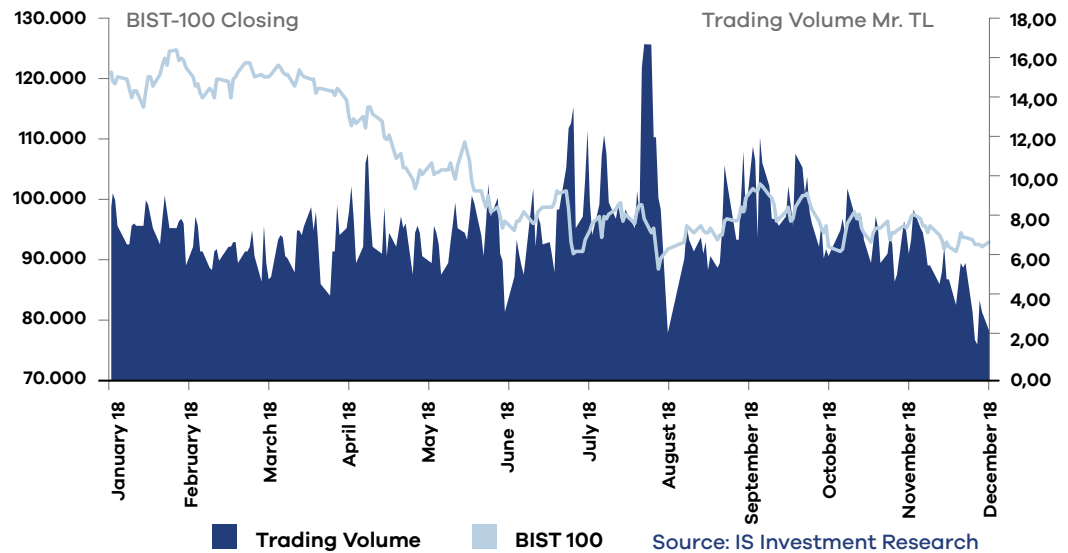
Type of Capital Market Instrument	Date Of First Trading	Related Market
Share	18.05.2007	Equity Market/BIST Stars
Debt Instruments*	16.04.2012	Debt Securities Market
Investment Company Warrants	01.11.2010	Equity Market/Collective And Structured Products

\* The dates indicated are the first issue dates. Borrowing instruments, including both investment company warrants and structured ones, are issued by our institution in different terms and conditions.

## 9. DOMESTIC CAPITAL MARKETS

### EQUITY MARKET

#### PERFORMANCE OF THE BIST 100 INDEX



In the markets, which had started 2018 with expectations of broad-based global growth, negative pricing was observed as capital flows to developing countries started to dry up. The BIST 100 index, which tested its peak at the end of January, closed the end of the first quarter at 114,000 with banking sector stocks coming under pressure.

In the second quarter of the year, the VIX Index tested its historical peak levels amid growing trade tensions between the US and China, while the intensive wave of selling in US stock markets negatively affected emerging markets. The BIST 100 index ended the second quarter at 104,000 with the sales seen in this quarter.

In the third quarter of 2018, Turkish assets which focused on the financial discipline of the new economy management after the June 24th early elections, was negatively differentiated from the global markets and the BIST 100 index fell down to 88,200. During this period, the XBANK / XSINAI ratio tested the historical dip levels seen during the 2001 crisis and closed the month of July at 96,950 with the response led by the industrial companies at the 90,000 level.

With the increasing volatility in exchange rates and a steep depreciation of the TL in August, the BIST 100 index declined to 84,650 and tested its lowest level during the year. With measures taken by the government and the Central Bank to increase liquidity in the foreign exchange markets and to reduce the high level of volatility following the attacks on the currency in 2018, and with the positive market-friendly messages given, the BIST 100 index reached levels which were more attractive in valuation terms than other emerging markets, and subsequently recovered to close the month at 92,700.

In September, the direction of Turkish assets was determined by the Central Bank's 625 basis point hike in interest rates and the spending cuts implemented by the government in its New Economic Program announced on September 20th. These positive developments brought the index to exceed its 100,000 psychological resistance level.



In October, however, stock indices came under strong sales pressure amid mounting tensions in the trade war between the United States and China. An intensification of the global sales in industrial companies was led by the iron-steel index, which slipped lower on expectations of a slowdown in global growth. The BIST Industrial Index, XUSIN, closed the month with a 14% decline while the BIST 100 index closed above the 90,000 psychological resistance level.

With mounting uncertainties over the Brexit process in the European Union and with growth and inflation in the US and China remaining below expectations, volatility in global asset prices continued to rise in November. The BIST 100 index, which positively decoupled from global stock market indices, closed October at 95,000.

Despite expectations of a “Santa Claus rally”, concerns over global growth increased in December on the back of uncertainties stemming from the trade wars between the U.S. and China and Apple’s downward revision to its sales projections. In this process, marked by the pricing in of risk in the markets, the wave of sales that gained momentum in US stock indices led to a 5.5% decrease in the stock market in Istanbul on a monthly basis. The BIST 100 index closed at 91,270, marking a nominal decline of 21% YoY in TL terms.

In the first quarter of 2019, the direction of the markets will depend on the customs duties agreement between the US and China and the negotiations that will take place during this period, the messages to be given to the markets by the Fed and the ECB, the policies to be followed in the face of global growth concerns and the issue of Brexit. In Turkey, the steps to be taken by the Central Bank in terms of tightening, local elections and incentive packages prepared to stimulate the economy will all be closely followed by market participants.

#### Equity Market Transaction Volume Ranking

RANK	BROKERAGE HOUSES	TRADING VOLUME (MILLION TL)		ANNUAL CHANGE	MARKET SHARE %	
		2017	2018	%	2017	2018
1	BROKERAGE HOUSE 1	209.452	443.018	111,5	7,1	11,1
2	BROKERAGE HOUSE 2	217.547	361.071	66,9	7,4	9,1
3	IS INVESTMENT	231.925	309.163	33,3	7,9	7,8
4	BROKERAGE HOUSE 3	238.359	264.070	10,7	8,1	6,6
5	BROKERAGE HOUSE 4	174.092	257.592	47,9	5,9	6,5
	<b>GRAND TOTAL</b>	<b>2.936.002</b>	<b>3.986.592</b>	<b>35,8</b>	-	-

IS Investment ranked third in the Borsa Istanbul Equity Market transaction volume with a volume of TL 309.2 billion and a share of 7.8% in 2018.

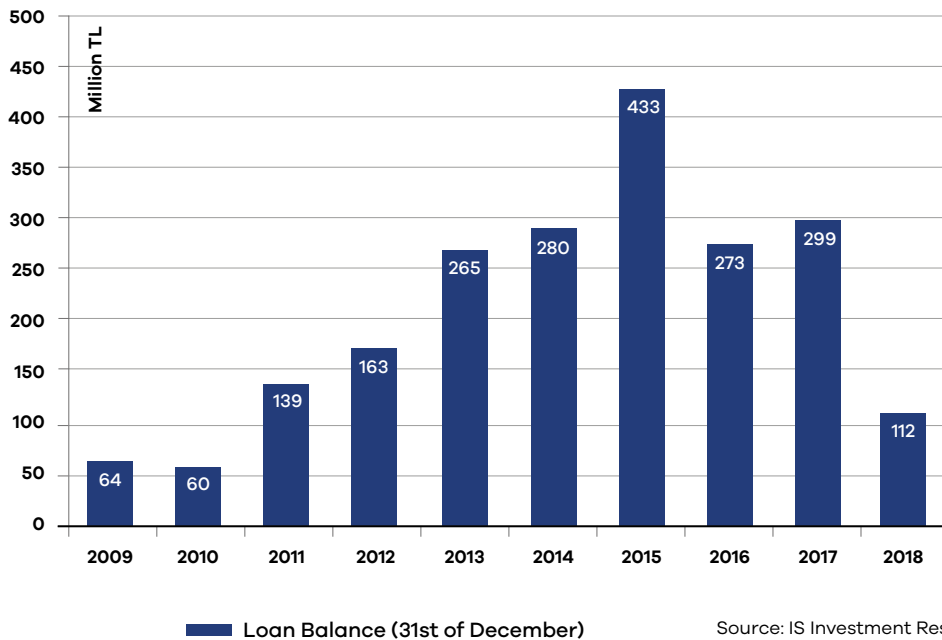
### IS INVESTMENT EQUITY MARKET TRADING VOLUME AND MARKET SHARE



### Securities Lending Market Operations

The total volume of Securities Lending Market Operations was realized at TL56.9 billion in 2018. IS Investment ranked fourth in the Securities Lending Market with a trading volume of TL 5 billion and a market share of 8.8%. Meanwhile, in 2018, our margin trading transactions amounted to TL 246.8 million on average.

### PROGRESSION OF IS INVESTMENT'S MARGIN TRADING BY YEAR



Source: IS Investment Research & TSPB

## DEBT SECURITIES MARKET

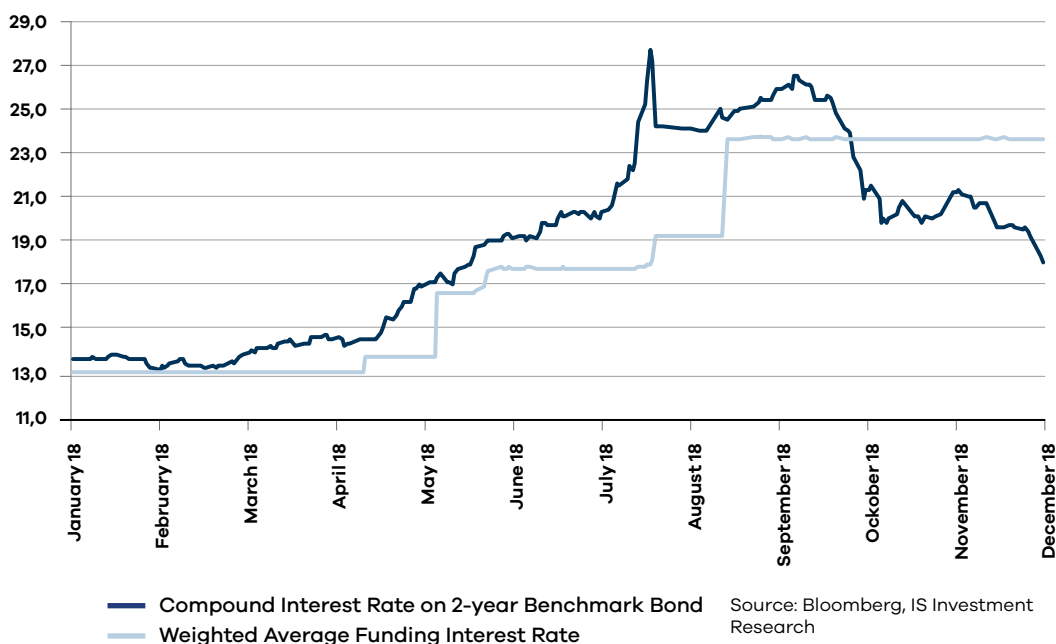
The domestic Debt Securities Market, which spent the first half of 2018 wrestling with election uncertainty and expectations of tightening by the FED, underwent a sharp rise in interest rates due to foreign exchange shocks and delayed tightening steps in the second half of the year.

The depreciation of the TL and the rise in inflation gave rise to a surge in risk premiums on the back of political developments, while an upward trend was observed throughout the yield curve. A rally in the value of the TL after the Central Bank hiked interest rates by 600 basis points in September and the downward trend in inflation figures after testing its peak precipitated an inverted yield curve. In the last quarter, the longer end of the yield curve came down with the restriction in supply in Treasury auctions. The slowdown in the economic outlook played a significant role in the inversion of the yield curve. The incentives provided through the cuts in SCT (Special Consumption Tax) and VAT (Value Added Tax) helped curb interest rate rising expectations, providing a partial improvement in the inflation outlook.

With the Treasury auctions, TL 68 billion worth of borrowing in coupon paying bonds and TL 13.9 billion in zero-coupon bonds were carried out in the January-December period. A total of TL 28.1 billion of sales were realized in floating rate notes and CPI indexed securities, while a total of TL 9.4 billion in issuances were realized in December.

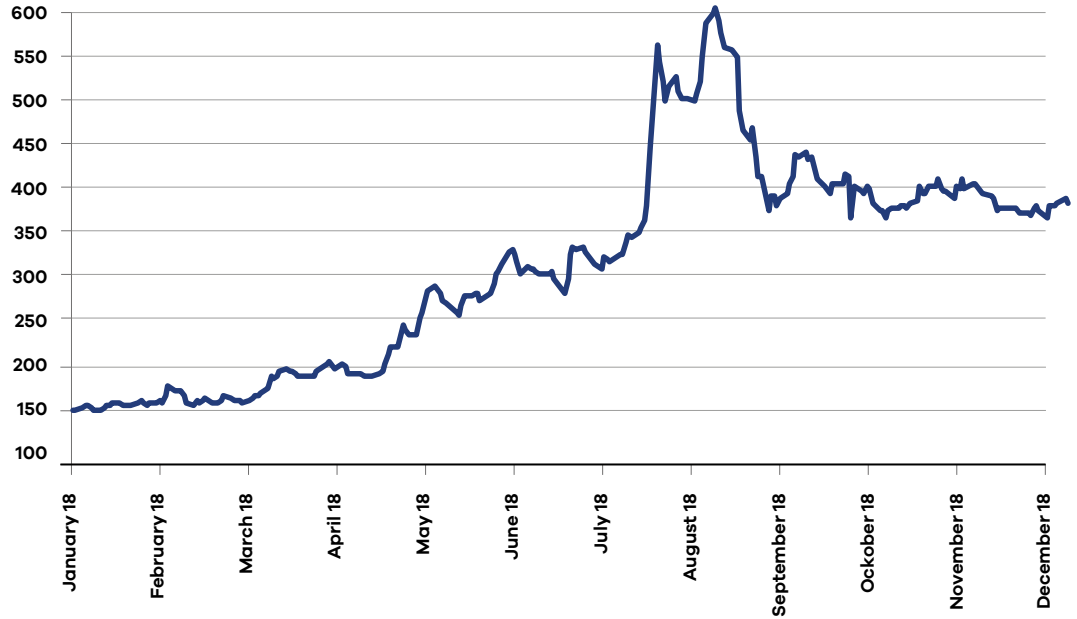
During this period, the duration of domestic borrowing decreased to 61 months, a shortening of about 10 months compared to 2017. The weighted average funding cost increased by 600 basis points to 17.5%.

### BENCHMARK BOND YIELDS AND REPO RATES



As far as the FED is concerned, indications of a pause in interest rate hikes are expected to give emerging currencies some breathing space. In this context, when considered independently of geopolitical developments, some appreciation of the TL and loosening in interest rates is expected. However, since negative developments in the geopolitical arena may increase risk premiums, this could have an adverse effect on interest rate policy.

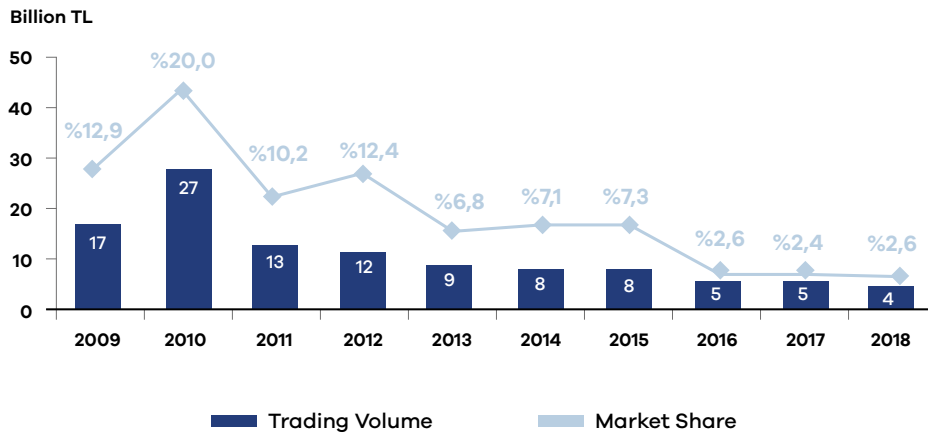
**5-YEAR TURKISH CDS PREMIUMS**



Source: Bloomberg, IS Investment Research

IS Investment ranked 12th among the country's brokerage houses with trading volume of TL 4.2 billion and a 2.6% market share in 2018 in the Debt Securities Market – Outright Purchases and Sales.

**IS INVESTMENT DEBT SECURITIES MARKET  
 OUTRIGHT PURCHASES AND SALES TRADING VOLUME AND MARKET SHARE**



## DERIVATIVES MARKET

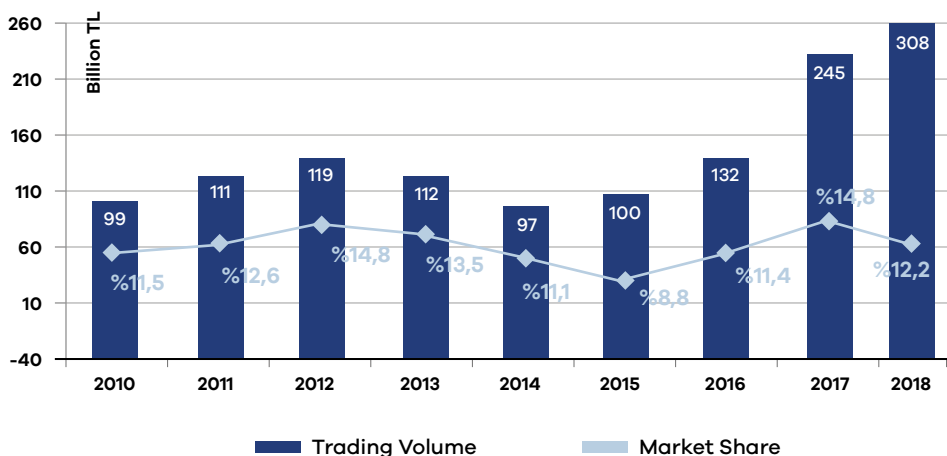
2018 was a record breaking year in terms of volumes for both the Derivatives Market (VIOP) and the Warrant Market. After the growth in the first half of the year the transaction volume in the VIOP maintained its rising trend in the second half of the year. The increase in equity, foreign exchange and index futures contracts drew attention. Total transaction volume in the VIOP increased by 51.8% to TL 2,519 billion in 2018, with FX futures contracts being the most traded contracts on the VIOP front during this period.

IS Investment managed to capture a significant share of the increasing volume in the VIOP market, supported by both the expanding sales channel and the market-making role in the last four years of Index options and equity futures contracts. IS Investment had a 12.2% market share in the VIOP with a trading volume of TL 307.5 billion and completed the year in second place in terms of transaction volume in 2018. In this respect, IS Investment realized a transaction volume of TL 714 million and TL 597 million in index option and equity option contracts respectively, ranking in second place in these contracts as well.

### VIOP Transaction Volume Ranking

2018	BROKERAGE HOUSES	TRADING VOLUME (MILLION TL)		ANNUAL CHANGE (%)	MARKET SHARE(%)	
		2017	2018		2017	2018
1	BROKERAGE HOUSE 1	75.960	397.862	424,8	4,6	15,8
2	IS INVESTMENT	245.329	307.537	25,4	14,8	12,2
3	BROKERAGE HOUSE 2	165.749	224.324	35,3	9,9	8,9
4	BROKERAGE HOUSE 3	177.352	209.707	18,2	10,7	8,3
5	BROKERAGE HOUSE 4	79.363	163.031	105,4	4,8	6,5
	<b>GRAND TOTAL</b>	<b>1.659.849</b>	<b>2.519.523</b>	<b>51,8</b>	-	-

### IS INVESTMENT VIOP TRADING VOLUME AND MARKET SHARE



In 2018, a year in which volume records were broken in the Warrants Market, IS Investment was ranked first with its IS Varant brand and rounded off the year with a 55% market share. In order to maintain our dominant position in the market and to promote the continued growth of the Warrant Market, we continued our warrant issuances in the index, share, exchange and commodity base asset groups as the first and only domestic warrant issuer in Turkey. In 2018, IS Investment issued a total of 3,270 warrants in 28 different base assets, while 560 IS Investment warrants were trading in the market at the end of 2018.

## 10. INTERNATIONAL CAPITAL MARKETS

Political uncertainties as well as economic developments both influenced the markets in 2018. While the normalization process in central banks' policies continued, the Fed raised its interest rate range to 2.25-2.50% in 2018 with four interest rate hikes in line with market expectations. In the last quarter of the year, however, the dovish statements by the Fed Chairman gave rise to uncertainty over FED policy.

Another development the markets focused on during the year was the slowdown in the Chinese economy with the looming trade war between the United States and China. Although trade relations between the two countries improved when compared to the first half of the year, the failure of the bilateral negotiations to produce an agreement increased volatility in stock markets and sales in the indices gained momentum in the last quarter of the year.

In addition to the loss of momentum in the Chinese economy, increasing political and economic uncertainties in Europe played an important role in sales in the stock markets. There were signs of a slowdown in Eurozone economies, while Italy's mounting debt crisis also raised uncertainty with the prospect that the European Central Bank would slow the normalisation process in monetary policy.

Another issue that remained under the spotlight in Europe in 2018 was the Brexit process. As negotiations between the European Union and the UK continued throughout the year, amid the prospects of postponement, a lack of agreement, the possibility of a second referendum and changes in the cabinet, the UK started 2019 with increasing political uncertainties. As a result of these developments, volatility increased especially in the second half of 2018, while the VIX index, which started the year at 9.77 points, reached 25.42 points by the end of the year.

### **EQUITIES & CFDS (CONTRACT FOR DIFFERENCE)**

There were significant developments in international equity markets in 2018, especially in the last quarter. Indices which had gained value in the first three quarters on the back of strong corporate earnings and a bullish economic outlook in the U.S., suffered serious sales on fears that the growth curve had reached its end.

The S&P 500 index closed the year with a loss for the first time in three years. In the index, which decreased about 7%, only the health services and infrastructure from the more defensive sectors closed year in positive territory. While the health services sector was the best performer, with a 4.7% return, energy, raw materials, telecom services, industrials and financials ended the year with losses of 15-20%. The Dow Jones index also closed 2018 with a loss of about 6%. Merck, Pfizer and Microsoft were the best performing stocks in 2018, while Goldman Sachs, IBM and Dow Dupont all languished with 25-35% losses. The pressure was also felt in small-scale companies. The Russell 2000 index rounded off 2018 with a loss of more than 12%. The loss in the Nasdaq Composite index remained relatively limited at 4.4% for the year.

As the use of the TradeMaster international (TMI) platform continues to grow, there was an increase of more than 25% in spot share transactions carried out over the platform in 2018.

### **FUTURES AND LONDON METAL EXCHANGE (LME)**

Trade wars, which were the talk of the futures markets in the first quarter of 2018, reared their head throughout the year. Industrial metal and agricultural commodity prices remained under pressure in the third quarter over concerns that the introduction of customs duties between the US and China would curtail demand. Although declines were limited in this period, more severe losses were observed in the commodity markets in the last quarter.

At the end of the year, the total transaction volume of futures contracts surged by about 40% over its 2017 level. Similarly, there was a significant increase in demand for option contracts traded in international stock markets that provide leveraged trading. A 95% YoY increase in volumes was recorded during 2018. The EUR/USD was the most traded contract in 2018, especially in the third quarter, testing the lowest levels of the last year amid the concerns related to Italy. The pressure exerted by US President Trump to raise OPEC's oil production, the rising levels of stocks and production in the United States and supply problems in Iran and Venezuela led to harsh movements in oil prices, and accordingly, oil contracts ranked second in terms of transaction volume.

Hedging operations stood out in the London Metal Exchange (LME) in the first quarter of the year, while in the second quarter speculative transactions gained importance. In the third quarter, due to the volatility in domestic markets, there was some slowdown in LME transactions, while the impact of the deterioration in the market was also apparent in the last quarter. Zinc and copper were the most traded metals in 2018, while the total transaction volume decreased by 15% compared to last year.

IS Investment continues its efforts to expand its product range within the framework of developments in international futures markets and in line with the needs of investors.

## **EUROBONDS**

It was a very active year for the bonds of developed countries amid speculation surrounding the FED's interest rate policy, the volatile course in the trade disputes between the US and China and the geopolitical developments in the world, especially in the Middle East in 2018. The Fed's interest rate hike policy and the strong trend observed in the economy tipped US Treasury bond yields to above 3% during the year, while mounting tensions in some periods gave rise to demand for purchases, sending yields to below 3%. While the MOVE index which reflects bond volatility, was largely stable during the summer period following the leap experienced at the beginning of the year, it also perked up again at the end of the year as the interest rate policies were called into question. On the other hand, relatively bearish expectations regarding emerging market bond yields at the beginning of the year gave way to a brighter outlook as expectations for rapid interest rate hikes diminished.

The new chairman of the FED, Jerome Powell, whose pronouncements on interest rates broadly echoed the views of Janet Yellen after he took office were welcomed in terms of predictability in the markets. The continued optimism against a strong economic backdrop in the US, the general consensus among FED members to continue to increase interest rates and the benign course of the employment market provided the conditions needed to implement the interest rate hikes in 2018 as had been guided at the end of 2017. However, signs of a slowdown in Europe and China in the last quarter of the year, and the revision of expectations surrounding technology companies in particular, prompted the FED to follow a more cautious course once again. Ten-year bond yields, standing at 3.2% at the beginning of November, fell to 2.6% at the end of the year amid the expectations of an economic slowdown in the US.

In parallel with political and economic developments, developing countries were negatively affected by the fragile environment in the global markets, being buffeted by sales pressure in the first half of the year. In addition to the developments in Argentina and Turkey, the negative impact of rising oil prices on the Indian economy was negatively reflected to emerging market bonds. However, there was a slight recovery in the negative perception after the interest rate increases and the movements in the economy. Eurobonds issued by the Treasury in Turkey suffered heavy losses in the first quarter of the year, amid the negative impact of uncertainties and political developments around the elections, in addition to global developments. The New Economic Program, announced in September, and the positive demand for US dollar and euro-denominated bond issuances after steps to reduce tensions between the U.S. and Turkey, the Fed's interest rate easing and the reduced inflation pressure due to falling oil prices stimulated purchases of Turkish Treasury and corporate Eurobond securities.

IS Investment seeks to expand its domestic and foreign fund and client base throughout 2018 and will pursue a policy in line with the best price target with over 200 counterparts. In addition, IS Investment has aimed to ensure that the clients carry out successful and systematic investments as a result of the detailed market analysis and trading suggestions.

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**Performance of Emerging Market Bonds (%)**

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<b>COUNTRY</b>	<b>2017</b>	<b>2018</b>
EMBI+	8,29	-5,33
Russia	4,06	-2,27
Turkey	12,22	-5,30
South Africa	6,26	-1,70
Brazil	14,75	-0,01
Indonesia	10,41	-3,14
Hungary	7,87	-0,62

**LEVERAGED TRADING VOLUME**

FX trading volumes under leveraged trading continued to increase, both in terms of the number of investors and in volumes of investor trading, from the second half of 2018. A significant increase in volatility from August led to a surge in transaction volumes, while total volumes increased by 24% YoY. IS Investment aims to offer different products according to investor demands and to increase volumes with new client acquisitions.

Trading volumes of difference contracts under leveraged transactions fell by 38% YoY as a result of the deepening trade war between the United States and China in the second half of 2018 and the shift in exchange rates. However, in the last quarter of 2018, a rapid recovery in volumes was seen as investors began to adapt to the current situation.

In 2019, IS Investment aims to add new products and price providers to the system and thus provide investors with a better transaction experience and service. In this context, negotiations with alternative liquidity providers and test processes continue. The aim is to increase transaction volume and revenue through new product and system improvements.



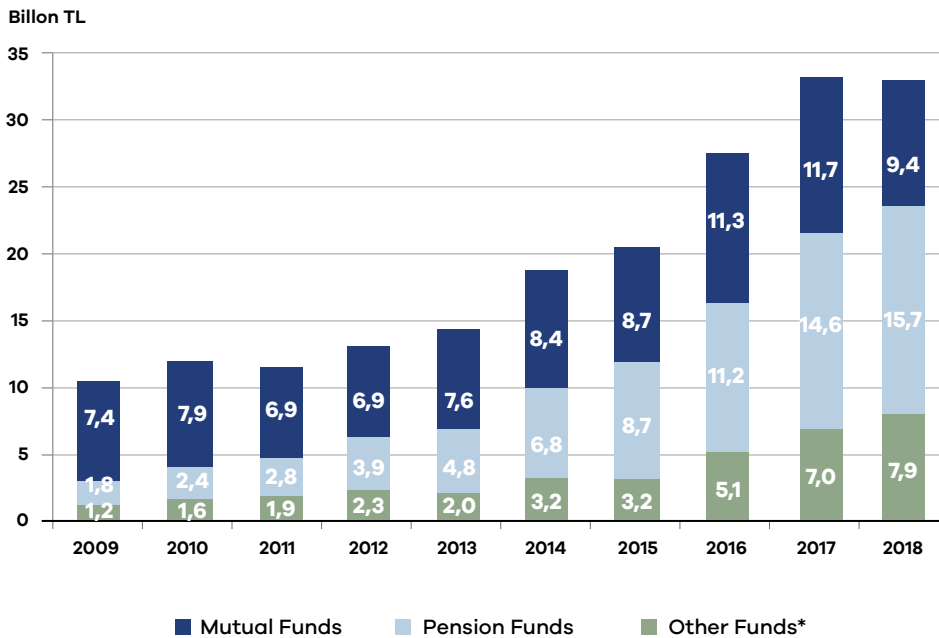
## 11. ASSET MANAGEMENT

### Consolidated Assets Under Management

As of the end of 2018, the volume of mutual fund assets in Turkey totaled TL 46.5 billion with a decrease of 16.4% YoY while the volume of pension fund assets increased by 15% YoY to TL 88.4 billion.

IS Investment's consolidated assets under management stood at TL 33 billion in the same period. The Company had TL 9.4 billion in mutual fund assets under its management with a 20.3% market share, while the volume of pension fund assets under the Company's management grew by 7.5% YoY to reach TL 15.7 billion, resulting in a 17.8% market share.

### CONSOLIDATED ASSETS UNDER MANAGEMENT - IS ASSET MANAGEMENT



\* The Other Funds category includes the discretionary asset management portfolio, the alternative investment products portfolio, SICAV funds and the portfolio of IS Investment Trust.

## 12. DOMESTIC SALES & MARKETING

In the field of domestic marketing, the promotion of the Company's products and services continued with client visits, both in Istanbul and in other locations. The Eskişehir and Ege branches were opened during the year, with the number of branches increased to 16.

In addition to investor visits, promotion activities were carried out with a number of events throughout the year. We participated in training programs on "Risk Management and Hedging in Volatile Markets" organized by the Turkish Capital Markets Association in four cities, including Antalya in January, Kocaeli in September, Bursa in October and Ankara in November, and we informed investors of foreign markets and hedging mechanisms. In addition, a presentation was provided on corporate finance and international markets "The Role of Capital Market Institutions and Instruments in Real Sector Access to Finance" organized by the Association in September in İzmir. The participants of the "Manage Your Risk Conference" organized by Borsa Istanbul in October were informed of "Developments in the International Macro Economy and Foreign Exchange Markets". In addition, we participated in the "Capital Markets Congress 2018" event, held in November each year, where we had an opportunity to meet investors.

A conference on "High Volatility in Investment Strategies" was held at Borsa Istanbul on 12 May where information was shared with current and potential investors.

The number of universities in the TradeMaster Campus project, which we have been carrying out successfully since 2013, reached 22 with the inclusion of Adnan Menderes University on May 14th, Başkent University on May 16th, and Sivas Cumhuriyet University on October 25th. The 9th TradeMaster Investment League, held twice every year, took place on April 2-27, with 279 groups from 19 universities participating in the competition. Students from Adnan Menderes University ranked first and second, while students from Marmara University ranked third in the contest. The awards ceremony for the Investment League was held on 8th June at our head office with the participation of managers from IS Investment and faculty members and students of Adnan Menderes and Marmara Universities.

A seminar was held on 10 April for the faculty and students of Marmara University. The tenth TradeMaster Investment League was held on 5-30 November, where 579 teams from 30 universities successfully represented their universities. Students from Adnan Menderes University once again ranked first and second, while the students of Pamukkale University ranked third. The awards ceremony for the tenth Investment League was held on 21 December at our head office with the participation of managers from IS Investment and faculty members and students from Adnan Menderes and Pamukkale universities.

## 13. INSTITUTIONAL SALES

### DOMESTIC INSTITUTIONAL SALES

All kinds of brokerage services were offered throughout 2018 within the scope of “Prime Brokerage” services offered to asset management companies, collective investment institutions, insurance companies, private pension companies, pension funds, foundations and other capital market institutions. Continuously communicating with portfolio management companies, proposals were tabled in line with investment strategies, with all of the investment instruments in IS Investment’s product line presented to investors.

Financing bonds were issued for portfolio management companies and other institutional investors in line with their maturity expectations.

Research meetings were held with asset management companies, insurance companies and foundations regarding strategy reports and other reports issued by the Research Department.

Bond investors were provided with information with the publication of research reports on corporate debt securities in which IS Investment brokered as an intermediary.

Within the scope of “Investor and Sector Meetings” on 27-28 March, energy and insurance sector companies listed on the stock market were brought together with representatives from the portfolio management companies. Representatives from 15 portfolio management companies attended the meetings, where officials from three energy companies and four insurance companies were hosted for two days.

On July 17th, informative meetings were held with senior executives from Migros for 13 portfolio management companies, who were managers of the pension funds and investment funds, relating to Migros Ticaret A. Ş. bonds which we brokered to sell to qualified investors in two simultaneous and separate issuances. With its strong position among the real sector companies, Migros Ticaret A.Ş. successfully completed the first 2-year and 3-year term financing through the capital markets with a large number of participants.

On December 20th, a company in the pharmaceutical sector, for which we had served as the consortium leader in their public offering process, was introduced to institutional investors. Mutual information exchange were provided through a 24-person meeting with 16 participants from 13 portfolio management companies.

Meetings we held in coordination with corporate finance teams on possible public offerings, and information presentations were provided to company authorities.

Within the framework of wealth management and financial planning services, “corporate clients” consisting of companies and holdings and “private clients”, consisting of the main partners, senior managers and board members of companies and holdings, were provided with investment advisory services including reliable documents, supporting reports and analysis to help them reach the most appropriate investment decisions in line with their short-term and long-term financial targets, liquidity conditions, risk-reward profiles and taxation concerns. Studies have been carried out to expand this service within the framework of “Wealth Management and Financial Planning” as stated in the Capital Markets Law.

IS Investment worked in conjunction with relevant departments to determine the impact of investments undertaken by high-net-worth individuals with financial and non-financial assets, and responded to their requests/queries with regard to tax requirements. Coordination was organized with IS Portfolio to provide wealthy individuals with tax advantages on their real estate investments and in further institutionalizing their investments by setting up a Real Estate Investment Fund where 80% of the total fund amount must consist of real estate investments.

Meetings were held by evaluating requests for establishing special funds within the scope of wealth management and tax planning for family offices.

Periodical informative meetings were held with the Research Team to ensure that institutional and private clients were kept informed of the factors that will shape developments in the capital markets and investment decisions.

The Company continued to provide institutional clients with brokerage and advisory services on stock buy-back programs for publicly-held corporations. Meetings were held with institutional investors with regard to all public offerings, including the Undersecretariat of the Treasury's auctions, issuances to qualified investors and private placements.

### **FOREIGN INSTITUTIONAL SALES**

After an extremely difficult year for the capital markets in 2017, Turkish markets spent the first part of 2018 in anticipation of the looming general election, which took place on June 24th. The rally that took place in the Borsa Istanbul in the first quarter of 2018 gave way to a stagnant and horizontal period as the general election date approached. The TL, which started to depreciate from the beginning of May, suffered its most serious losses in August with the Dollar exchange rate reaching TL 7.20. This run on the currency precipitated a wave of sales on the Borsa Istanbul, tipping inflation into double digit territory, and the BIST 100 index tumbled by 41% from around 120,000 points down to 85,000. Renewed interest in emerging markets and the package of economic measures set out in the New Economic Program brought the TL back from the brink in the months that followed and increased interest in the Borsa Istanbul as inflation dipped back. An increase in the inflow of foreign funds into Turkish stocks was observed, especially in the last quarter of the year, while a series of economic measures that began to be announced at the end of August and were continuously updated helped to attract foreign capital to Turkey. The foreign participation rate increased from 63% to 65% in the same period, while the 16% return in the market during the last quarter stood as another clear indication of the increasing foreign investor interest in the markets on the back of the sound policies which were pursued.

The rally in the banking sector in the last quarter of 2018 led gains in other stocks in the first month of 2019.

Another striking development in 2018 was the increase in the rate of HFT (High Frequency Trading) and algorithm-based orders observed since 2017. These transactions continued to grow in 2018, and intra-day price volatility accordingly remained high.

In order to stimulate interest from foreign investors, IS Investment organized investor information meetings (road shows) in 2018, in London, Tallinn and Stockholm for a number of companies which were considered to be of interest to investors. Meanwhile, the investor conference held in London in March brought 19 companies together with 18 foreign investor groups.

A total of 19 different companies met 12 investors in the conference held on 11-12 October for "Value-Oriented" investors, as well as nine companies and 6 mutual funds. A total of 18 separate investor information meetings were organized for the company visits of 12 foreign investment funds in Turkey.

The Company plans to publish company reports at the end of each quarter in line with the themes to be determined by the research department in 2019 and to hold investor information meetings, some of which will be organized in the USA, UK, Europe and the Middle East.

Transaction volume in the VIOP increased by 51.8% YoY in 2018 while the share of foreign transactions in total transaction volumes rose from 28% to 35%.

One of the reasons for this remarkable increase in total transaction volumes was the volatility in global markets as a result of the FED's interest rate hikes and balance sheet downsizing, the elections held on June 24 and the turmoil in the financial markets, especially in Turkey's foreign exchange markets in August. As the Central Bank started actively trading foreign currency contracts in the VIOP after August, it helped balance the value of TL against foreign currencies and gave rise to a sharp increase in transaction volumes from both domestic and foreign investors in foreign currency contracts. In addition, the presentation of the strategic order board to market players by the BIST in the last quarter of the year increased foreign investors' interest and activity in the market.

IS Investment, which realized a high volume of foreign investor transactions in the VIOP without being a subsidiary of a global banking group, aims to raise its position in this area to even higher levels in 2019 with its strong sales and marketing efforts and balanced client structure.

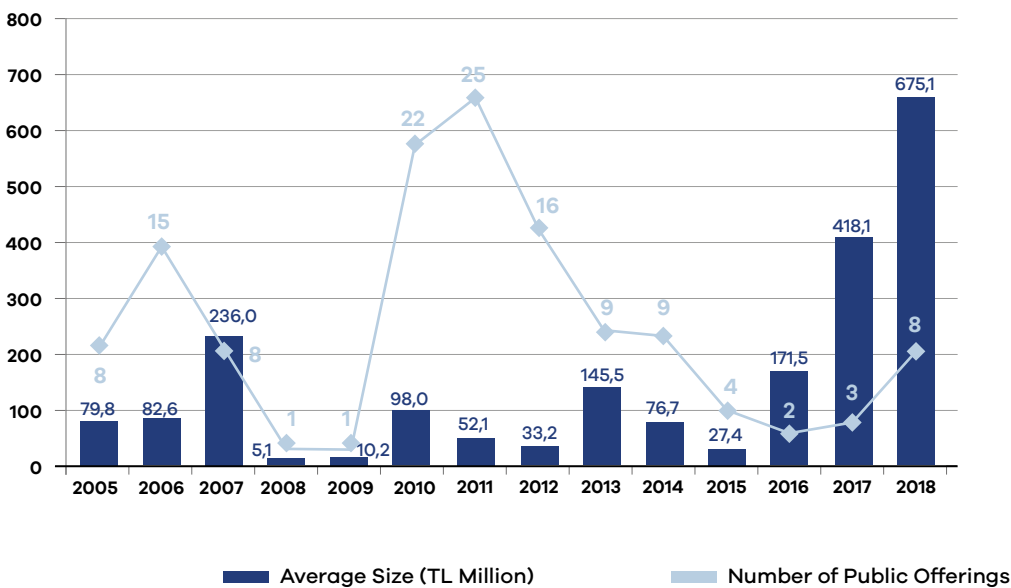
## 14. CORPORATE FINANCE

### Equity Public Offerings

Nine public offerings were realized with a total sales revenue of TL 8.4 billion in 2018. IS Investment served as a consortium leader in one of these public offerings and as a consortium member in two of them. In this period, the secondary public offering of Aselsan Elektronik Sanayi ve Ticaret A.Ş., carried out under the leadership of our company, was the largest public offering in 2018 with a size of TL 3 billion.

After the public offering of Mavi Giyim Sanayi ve Ticaret A.Ş. in 2017, the sale of shares in the company held by Blue International Holding BV, one of the partners in the company, was another significant transaction in 2018 with a transaction size of TL 496.7 million.

### PUBLIC OFFERINGS EXCLUDING PRIVATIZATIONS AND PUBLIC SECTOR OFFERINGS IN TURKEY (2005 - 2018)



In addition, CSD and takeover bid-like brokerage services were offered to companies in 2018.

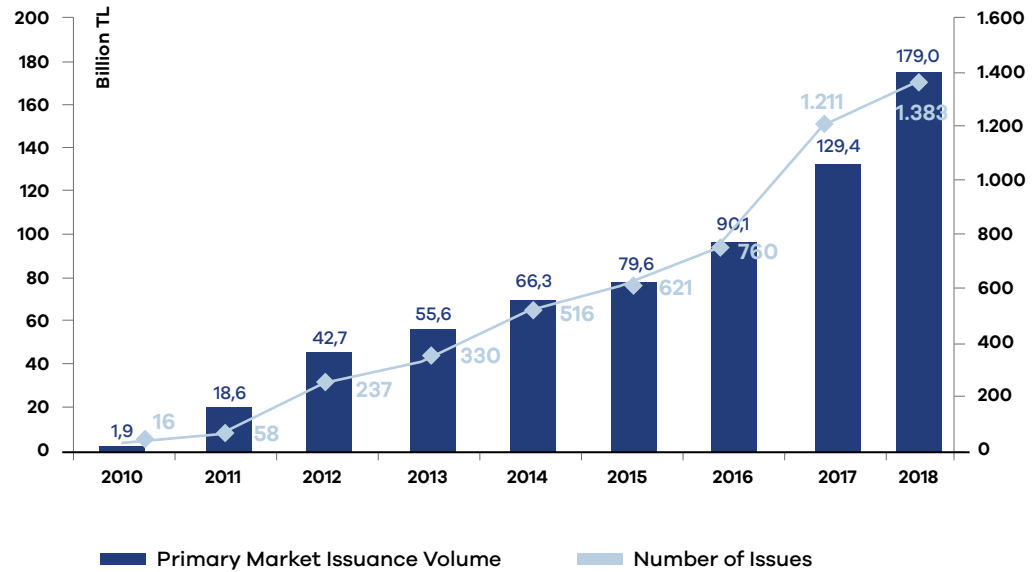
#### Other Equity Market Transactions Carried Out In 2018

Date	Company	Operation	Trade Volume (mn TL)
January 2018	AG Anadolu Grubu	Mandatory Bid and Right of squeeze out/selling brokerage	582
January 2018	Bossa	Right of squeeze out/selling brokerage	3
September 2018	Migros-Kipa	Separation Fund Usage brokerage	125
October 2018	Döktaş	Mandatory Bid brokerage	49
<b>Total</b>			<b>759</b>

#### Issuance of Debt Securities

As of the end of 2018, the size of debt securities issued increased by 38.3% YoY to TL 179 billion for 1,383 issuances (end-2017: TL 129.4 billion).

#### DEBT-SECURITY ISSUES OF THE PRIMARY MARKET

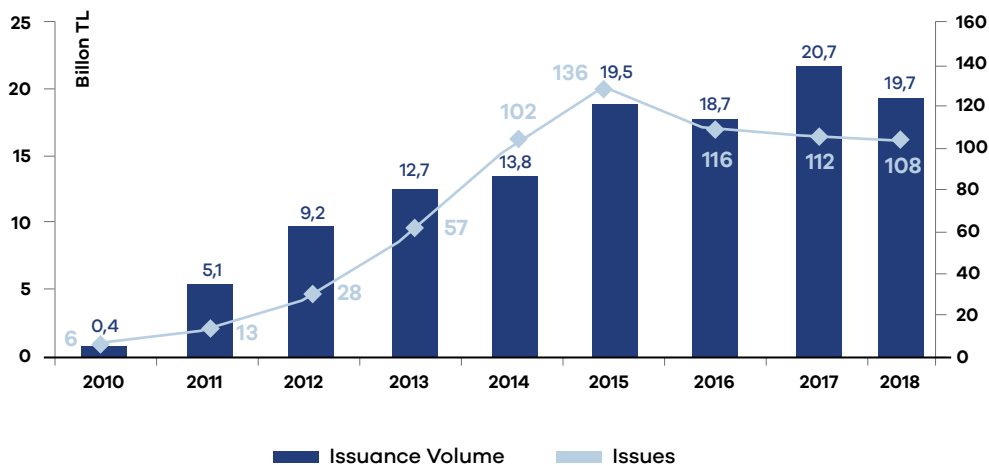


Banks accounted for 65% of the total amount of primary market issuances in 2018, followed by non-bank financial institutions (32%), and real sector companies (3%). 1,297 of these issuances were carried out as sales to qualified investors, of which 86 were carried out as public offering sales.

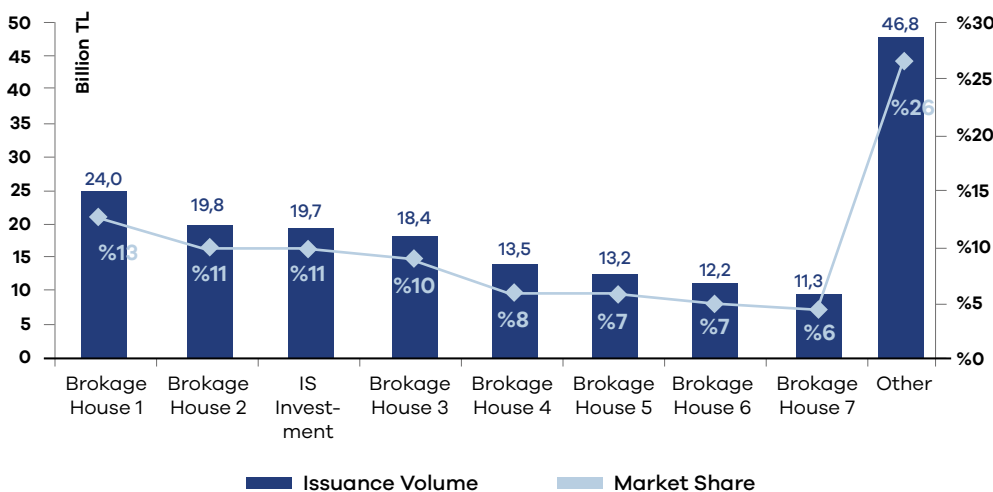
## Debt Security Issues Arranged By IS Investment

IS Investment achieved a market share of 11% by intermediating in 108 issuances with a nominal size of TL 19.7 billion in the same period.

### NUMBER AND VOLUME OF DEBT-SECURITY ISSUES ARRANGED BY IS INVESTMENT



### SIZE AND MARKET SHARES OF DEBT-SECURITY ISSUES ON THE BASIS OF INTERMEDIARY INSTITUTIONS 2018



## Merger & Acquisition Transactions

The volume of Mergers & Acquisitions in terms of transaction volumes increased by 26% YoY in 2018. While there were 220 transactions in 2017 with USD 7.4 billion in transaction volume, there were 215 transactions with USD 9.3 billion in volume during 2018.

The sugar plant privatization tenders, the sale of Un Ro-Ro to DFDS and the Oyak Cement - Taiwan Cement Corporation transaction contributed significantly to the total of mergers and acquisitions in 2018. Among the M&A transactions carried out during the year, acquisitions and investments undertaken by foreign strategic investors as well as Turkish companies stood out. As a matter of fact, the share of foreign investors in the total transaction volume rose to 51% (45% in 2017), while they accounted for 38% of the number of transactions in unit terms (34% in 2017).

Leading operations in M&A transactions were in the consumer durables, energy and infrastructure sectors.

- Acquisition of the Tekirdağ Port by the Ceynak Group (privatization project).
- The acquisition of a 49% stake in TAV Airports Holding in Antalya Airport Operations.
- Purchase of various stores of Macro Markets and Uyum by Migros.
- The purchase of Doğan Yayın Holding shares by the Demirören Media Group.
- Privatization of Sugar Factories (8 factories amounting to TL3.3 billion).
- Sale of Un Ro-Ro to DFDS.
- Purchase of OpsGenie IT by the Atlassian Corp.
- Purchase of Ofcay by Jacobs Holland.
- Purchase of Doğan Medya by Demirören Holding (USD 929 million).

Among foreign investors, it was the investors based in the Middle East which stood out in the first quarter, while various companies in a number of countries such as China, the UK, France, Denmark, the Far East (China, Taiwan) and the United States were attracted to various regions. In fact, what we have observed is this interest intensifying in companies completely open to sale, with the completed transactions carried out on a one-to-one basis rather than through processes involving multiple investors.

In terms of venture capital funds, funds with offices in Turkey as well as those which have created funds for our country, maintained their interest in the Turkish market.

In 2018, IS Investment provided seller party consultancy services for the Döktaş Metal partners in the sale of a 93.57% of the shares in Döktaş Dökümcülük Sanayi ve Ticaret A.Ş. ("Döktaş Dökümcülük"), an important player in the production of cast iron, ductile iron and aluminum cast parts for the automotive and machinery manufacturing sectors, held by Döktaş Metal Sanayi ve Ticaret A.Ş., to Çelik Holding A.Ş., under the Güriş Group. In addition, in the privatization tenders of sugar factories opened by the Privatisation Administration, the Company provided buyer party consultancy in the purchase of the Turhal Plant by Kayseri Şeker A.Ş. and has served in the process from the tender stage up until after the takeover. Information on the two deals IS Investment completed in 2018 is presented below:

#### Completed Projects In 2018

Target Company	Seller	Buyer	Type of Advisory	Sector Team
Turhal Şeker Fabrikası	Privatization Administration	Kayseri Şeker Fabrikaları A.Ş.	Buyer	Consumer Products
Döktaş Dökümcülük	Doktas Metal Sanayi ve Ticaret A.Ş.	Çelik Holding (Güriş)	Seller	Basic Industries - Production

IS Investment continues to work on M&A projects of many companies in various sectors.

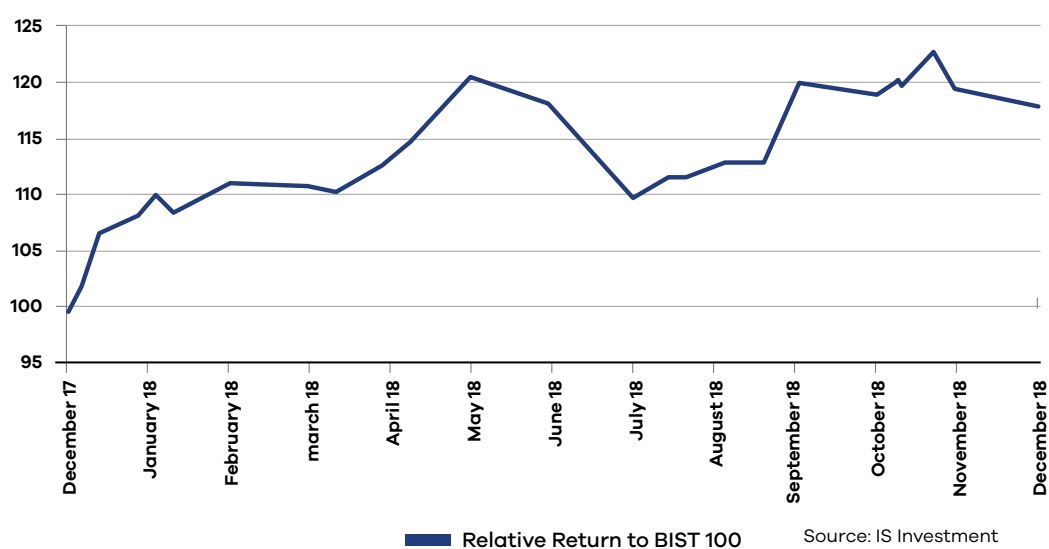


## 15. RESEARCH

IS Investment continued to generate high-value-added reports in the areas of the macro economy and equity markets in 2018.

The Company continued to publish regular reports on 66 companies that make up 90% of the Borsa Istanbul Equity Market and issued buy/ sell/ hold recommendations on these companies. “The Model Portfolio”, which included a selection of companies which IS Investment issued a “buy” recommendation for, outperformed the BIST 100 index by 19% during the year.

### PERFORMANCE OF IS INVESTMENT’S MOST RECOMMENDED STOCKS LIST OVER BIST 100



Research activities have played a key role in attracting institutional and qualified investors, both in Turkey and abroad, to IS Investment and in maintaining their satisfaction. Comprehensive Turkish and English reports on economics, equities and fixed-income securities were prepared, as well as strategy reports for institutional and qualified investors. In addition, strategy meetings and company visits were organised with institutional investors and portfolio management companies in Turkey.

Active participation in domestic and international sales continued to increase in 2018 as well. A series of IS Investment roadshows were held in a bid to promote companies listed on the Borsa Istanbul to potential international investors. With the participation of the research team, meetings were held with the sales teams in continental Europe, the UK and the USA with investors, during which presentations were provided focusing on Turkey’s macroeconomic and equity outlook, as well as new strategies.

One-to-one meetings were held in Istanbul, London and on the European continent so foreign and Turkish institutional investors and companies could become better acquainted.

Two companies were added to the follow-up list in 2018. These companies, which are included in the model portfolio, contributed significantly to the return of the model portfolio. New companies selected from the secondary follow-up list, including some companies not listed on the BIST 100, will continue to be added to the follow-up list in 2019. The market is expected to follow a volatile course in the coming period, where the need for informative and accurate opinions and reports on capital market instruments and macro expectations can only increase.

## 16. RISK MANAGEMENT

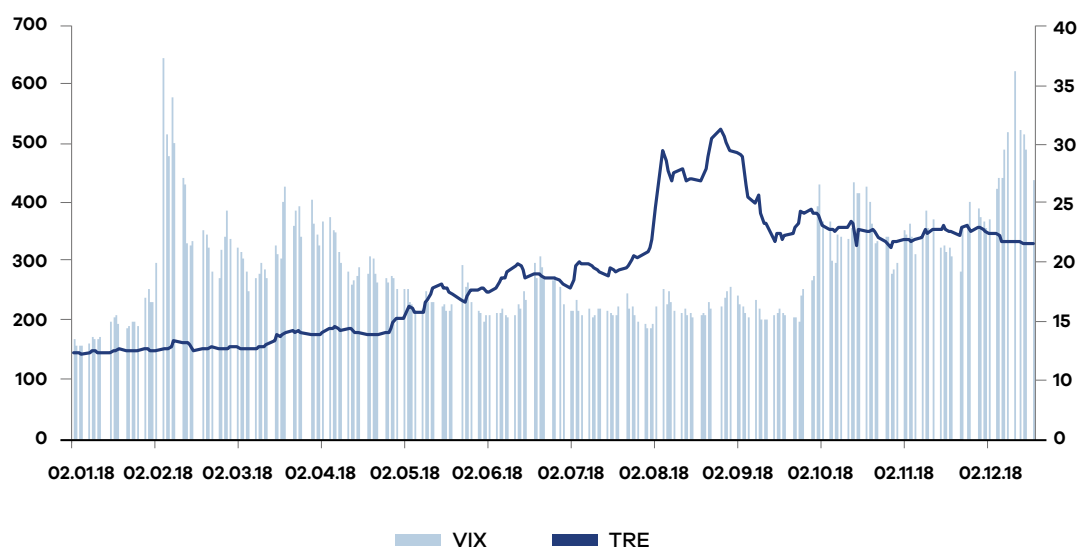
Risk management activities at IS Investment are carried out under the Board of Directors. The Risk Committee, which was established in 2012, continued to meet on a monthly basis in 2018. In this context, all risks associated with the market liquidity, credits, technology, operations, human resources, and other risks were shared with the committee on a monthly basis and work was carried out to address the risks based on the findings identified.

The Value-at-Risk (VaR) approach is used in the calculation of corporate risk. In this context, data on risks measured in terms of departments and accounts as well as on the basis of the institution are shared with related parties and a holistic perspective is adopted in risk management. Throughout 2018 Backtesting studies were conducted to test the effectiveness of the measured VaR values. In order to determine how the portfolio will be affected at times of sharp price movements in the market, and to keep the loss rate at the lowest level, various Stress Tests were applied and the results are shared with the senior management. We also continued to prepare detailed monthly corporate risk reports and quarterly consolidated risk reports containing risk measurements of our subsidiaries.

Throughout 2018, Turkey and international capital markets were exposed to high levels of volatility. The trade disputes between the US and China, the FED's continued interest rate hikes, concerns over the economic outlook for Italy and Greece and the uncertainty regarding the Brexit process in Europe, as well as the emerging economic problems in developing countries such as Argentina, Venezuela and South Africa have also been the factors limiting the financial predictability of 2018. In the closing months of the year, the bout of sales that began in US stock markets spread globally, with the markets closing the year 2018 under a cloud of various concerns.

The shift in exchange rates, along with the rise in interest rates and inflation led to a deterioration in macro indicators and CDS premiums exceeded 500 points in the August-September period. As a result of proactive measures taken by the Central Bank and the government to defend the Turkish Lira and tackle inflation, the normalization process started in the last quarter of the year. In light of the current data, Turkey's economic outlook and the risks it faces in 2019 are expected to be shaped by developments in Turkey and abroad.

**TURKEY RISK INDEX - TRE & VIX - 2018**



## 17. AGENDA OF THE ANNUAL GENERAL MEETING

1. Opening and appointment of the meeting council
2. Presentation and discussion of the Board of Directors' Annual Report and the Independent Audit Report covering the 2018 period
3. Presentation, discussion and approval of the 2018 Financial Statements
4. Approval of members assigned to the Board of Directors in 2018
5. Acquittal of the members of the Board of Directors separately in view of their activities in 2018
6. Deliberating and decision-making on the distribution of profit from 2018
7. Election of the Members of the Board of Directors, and determining their term of Office
8. Determining the remuneration of the Members of the Board of Directors
9. Appointment of the Independent Auditor
10. Presentation of information concerning grants and donations made in 2018
11. Determining of the upper limits of donations to be made in 2019

## 18. DIVIDEND DISTRIBUTION PROPOSAL OF THE BOARD OF DIRECTORS

According to the financial statements issued in compliance with the Capital Markets Board's Communiqué on "Principles of Financial Reporting in the Capital Markets", the Company's consolidated net profit after tax on its 2018 activities was TL 221,701,017.00, while its net profit according to legal records was TL 226,499,932.28.

After setting aside TL 11,324,996.61 of primary legal reserve funds equivalent to 5% of the net profit in accordance with the 519th Article of the Turkish Commercial Code, the first dividend base was calculated as TL 210,376,020,39 while the net distributable profit for the period in the legal records was TL 215,174,935.67.

The decision was taken to present a proposal on the following issues to the General Assembly, in conformity with the profit distribution table given below:

- To set aside TL 11,324,996.61 as primary legal reserve funds from the current profit for the period calculated according to the legal records;
- To distribute a total gross dividend of TL 90,000,000.00 in cash to the shareholders; TL 42,086,804.48 as the first dividend and TL 47,913,195.52 as the second dividend,
- To set aside TL 7,225,000.00 as secondary legal reserve funds, and to set aside the remaining TL 117,949,935.67 in the legal records as extraordinary reserve funds, and in accordance with the provisions of Article 325 of the Tax Procedure Law and 10th Article of the Corporate Tax Law, the allocation of a private fund to be used for the purchase of participation shares in the venture capital investment fund for the Company,

Furthermore, the decision was taken regarding the TL 90,000,000.00 dividend to be distributed in cash in case the abovementioned dividend distribution proposal was accepted by the General Assembly:

- To distribute a net cash dividend of 25.35211% of the distributable net profit representing a gross=net amount of TL 0.253521 per share with a par value of TL 1.00 to our shareholders who are full taxpayers and who are limited taxpayers earning dividends with an office or a permanent agency in Turkey,
- To distribute a net cash dividend of 25.35211 % of the distributable net profit representing a net amount of TL 0.215493 or gross amount of TL 0.253521 per share with a par value of TL 1.00 to the other shareholders, and to submit a proposal to the General Assembly for determining the profit distribution date as 27 March 2019.

## 19. 2018 PROFIT DISTRIBUTION TABLE

1. Paid in/Issued Capital	<b>355.000.000,00</b>	
2. General Legal Reserve Funds		
(According to the Legal Records):	<b>56.610.515,80</b>	
Information concerning the privileges, if any, in profit distribution as defined in the Articles of Association:	There are no privileges	
	<b>According to CMB</b>	<b>According to Legal Records</b>
3. Profit for the period	<b>285.872.727,00</b>	<b>291.720.098,14</b>
4. Tax payable (-)-)	(64.171.710,00)	(65.220.165,86)
5. Net Profit for the period	<b>221.701.017,00</b>	<b>226.499.932,28</b>
6. Losses from the previous years (-)	0,00	0,00
7. General Legal Reserve funds (-)	(11.324.996,61)	(11.324.996,61)
<b>8. NET DISTRIBUTABLE PROFIT FOR THE PERIOD</b>	<b>210,376,020.39</b>	<b>215.174.935,67</b>
9. Donations made during the year	58.002,00	
<b>10. Net Distributable Profit for the period including Donations</b>	<b>210.434.022,39</b>	
11. First Dividend To the Shareholders		
- Cash	42.086.804,48	
- Scrip Shares	0,00	
- Total	<b>42.086.804,48</b>	
12. Dividend Distributed to the Privileged Shareholders	0,00	
13. Dividend to the Members of the Board of Directors, Employees and Similar Persons	0,00	
14. Dividend Distributed to the Holders of Dividend Right Certificates	0,00	
15. Second Dividend to the Shareholders	<b>47.913.195,52</b>	
16. General Legal Reserve fund (-)	7.225.000,00	
17. Statutory Reserves	0,00	
18. Special Reserves		
<b>19. EXTRAORDINARY RESERVE FUNDS</b>	<b>113.151.020,39</b>	<b>117.949.935,67</b>
20. Other Resources to Be Distributed	0,00	
- Profit from the Previous Year		
- Extraordinary Reserve Funds		
- Other Distributable Reserves as defined in the Articles of Association and the Law		

### DIVIDEND RATIO TABLE

NET	GROUP	TOTAL DISTRIBUTED DIVIDEND		TOTAL DISTRIBUTED DIVIDEND / NETDISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND CORRESPONDING TO SHARE WITH PAR VALUE OF TL 1.00	
		CASH (TL)	STOCK (TL)	RATIO (%)	VALUE (TL)	RATIO (%)
NET *	A	32.323,94	0,00	0,015	0,21549	21,5493
	B	76.467.676,06	0,00	36,348	0,21549	21,5493
	<b>TOTAL</b>	<b>76.500.000,00</b>	<b>0,00</b>	<b>36,363</b>	<b>0,21549</b>	<b>21,5493</b>

(\*) Gross: Prepared for cash dividend of TL 90,000,000.

## 20. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

In our developing economy, increasing the quality and quantity of international capital attracted to Turkey is of critical importance. Global and regional developments in recent years have once again highlighted the importance of good corporate governance practices for businesses, investors and all related parties. Good corporate governance practices remained one of the key indicators with respect to the growth of businesses and to sustainability of their operations in 2018.

IS Investment stands for the corporate approach in its sector, as associated with the “İş” emblem in our society. The Company recognizes that good corporate governance practices can be achieved through various initiatives, including the formulation of the management strategy, the establishment of an effective risk management and internal control mechanism, the description of ethical rules, a high quality performance in investor relations activities and the due fulfillment of public disclosure obligation, and the transparent execution of the activities of the Board of Directors. To this end, IS Investment observes the standards of accountability, equality, transparency and responsibility that make up the universal components of the concept of corporate governance in the exercise of its rights and responsibilities to its shareholders in particular, and its clients and all stakeholders in general, while maintaining effective management and supervision.

Conducting its business in accordance with the Turkish Commercial Code, the Capital Market Law and applicable legislation, as well as its corporate ethical rules, IS Investment believes that compliance with Corporate Governance Principles is just as important as financial performance in providing long-term added value for its investors.

With this approach, IS Investment complies with all of the regulations of the Capital Markets Board regarding compulsory corporate governance and also complies with many principles that are not mandatory. No conflict of interest has been experienced as a result of failure to comply with any non-compulsory principles. IS Investment regularly reviews its corporate governance practices and works to increase its level of compliance.

**In accordance with the decision taken by the Capital Markets Board dated 10.01.2019 and numbered 2/49, “The Corporate Governance Compliance Report (URF)” which shows the compliance status of the Company with the principles that are voluntary to apply from the Corporate Governance Principles and “Corporate Governance information form (KYBF)” which provides information about our existing corporate governance practices, is announced on the Public Disclosure Platform on 04.02.2019. These notifications can be accessed via the <https://www.kap.org.tr/en/sirket-bilgileri/genel/1533-is-search-real-estate-degerler-a-s> internet site.**

### PART 1 – SHAREHOLDERS

#### Investor Relations

IS Investment demonstrated the importance it attaches to this area by setting up the Investor Relations Department even before the public offering process was realized, with a view to ensuring the timely execution of the activities for healthy conduct of relations with shareholders and stakeholders, as well as ensuring that public disclosure obligation and information delivery activities are carried out to the required quality.

Investor relations is the unit responsible for informing investors and all interested parties about the operational and financial performance of the company and fulfillment of the obligation of public disclosure within the scope of capital market legislation and IS Investment Disclosure Policy and for the coordination of the relations with investors and stakeholders in general.

It was publicly disclosed on 2 June, 2016 that Funda Çağlan Mursaloglu had been appointed as the Head of the Investor Relations Department by the Board of Directors (the first public disclosure date on this issue was 16 March, 2009).

Contact information for the Investor Relations managers which is also disclosed on the corporate website is presented below:

**Funda Çağlan Mursaloglu**  
**Assistant General Manager**

Academic Degree: Master's

Type of Capital Market Activity License: Advanced Level

Tel: 212 - 350 25 00

Fax: 212 - 350 20 01

E-mail : cmursaloglu@isyatirim.com.tr

**Ozan Altan**  
**Manager**

Academic Degree: Master's

Type of Capital Market Activity License: Advanced Level – Corporate Governance Rating  
-Derivatives - Credit Rating –

Tel: 212 - 350 28 72

Fax: 212 - 350 28 73

E-mail: oaltan@isyatirim.com.tr

**Exercise of Shareholders' Right to Obtain Information**

At IS Investment, all shareholders are treated equally. The Investor Relations Department strives to facilitate the protection and exercise of shareholder rights with a particular focus on the right to obtain and review information. Queries received from investors during the reporting period were responded to within the shortest time possible and in the most accurate manner within the scope of the IS Investment Information Policy, which is made public on our website. Due care was taken to guarantee that the disclosed information did not contain any inside information.

The electronic environment is efficiently used in relation to events with a potential impact on the exercise of shareholding rights. Material event statements and other notices announced through the Public Disclosure Platform (in Turkish: KAP) managed by the MKK are also posted on the IS Investment website simultaneously. Any changes in the Company's organization will forthwith be announced on the corporate website, and investor presentations are updated each quarter. Additionally, IS Investment's share price performance, capital increases and dividend payment information are also made available on our corporate website for the purpose of informing investors. Furthermore, information is provided concerning shareholder attendance in the Annual General Meetings and the principles of electronic general meetings under the new Turkish Commercial Code.

There were no implementations in the Company that would complicate shareholders' right to obtain and review information; on the contrary, considerable effort is taken to facilitate the exercise of such rights.

As the new Turkish Commercial Code explicitly addresses the matter of requesting the appointment of a special auditor, this request was not stipulated in our Articles of Association. The Company did not receive any request for the appointment of a special auditor during the reporting period.

## General Meetings of Shareholders

IS Investment held its Annual General Meeting for the 2017 fiscal year on 27 March, 2018. Invitations for the Annual General Meeting, including the meeting date and agenda, were published on 1 March 2018 within due time as defined in the applicable legislation and the CMB Corporate Governance Principles, on the Public Disclosure Platform (KAP), the Electronic General Meeting System (e-GEM) of the Central Registry Agency (in Turkish: MKK), and the corporate website, and in the Turkish Trade Registry Gazette issue 9529 dated 5 March 2018, and were also sent by post to registered shareholders. In addition, the invitation and related notices in English were also sent by email to those of our foreign shareholders whose contact information was known to us.

Based on the examination of the list of those attending the Annual General Meeting, it was established that out of the Company's shares with a total nominal value of TL 355,000,000, of which shares with a total nominal value of TL 150,000 are Class A shares and shares with a total nominal value of TL 354,850,000 are Class B shares, Class A shares with a nominal value of TL 150,000 and Class B shares with a total nominal value of TL 263,713,961.14, of which TL 7,335,743.00 had been deposited, were represented and thus the meeting quorum stipulated by the law and the Articles of Association had been achieved.

The invitation, agenda, sample proxy form and minutes for the General Meetings were published on the KAP and were made constantly available on our Turkish and English websites for the purpose of informing shareholders and stakeholders. Furthermore, the CVs of individuals nominated for independent membership seats on the Board of Directors were posted on the corporate website. No questions were asked during the General Meeting and no agenda proposal was given. In addition, since no decisions requiring the affirmative vote of a majority of independent members were passed during the reporting period, no subjects were incorporated in the General Meeting agenda.

During the Annual General Meeting, information was provided on the grants and donations made during the reporting period under a dedicated agenda item. Nobody took the floor in the petitions and suggestions section, which was another dedicated item. Stakeholders such as appraisers and independent auditors participate in our General Meetings as observers. No other request was made by the other stakeholders to participate in the meeting as an observer.

## Voting Rights and Minority Rights

Voting rights do not incorporate any privileges. However, holders of Class A shares enjoy privileges solely with respect to the election of members of the Board of Directors. Six Board members are nominated by Class A shareholders, and three by Class B shareholders.

There are no companies with which IS Investment has cross shareholding interests. Minority shareholders did not nominate any members for the Board of Directors. The Articles of Association do not stipulate minority rights to be less than one twentieth of the capital.

## Subsidiaries

Subsidiaries	Capital of Subsidiary	Share Held in the Capital of Subsidiary (%)
Maxis Investments Ltd.	6.500.000 GBP	100,0
IS Investments Gulf Ltd.*	5.000.000 TL	100,0
Efes Varlık Yönetim A.Ş.	40.000.000 TL	74,0
İş Portföy Yönetimi A.Ş.	65.000.000 TL	70,0
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	74.652.480 TL	29,0
İş Yatırım Ortaklığı A.Ş.	160.599.284 TL	28,9

\* With the decision taken by the Board of Directors dated 15.05.2018, the Company participated in a capital increase amounting to TL 10,000,000 in the proportion to the shares held by the Company in the capital.

### **Entitlement to Dividends, Dividend Distribution Policy and Timing**

There are no founders' dividend shares, nor do any shares enjoy any privileges with respect to receiving a share of the profit.

IS Investment's Dividend Distribution Policy was presented for the purpose of informing shareholders in the first Annual General Meeting that was convened as a publicly held company on 28 April, 2008. Updated within the framework of applicable legislation, our dividend policy was approved in the Annual General Meeting convened on 25 March, 2014. Our Dividend Distribution Policy is constantly made public on our Turkish and English websites ([www.isyatirim.com.tr](http://www.isyatirim.com.tr)/[www.isinvestment.com](http://www.isinvestment.com)) and through our interim activity reports.

On 28 March 2018, IS Investment distributed cash dividends amounting to TL 110,000,000 from its 2017 profit, corresponding to 74% of the distributable profit, in accordance with its dividend policy.

### **Transfer of Shares**

The Articles of Association set forth that there are no restrictions on the transfer of shares within the framework of the requirements stipulated by the capital market legislation.

## **PART II – PUBLIC DISCLOSURE AND TRANSPARENCY**

### **Company Information Policy**

IS Investment's Information Policy was approved by the Board of Directors on 17 May 2007, even before the Company shares commenced trading on the stock exchange, and were publicly disclosed on our corporate website; subsequently, the Information Policy was adapted to conform to the principles stipulated in the CMB Communiqué on the Principles of Public Disclosure of Material Events that entered force on 6 February 2009.

IS Investment's Information Policy was presented at the first Annual General Meeting held following the Company's IPO for the purpose of informing shareholders. The Information Policy was also incorporated in the annual and interim reports. The Information Policy is permanently posted on the Company's Turkish and English websites ([www.isyatirim.com.tr](http://www.isyatirim.com.tr)/[www.isinvestment.com](http://www.isinvestment.com)).

### **Company Website and Its Content**

IS Investment's websites, offering content in Turkish and English, are accessible at the addresses [www.isyatirim.com.tr](http://www.isyatirim.com.tr) and [www.isinvestment.com](http://www.isinvestment.com). Both websites were renewed in the first quarter of 2017 and are actively used for public disclosure purposes. The information posted on these websites is constantly updated. This information is identical to the disclosures made in accordance with the provisions of the applicable legislation.

The "Investor Relations" headings of our websites in Turkish and English contain all issues mentioned in the relevant section of the CMB Corporate Governance Principles.

### **Annual Report**

Our annual reports contain information specified in applicable legislation and the CMB Corporate Governance Principles.

### **Disclosure of Ultimate Non-Corporate Controlling Shareholder(s)**

There are no ultimate non-corporate controlling shareholders at IS Investment.



## PART III – STAKEHOLDERS

### Keeping Stakeholders Informed

IS Investment informs its stakeholders, which include a broad range of groups from employees, potential investors and analysts to media outlets on subjects that concern them in the shortest time possible and in the most accurate manner.

Material event statements concerning IS Investment, which are disclosed via the KAP, are also posted on the corporate websites simultaneously. Furthermore, press releases are sent to media outlets following material event statements concerning topics that are considered to be of interest to the public.

Stakeholders are adequately informed of corporate policies and business processes and may also make use of direct communication channels accessible on our website, while our clients may contact the investment advisors assigned to them or use any other direct/indirect method of their choice to convey their complaints and feedback to our Company/management bodies. In addition, our ethical principles and policies aimed at tackling the laundering of proceeds of crime and the financing of terrorism are constantly published both on the corporate website and on the Intranet.

Complaints received by the Company within this framework are submitted to the Audit Committee after being reviewed by the authorized departments in chronological order

### Stakeholder Participation in Management

The Articles of Association stipulate that stakeholders are entitled to invite the Board of Directors to hold a meeting by communicating this request to the Chairman of the Board, and that the Chairman may bring up the topic subject to invitation for discussion at the next Board meeting, if the Chairman decides that an immediate meeting is not necessary. This method has served to establish a mechanism by which the Board of Directors and the related committee may follow up important feedback and complaints from stakeholders. The Board of Directors did not receive any requests for such a meeting during the reporting period.

Furthermore, our employees' opinions are directly sought in matters of general concern, thus enabling direct participation of employees in certain decisions to be adopted.

This right provides IS Investment employees, who hold a very special place among the stakeholders, with the means by which to communicate their opinions and suggestions concerning Company management through both the Human Resources Department and their own managers.

### Human Resources Policy

IS Investment's Human Resources policy is publicly disclosed through the corporate website and annual reports <https://www.isyatirim.com.tr/en-us/who-we-are/human-resources/pages/default.aspx>.

IS Investment's Human Resources Policy embraces the principles of commitment to ethical values, continuous development and a client-focused approach. Providing equal opportunities to candidates in equal conditions is a key principle adopted in the creation of the recruitment policy and career planning.

The Company adopts measures to prevent any discrimination based on religion, language, race and gender; to ensure that human rights are respected and to protect employees from any physical, psychological and emotional abuse in the Company. No complaints concerning these subjects have been received from the employees.

IS Investment's Remuneration Policy in effect has been approved by the Board of Directors and presented for the information of shareholders at the first Annual General Meeting held.

The full text of the Remuneration Policy is posted on the corporate website accessible at [www.isyatirim.com.tr](http://www.isyatirim.com.tr).

### **Relations with Clients and Suppliers**

IS Investment delivers its capital market services to investors within the framework of ethical values and based on a client-focused approach to investment banking. In this vein, the Company aims to analyze evolving client demands and changing market conditions so as to identify needs and to develop products and services that will best meet these needs. Keeping client secrets in confidence within the framework of the legislation is a much valued corporate value.

Relations with clients are handled through investment advisors. The objective of all investment advisors is to invest assets in the investment instruments that best fit the respective client's risk-reward profiles. Clients of IS Investment may convey any requests and expectations they may have to the investment advisors assigned to them.

Due to the nature of its business activity, IS Investment does not have any suppliers.

### **Ethical Rules and Social Responsibility**

For the purposes of increasing social and economic benefit, protecting and advancing the prestige of the brokerage profession, and preventing unfair competition, IS Investment has distributed its ethical rules in writing to its employees, which have been formulated by the Board of Directors in parallel with the regulations of the Turkish Capital Markets Association, as well as legal and administrative arrangements. The most recent update to our Ethical Rules was made on 15 December 2014 and was made available in writing for the purpose of informing employees.

IS Investment's ethical rules are also disclosed to the public on the corporate website ([www.isyatirim.com.tr](http://www.isyatirim.com.tr)).

IS Investment's Social Responsibility Policy is made public on the Turkish and English websites (<https://www.isyatirim.com.tr/en-us/who-we-are/investor-relations/Documents/corporate-governance/corporate-policies/6.Social%20Responsibility%20Policy.pdf>)

## **PART IV – BOARD OF DIRECTORS**

### **Structure and Formation of the Board of Directors**

In discharging its responsibilities, the Board of Directors adheres to the principles of transparency, accountability, fairness and responsibility. The distribution of tasks between the members of the Board of Directors is presented to shareholders and stakeholders for informative purposes on the Public Disclosure Platform (KAP), the corporate website and in annual reports.

The Board of Directors plays a pioneering role in maintaining effective communication between the company and its shareholders and in resolving and settling any disputes that may arise, and for this purpose, coordinates the Investor Relations activities through the Corporate Governance Committee.

### Members of the IS Investment Board of Directors

Name-Surname	Position	Profession	Positions Held in the Company in the Past 5 Years	Latest External Positions Held	Capital Share In Company (%)	Represented Share Group	Independent Member of the Board of Directors	Committees and Duties
Senar Akkuş	Chair-woman	Banker	-	T. İş Bankası A.Ş. Deputy General Manager	-	-	Not an Independent Member	-
Kemal Serdar Dişli	Vice Chairman	Banker	Member of the Board of Directors	T. İş Bankası A.Ş. İstanbul Corporate Branch Manager	-	-	Not an Independent Member	-
Volkan Kublay	Member	Banker	Member of the Board of Directors	T. İş Bankası A.Ş. Unit Manager of the Subsidiaries Division	-	-	Not an Independent Member	Member of the Corporate Governance Committee and the Risk Committee
Mete Uğurlu	Member	Finance	Member of the Board of Directors	-	-	-	Not an Independent Member	-
Işıl Dadaylı	Member	Banker	Member of the Board of Directors	T. İş Bankası A.Ş. Private Banking Marketing and Sales Division Manager	-	-	Not an Independent Member	-
Hilmi Selçuk Çepni	Member	Banker	Member of the Board of Directors	T. İş Bankası A.Ş. Kozyatağı Corporate Branch Manager	-	-	Not an Independent Member	-
Kenan Ayvacı	Member	Banker	Member of the Board of Directors	T. İş Bankası A.Ş. Capital Markets Division Manager	-	-	Not an Independent Member	-
Refet Soykan Gürkaynak	Member	Academi-sion	Member of the Board of Directors	Bilkent University Head of Economics Department	-	-	Independent Member	Head of the Audit Committee
Erda Gerçek	Member	Finance	-	-	-	-	Independent Member	Member of the Audit Committee, Head of the Corporate Governance Committee and Head of the Risk Committee

Members of the Board of Directors elected to their posts in the Annual General Meeting held on 27 March 2018 are to remain in their positions until the next General Meeting. Mr. Volkan Kublay was appointed as a member of the Board of Directors in the Board Meeting held on 15 May 2018 to succeed Mr. İlhami Koç, who resigned from his position on the same date. Mr. Kublay's membership will be submitted for approval at the next General Meeting in accordance with Article 363 of the Turkish Commercial Code.

Board members do not hold any executive duties at IS Investment. The General Manager is the head of execution. The Articles of Association stipulate that the General Manager may not serve as the Chairman of the Board at the same time.

The assumption of duties by members of the Board of Directors outside IS Investment is subject to general provisions. However, the Articles of Association stipulate that Board members may not seek approval of the General Assembly for exemption from the prohibition of doing business and/ or competing with IS Investment.

**Senar Akkuş**  
**Chairwoman**

Senar Akkuş graduated with a degree in economics from the Faculty of Economics and Administrative Sciences at Boğaziçi University in 1991. In the same year, she joined İş Bank Asset Management Division as an assistant specialist. She became assistant manager in the same Division in 1998 and group manager in 2002. She was appointed as the manager of the Economic Research Division in 2006, and Treasury Division in 2008. She was promoted to the post of Assistant General Manager of İşbank in 13 April 2011. Ms. Akkuş was appointed to the Board of Directors of IS Investment and was elected as the Chairwoman of the Board of Directors in March 2018.



**Kemal Serdar Dişli**  
**Vice Chairman**

Having graduated from the Department of Political Science and Public Administration at the Faculty of Economics and Administrative Sciences in Hacettepe University in 1987, Mr. Dişli started to work in the İşbank Intelligence Department in 1988 in Ankara. He was appointed to the Board of Inspectors as an assistant inspector the same year. He became an assistant manager in the Internal Accounting Division in 1998. After working as Assistant Manager and Group Manager in the Managerial Reporting & Internal Accounting Division, he was promoted to the Marmara Regional Directorate in 2002. He was appointed as Bursa Branch manager in 2004, Corporate Banking Marketing Division manager in 2006, Maslak Corporate branch manager in 2009 and Kozyatağı Corporate Branch manager in 2013. He has been working as the manager of the Istanbul Corporate Branch since 2016. Mr. Dişli was appointed as a member of the Board of Directors of IS Investment in June 2016.



**Işıl Dadaylı**  
**Memberi**

Işıl Dadaylı graduated with a degree in economics (in English) from the Faculty of Economics at Istanbul University in 1991. In the same year, she joined İş Bank's Asset Management Division as an assistant specialist trainee. She resigned from her position at the Bank in 1995 to work as a marketing specialist for Reuters Enformasyon Ltd. Şti. for two years. Having returned to her assistant specialist position at İş Bank's Asset Management Division in 1999, Ms. Dadaylı became an assistant manager in the same Division in 2004 and a unit manager in the Capital Markets Division in 2007. After her appointment as a unit manager to the Treasury Division in 2008, she was appointed as the head of the Private Banking Marketing and Sales Division of İşbank in 2011. Ms. Dadaylı was appointed as a member of the Board of Directors of IS Investment in April 2013.





**Mete Uğurlu**  
**Member**

Mete Uğurlu graduated with a degree in business administration from the Faculty of Administrative Sciences at the Middle East Technical University. He began his career at İşbank in 1978 as an assistant specialist where he worked as a manager in various divisions. After serving as a division manager in the Organization Department between 1996 and 2002, Mr. Uğurlu was appointed as a Deputy Chief Executive Officer at İşbank in 2002. He represented İşbank as a member of the Board of Directors at Anadolu Sigorta (1991-2002), as the Chairman of the Board at İş Kültür Yayınları (2002- 2003) and at İş Girişim Sermayesi (2003-2006). While serving as the CEO of Anadolu Hayat Emeklilik from 2006 until 2014, Mr. Uğurlu also sat on the boards of directors and committees of two industrial associations - the Insurance Association of Turkey, and the Pension Monitoring Center. Having retired on 30 June 2014, Mr. Uğurlu was appointed as a member of the Board of Directors of IS Investment in July 2014.



**Hilmi Selçuk Çepni**  
**Member**

Hilmi Selçuk Çepni graduated with a degree in Business Administration from Marmara University in 1992. He began his career at İşbank as an assistant inspector trainee on the Board of Inspectors in the same year. He was appointed as the assistant manager of the Human Resources Division in 2000 and became a group head in the same division in 2003. He started to work as Assistant Director of Board of Inspectors in 2004. He worked as a branch manager at the Altunizade Branch and Altunizade Commercial Branch between 2007 -2008 and served as the Commercial Banking Product Division manager in 2011 and the Credit Portfolio Division manager in 2012. Having worked as a manager of the Gebze Corporate Branch in 2015 and Maslak Corporate Branch in 2016, Mr. Çepni has been working as the manager of Kozyatağı Corporate Branch since May 2018. Mr. Çepni was appointed as a member of the Board of Directors of IS Investment in March 2016.



**Kenan Ayyvacı**  
**Member**

Kenan Ayyvacı graduated with a degree in business administration from the Faculty of Administrative Sciences at the Middle East Technical University in 1997. He joined İşbank as an assistant inspector on the Board of Inspectors in 1998 and was appointed as the Assistant Manager of the Capital Markets Division in 2006. He completed a graduate degree at Galatasaray University and was appointed as a Unit Manager in 2010. He became the Manager of the Capital Markets Division in 2016 and was also appointed as a member of the Board of Directors of IS Investment in June 2016.

**Volkan Kublay**  
**Member**

Volkan Kublay graduated with a degree in economics (in English) from the Faculty of Economics and Administrative Sciences at Marmara University in 1998. He joined İşbank in 2000 as an assistant inspector trainee and was appointed as an assistant manager at the Subsidiaries Division in 2008. Having sat on the Boards of Directors of various group companies, Mr. Kublay was brought to the position of Unit Manager of the Subsidiaries Division Capital Market Unit in 2012, following his post where he dealt with banking and financial services subsidiaries. In August 2012, Mr. Kublay was appointed as a member of the Board of Directors of IS Investment where he also serves as a member on the Corporate Governance Committee and Risk Committee.



**Prof. Dr. Refet Soykan Gürkaynak**  
**Member-Independent**

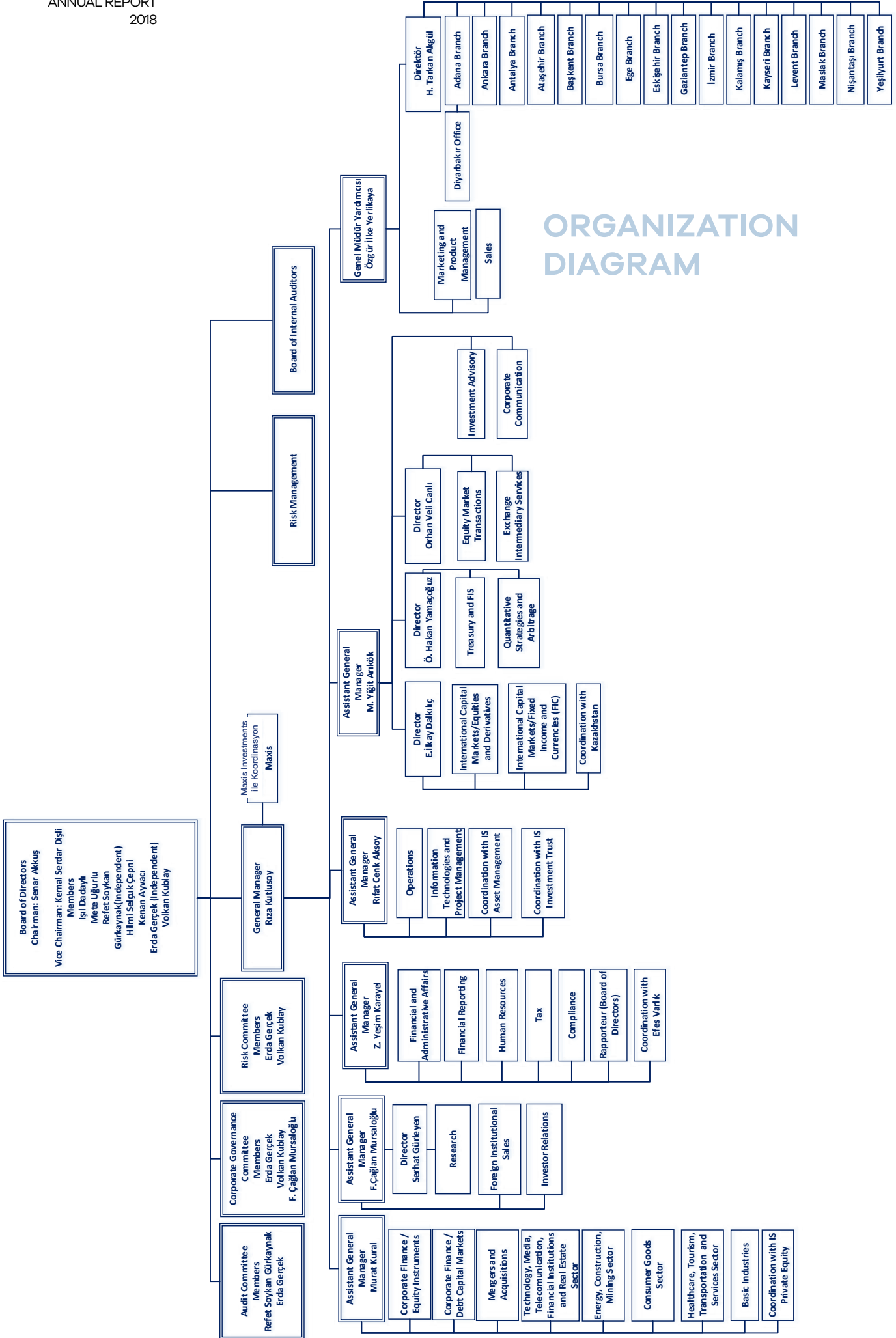
Mr. Gürkaynak graduated with a BA in Economics from Bilkent University in 1996 and went on to complete an MA in Economics at Princeton University in 2001 on a merit scholarship and received a PhD from the same institution in 2004. Mr. Gürkaynak took on instructional roles at Princeton University between 1998 and 2001, worked as an assistant professor at Bilkent University in Economics from 2005 to 2010, served as a visiting associate professor at the Massachusetts Institute of Technology between 2011 and 2012 and currently serves as the Chair of Bilkent University's Economics Department. Mr. Gürkaynak's articles on stock quotations' informational content, the interaction between financial markets and macroeconomics and on economic growth have been published in international journals. Over the years, Mr. Gürkaynak's work has been recognized with a number of prestigious awards from various institutions. Having previously served as a consultant for the Turkish Central Bank and the European Central Bank, Mr. Gürkaynak is also a member of and works as an editor for renowned international academic journals, including the Center for Economic Policy Research and the Center for Financial Studies. Mr. Gürkaynak has served as an Independent Member of the Board of Directors at IS Investment since 24 March 2015 and is also the head of the Audit Committee.



**Erda Gerçek**  
**Member-Independent**

Mr. Gerçek graduated with a degree in economics from Boğaziçi University and started his career in 1989 at the Treasury Department of Citicorp Zürich, where he undertook principal guaranteed products for Swiss and UK pension funds. In 1991, he established the Global Emerging Markets Division in the same group and at the same time, he worked as the strategist of Latin America and EMEA. He was twice assigned to Hong Kong as the Far East strategist and Chief Investment Officer, and was in charge of the Asia Pacific region. Apart from managing the global funds of Citi Asset Management(CAM), he also managed portfolios of Korea, Thailand, Greece, Portugal and Turkey. In 2004, he established Hedge Funds within the group. In addition to continuing his position as a strategist, he took responsibility for portfolio management as well as the management and marketing of LongShort Market Neutral and 130-30 products. While working at Citigroup, he provided training to market and economic regulators in various countries, and to central bank employees in particular. He also served as an instructor in the Management Trainee Program of the institution. Mr. Gerçek, who is currently teaching in the fields of strategy and global markets in Turkey and abroad, provides consultancy services and teaches in Master's degree courses at various universities in Turkey, has been an independent member of the board of directors of Anadolu Hayat Emeklilik A.Ş. since March 2014. Mr. Gerçek has been serving as an Independent Member of the Board of Directors at IS Investment since March 2018. He is also the head of Corporate Governance Committee and Risk Committee, and a member of the Audit Committee.







## Declaration Of Interest

To the Board of Directors of İş Yatırım Menkul Değerler A.Ş.,

I hereby declare the following for the purpose of my candidacy for taking on the position of Independent Member of the Board of Directors during the Annual General Meeting of IS Investment ("Company") on 27 March, 2018:

- Neither I, my wife nor any other relatives of second degree kinship or affinity by marriage have held any employment relationship with or have taken on any important positions/ functions in the Company's management or in the management of important company partners/shareholders or other legal persons under the control of these partners/ shareholders within the last five years. Neither I, my wife nor any other relative of second degree kinship or affinity by marriage have owned or co-owned more than 5% of the capital, voting rights or privileged shares of the entities listed above in the last five years, and have not entered any commercial relationship of a significant nature with these entities.
- I have not owned more than 5% of the shares or have taken up any important management functions or responsibilities in the following associated companies in the last five years when a sale/purchase relationship was in effect: companies that undertake the Company's monitoring, rating and consultancy; other companies from which the Company purchases important goods or services and also sells to in the framework of signed contracts.
- I possess the necessary professional education, knowledge and experience to successfully undertake the tasks assigned to the Independent Board Member position.
- In the event that I am elected as an Independent Board Member I will not work in any other full time position in public institutions. This excludes my current position as a lecturer at my university,
- According to the Income Tax Law, I am officially registered in Turkey.
- I possess the highest ethical standards in my position, professional reputation and hold the necessary experience to positively contribute to the Company's undertakings. I will assume an impartial position in the event that any conflict of interest should arise between the Company and shareholders.
- I will allocate sufficient time to the work that needs to be undertaken for the Company, such as closely following the Company's activities and fulfilling all duties assigned to myself in full capacity.
- I have not been a member of the Board of Directors of the Company for longer than six years in the last ten years.
- I have not served as an Independent Board Member at more than three of the companies in which the Company or the Company's partners/shareholders hold management functions. In addition, I have not served as an Independent Board Member at more than five publicly-traded companies in Turkey to date.
- I have not been announced or registered in the name of any legal person elected as a Board Member.

Yours sincerely,  
Prof. Refet Soykan Gürkaynak

## Declaration Of Interest

To the Board of Directors of İş Yatırım Menkul Değerler A.Ş.,

I hereby declare the following for the purpose of my candidacy for taking on the position of Independent Member of the Board of Directors during the Annual General Meeting of IS Investment (“Company”) on 27 March, 2018:

- Neither I, my wife nor any other relatives of second degree kinship or affinity by marriage have held any employment relationship with or have taken on any important positions/ functions in the Company’s management or in the management of important company partners/shareholders or other legal persons these partners/ shareholders control within the last five years. Neither I, my wife nor any other relative of second degree kinship or affinity by marriage have owned or co-owned more than 5% of the capital, voting rights or privileged shares of the entities listed above in the last five years, and have not entered into any commercial relationship of a significant nature with these entities.
- I have not held more than 5% of the shares or have taken up any important management functions or responsibilities in the following associated companies in the last five years when a sale/purchase relationship was in effect: companies that undertake the Company’s monitoring, rating and consultancy; other companies from which the Company purchases important goods or services and also sells to in the framework of signed contracts.
- I possess the necessary professional education, knowledge and experience to successfully undertake the tasks assigned to the Independent Board Member position.
- In the event that I am elected as an Independent Board Member I will not work in any other full time position in public institutions. This excludes my current position as a lecturer at my university,
- According to the Income Tax Law, I am officially registered in Turkey.
- I possess the highest ethical standards in my position, professional reputation and hold the necessary experience to positively contribute to the Company’s undertakings. I will assume an impartial position in the event that any conflict of interest should arise between the Company and shareholders.
- I will allocate sufficient time to the work that needs to be undertaken for the Company, such as closely following the Company’s activities and fulfilling all duties assigned to myself in full capacity.
- I have not been a member of the Board of Directors of the Company for longer than six years in the last ten years.
- I have not served as an Independent Board Member at more than three of the companies in which the Company or the Company’s partners/shareholders hold management functions. I have also not served as an Independent Board Member at more than five publicly-traded companies in Turkey to date
- I have not been announced or registered in the name of any legal person elected as a Board Member.

Yours sincerely,  
Erda Gerçek

*Declarations of Interest by the independent members of the Board of Directors are also posted on our corporate website accessible at the address [www.isyatirim.com.tr](http://www.isyatirim.com.tr)*

## Executive Board

Name	Position	Profession	Positions Held in the Company in the Past 5 Years	Latest External Positions Held
Rıza İhsan Kutlusoy	General Manager	Finance	Member of the Board of Directors	Efes Varlık Yönetim A.Ş. Chairman- Maxis Girişim Sermayesi Portföy Yönetimi A.Ş. Chairman- Maxis Investments Ltd Member of the Board of Directors - İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. Member of the Board of Directors
Murat Kural	Assistant General Manager	Finance	Assistant General Manager	
Funda Çağlan Mursaloğlu	Assistant General Manager	Finance	Assistant General Manager	
Zeynep Yeşim Karayel	Assistant General Manager	Finance	Assistant General Manager	
Rifat Cenk Aksoy	Assistant General Manager	Finance	Assistant General Manager	İş Yatırım Ortaklığı A.Ş. Deputy Chairman of the Board of Directors
Mehmet Yiğit Arıkök	Assistant General Manager	Finance	Assistant General Manager	Maxis Girişim Sermayesi Portföy Yönetimi A.Ş. Member of the Board of Directors
Özgür İlke Yerlikaya	Assistant General Manager	Finance	Director	



**Rıza İhsan Kutlusoy**  
**General Manager**

Rıza İhsan Kutlusoy graduated from the Department of Business Administration at the Middle East Technical University. He joined İşbank in 1988 as an assistant Inspector on the Board of Inspectors. He was appointed as an assistant manager in the Capital Markets Division in 1996 and became group manager in the same Division in 1998 and manager in 2002. He was appointed as the manager of the Galata branch in 2006 and as the manager of the Risk Management Division in 2008. He was promoted to the post of Assistant General Manager of İşbank in April 2011. Mr. Kutlusoy was appointed as General Manager of IS Investment in May 2016.



**Murat Kural**  
**Assistant General Manager**

Murat Kural graduated with a Bachelor's degree in electronics and communication engineering from Istanbul Technical University in 1987 and completed a Master's degree from the Institute of Business Administration at Bilkent University in 1989. He started working at the Privatization Administration of the Prime Ministry in 1990 and held this post until 1997, when he became the President of the Treasury. In the same year he moved to the World Bank in the capacity of an advisor. He joined IS Investment as the Corporate Finance Manager in 1999, undersigning many public offering and privatization projects. Since 2002, he has been serving as the Assistant General Manager responsible for Public Offerings, Mergers and Acquisitions and coordination with our subsidiary İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.



**Funda Çağlan Mursaloğlu**  
**Assistant General Manager**

Funda Çağlan Mursaloğlu graduated with a Bachelor's degree from Boğaziçi University in 1996 and went on to complete a Master's degree from Yeditepe University in 1998. She began her professional career in the financial services sector in 1996. She joined IS Investment as an International Sales Specialist in 1999. Responsible for foreign institutional clients, she led the establishment of the Foreign Sales Department, to which she was appointed as the manager in 2005. Having been brought to the position of Assistant General Manager in October 2007, she currently serves as the Assistant General Manager responsible for Investor Relations and Foreign Sales and Marketing.

**Zeynep Yeşim Karayel**  
**Assistant General Manager**

Zeynep Yeşim Karayel graduated with a degree in economics from Istanbul University in 1984. She began her professional life in the same year in the Intelligence Department at İşbank, where she was appointed to the Securities Department as an assistant specialist in 1993. She was brought to the position of section head in the Corporate Finance Department of IS Investment in 1997 and promoted to the position of assistant manager in 1999 and manager in 2002. In the meantime, she was in charge of numerous privatization advisory initiatives and public offering projects. Appointed as an Assistant General Manager in March 2013, Mrs. Karayel is responsible for Financial Reporting, Human Resources, and Other Support Services, coordination with our subsidiary, Efes Varlık Yönetim A.Ş., and acting as the Rapporteur (to the Board of Directors).



**Rıfat Cenk Aksoy**  
**Assistant General Manager**

Rıfat Cenk Aksoy graduated with a degree in economics from the Faculty of Economics at Istanbul University in 1991. He joined İşbank as a specialist in the Securities Department and transferred to IS Investment as the Assistant Manager of the Treasury Department in 1997. He then served in various positions in İşbank Group companies and in 2001 was appointed to IS Asset Management, which was then newly established for the private pension system that was in the process of being set up, as the Manager responsible for Portfolio Management. He was subsequently promoted to the position of Executive Vice President in 2004. After dealing with mutual funds and pension funds that are referred to as collective investment enterprises for a period of 10 years, he became General Manager of Camış Menkul Değerler A.Ş. in September 2010. Mr. Aksoy, who was appointed as Assistant General Manager of IS Investment. on 2 July, 2014, is responsible for the operations, technology, and coordination with our subsidiaries, İş Portföy Yönetimi and İş Yatırım Ortaklığı.



**Mehmet Yiğit Arıkök**  
**Assistant General Manager**

Mr. Arıkök graduated with an undergraduate degree in Business Administration from the University of Illinois in 1992 and an MBA from the same institution in 1995. In 1996, he started work at Citibank N.A. and subsequently went on to work at Koç Yatırım Menkul Değerler A.Ş., before working in the Domestic Markets Department of IS Investment. in 2002. He was appointed as Director at IS Investment in 2005 and became Director of the Domestic Markets in 2012. Mr. Arıkök was appointed Assistant General Manager on 16 April 2015. Since then, he has been tasked with the following duties: Domestic Capital Markets, International Capital Markets, Institutional Sales, Corporate Communications.



**Özgür İlke Yerlikaya**  
**Assistant General Manager**

Özgür İlke Yerlikaya graduated with a degree in economics from the Faculty of Business at Dokuz Eylül University in 1997, and went on to complete a Master's degree from the Accounting and Finance Department of the same university in 1999. After completing his education he started his capital markets career as an Investment Specialist in 2000. Between 2003 and 2011, he served as an investment specialist and a Special Savings and Investment Center manager in Izmir. Mr. Yerlikaya began working as the Izmir branch manager at İş Yatırım Menkul Değerler A.Ş. on 2nd May, 2011 and continued his position as a director of the branches outside Istanbul in 2015. Mr. Yerlikaya, who was appointed as the Assistant General Manager of İş Yatırım Menkul Değerler A.Ş. on 15 February, 2018, is responsible for the domestic branches, as well as sales and marketing.



### **Qualifications of Board Members**

All of our members are executives holding Bachelor's degrees from universities at the minimum, with experience in their respective fields. Furthermore, the Articles of Association stipulate that at a half of the Board members plus one must hold university degrees.

### **The Company's Vision, Mission and Corporate Values and Strategic Goals**

IS Investment's Vision, Mission and Corporate Values have been approved by the Board of Directors and are publicly disclosed on our website.

<https://www.isyatirim.com.tr/en-us/who-we-are/investor-relations/pages/corporate-governance.aspx>

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

Risk measurement and management activities in IS Investment are integrated into the main business lines.

In the management of its functional activities, IS Investment may be exposed to various integrated risk groups. The Company essentially carries out proactive control and management in relation to market, credit, liquidity and operational risk classes. The full text of the Risk Management Policy is posted on the website at [www.isyatirim.com.tr](http://www.isyatirim.com.tr).

IS Investment has set up an efficient internal audit system that incorporates internal control and inspection activities. The organization plan in place at IS Investment and all related principles and procedures are monitored for the purposes of orderly, efficient and effective execution of all acts and transactions undertaken by IS Investment, including those of its peripheral organization, in line with the management strategy and policies within the framework of existing legislation and regulations, ensuring the integrity and reliability of bookkeeping and record keeping systems, assuring timely and accurate availability of information in the data system, and preventing and identifying errors, fraud and irregularities.

In addition, inspectors audit compliance with the legislation and corporate policies based on the needs of the management, independently of IS Investment's day-to-day operations. Within this context, an audit system has been established which encompasses all activities and units of IS Investment, with a particular focus on the operation of the internal control system, which allows evaluation of these fields, and covers the systematic audit process resulting from the reporting and examination of evidence and findings used in evaluations.

Moreover, the Compliance Department in particular, as well as all other units, exercise the greatest care in relation to regulatory obligations, compliance with corporate policies, client satisfaction, reputation and reliability for the protection of the Company's reputation within the context of reputation risk/legal risk management. There are currently no active material lawsuits against our Company, nor are there any material penalties imposed by public authorities.

In addition, consultancy, our Company receives audit and rating services from various institutions, with no conflicts of interest in this issue.

## Opinion of the Audit Committee on the Internal Control System

Re.: Financial statements dated 31 December 2018r.  
Date: 4 February 2019

1. No negative findings were found with regard to the operation or effectiveness of IS Investment's accounting and internal control systems and we arrived at the conclusion that the conduct was properly and duly engaged in.

2.2. We have reviewed the financial statements for the period of 1 January 2018 - 31 December 2018, and in view of the fact that no negative views were raised by the responsible managers of the Company or by the independent auditor with regard to the Company's accounting principles or the factuality and accuracy of these reports to be publicly disclosed, the decision was taken to present the Company's financial statements for perusal by the Board of Directors

Erda Gerçek  
Member

Refet Soykan Gürkaynak  
Head

## Authority and Responsibilities of the Members of the Board of Directors and Executives

As specified in the Articles of Association of IS Investment, IS Investment is managed and externally represented by the Board of Directors. The Board of Directors may delegate its management and representation duties and powers, in part or in whole, under the Turkish Commercial Code to managing directors to be designated from among its members or to managers who are not necessarily shareholders.

The Board of Directors conducts its activities subject to the Turkish Commercial Code, Capital Market Law and applicable legislation.

## Operating Principles of the Board of Directors

The Board of Directors at IS Investment meets on a monthly basis at the minimum, and may convene at more frequent intervals as and when necessary. The meeting agenda is determined upon the proposal of the General Manager and approval by the Chairman of the Board. The meeting invitation is issued by the Chairman or the Vice Chairman of the Board of Directors. The Board of Directors met on 11 occasions and the average of the physical attendance to the meetings was 96% in 2018.

Shareholder(s) representing at least 5% of IS Investment's capital, and stakeholders defined in the CMB Corporate Governance Principles may invite the Board of Directors to convene upon lodging an appeal with the Chairman of the Board.

An Assistant General Manager has been assigned as a "Rapporteur" in order to keep members of the Board of Directors informed and to ensure communication.

Board members were not granted weighted voting rights or negative/ affirmative vetoing rights at the meeting.

The General Assembly has not received any decisions on account of related party or material transactions. Meeting minutes are kept in an audio format.

The operating principles of the Board of Directors, which include such information as meeting and decision quorums, are posted in detail on the corporate website at the address [www.isyatirim.com.tr](http://www.isyatirim.com.tr) and on the Public Disclosure Platform (KAP). The Company has purchased an insurance policy to cover any losses that members of the Board may cause to the Company due to misconduct.

### **Prohibition of carrying out Business and Competing with the Company**

It is stipulated in the Articles of Association that members of the Board of Directors may not seek authorization from the Annual General Meeting of Shareholders to be exempted from the prohibition on conducting business or competing with IS Investment.

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

In order to ensure that the duties and responsibilities of the board of directors are performed in a healthy manner, the Articles of Association stipulate that the necessary committees and units may be established and that the CMB corporate governance principles will be taken into consideration in the formation of such committees and units.

The Audit Committee, Corporate Governance Committee and Risk Committee function at IS Investment. All members of the Audit Committee and the heads of the Corporate Governance and Risk Committees are independent members. The duties of the Nomination and Remuneration Committees have been charged to the Corporate Governance Committee.

#### **The Audit Committee**

Refet Soykan Gürkaynak-	Head
Erda Gerçek	Member

The Audit Committee meets at least four times a year on a quarterly basis. The Committee met on 11 occasions in 2018. Taking into consideration that the responsible managers of the Company and the independent auditor did not express any negative views concerning the compliance of the 2018 financial statements with the Company's accounting principles or in regard to their factuality and accuracy, the Committee decided to present the Company's financial statements for perusal by the Board of Directors.

#### **The Corporate Governance Committee**

Erda Gerçek	Head
Volkan Kublay	Member
Funda Çağlan Mursaloğlu	Member

The Corporate Governance Committee has also assumed the responsibilities of the Nomination and Remuneration Committees. The Committee meets at least four times a year on a quarterly basis. The Committee met on five occasions in 2018. Decisions have been taken in committee meetings on issues such as investor relations work, pay rises, independent member assessment and corporate governance practices.

#### **Risk Committee**

Erda Gerçek	Head
Volkan Kublay	Member

The Risk Committee meets at least four times a year on a quarterly basis. The conclusions reached by the Committee are recorded in an official report and presented to the Board of Directors. The Committee met on 11 occasions in 2018. During the period, the committee decided on the early identification of risks that could endanger the Company's existence, development and sustainability and on taking measures related to them.

The Rapporteur of the Board of Directors also carries out the work of the committees.

The other committees that are structured under the chairmanship of a responsible Board Member determined by the Board of Directors' decision shall convene whenever necessary.

Committees set up under the Board of Directors, committee members, their functions and responsibilities, and operating procedures and principles are publicly disclosed on KAP and the corporate website at the address [www.isyatirim.com.tr](http://www.isyatirim.com.tr).



The Articles of Association set out that the decision-making process regarding material transactions defined in the CMB Corporate Governance Principles and other matters concerned with related parties shall be handled in accordance with the CMB's corporate governance requirements.

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

The strategic goals devised by the Executive Committee in relation to IS Investment's activities are presented in a report to the Board of Directors. This report covers information and forecasts concerning national and international markets, as well as macroeconomic assessments. The strategic goals determined within the framework of such information and forecasts are approved by the Board of Directors upon necessary assessments thereby following discussion of the prior period performance. The Board of Directors also deemed that the committees in 2018 have performed efficient work in accordance with their job descriptions.

There were no significant legislative amendments that could affect the Company's strategic objectives during the reporting period.

### **Financial Rights Provided to the Board of Directors**

The Articles of Association set out that the monthly salaries and attendance fees of Board members shall be determined by the General Assembly of Shareholders.

Based on the decisions passed at the Company's Annual General Meeting held on 27 March 2018, it was determined that a monthly gross salary of TL 10,750 would be paid to members of the Board of Directors. The minutes of the Annual General Meeting have been publicly disclosed in the form of a material event statement and also posted on the corporate website. A performance-based rewarding system is not implemented for the determination of Board members' financial rights. The total consolidated benefits provided to Board members and senior executives amounted to TL 26.9 million in 2018.

There were no transactions such as lending of money, extending credit or providing guarantees between IS Investment and the Board members or its executives.

## 21. AFFILIATED COMPANY REPORT AND RELATED PARTY TRANSACTIONS

The Company's related party transactions are detailed in the footnotes to the financial statements and on the corporate website.

### **Affiliated Company Report – Conclusion**

The commercial transactions which the Company realized with the controlling company, İşbank, the principal shareholder, and group companies affiliated to İşbank in the fiscal year covering the period 1 January – 31 December 2018, which are detailed herein, were required by the Company's activity and were carried out on an arm's length basis. The controlling company neither led any decisions to the detriment of the controlling company or a subsidiary thereof or the Company, nor carried out any transactions that would cause any loss to the the controlling company or a subsidiary of the Company.

Board of Directors

IS Investment

## 22. TRANSLATION OF A REPORT ORIGINALLY ISSUED IN THE TURKISH INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

### **To the Shareholders of İş Yatırım Menkul Değerler A.Ş**

#### **1) Opinion**

We have audited the annual report of İş Yatırım Menkul Değerler A.Ş. ("the Company) and its subsidiaries for the period of January 1 – December 31, 2018.

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

#### **2) Basis for Opinion**

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

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

We have expressed a positive opinion in our auditor's report dated January 29, 2018 on the full set consolidated financial statements of the Group for the period of January 1 – December 31, 2018.

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

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

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly
- b) Ensuring that annual report reflects the operations of the Group for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the consolidated financial statements. The development of the Group and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors on these issues is also included in this report.
- c) The annual report also includes the matters below:
  - Subsequent events which have taken place since the end of the fiscal year which have significance,
  - The research and development activities of the Group
  - The remuneration, premiums, allowances, travel, accommodation and representation expenses, in-kind and in-cash facilities, insurance and similar guarantees paid to the members of the Board of Directors and senior executives

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

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

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

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

The name of the engagement partner who supervised and concluded this audit is Emre Çelik.

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

Emre Çelik, SMMM  
Çap Auditor

February 4, 2019  
Istanbul, Turkey

**İŞ YATIRIM MENKUL DEĞERLER A.Ş.**  
www.isyatirim.com.tr

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## IS INVESTMENT

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**İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED  
DECEMBER 31, 2018 WITH INDEPENDENT AUDITORS' REPORT THEREON

## INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors of İş Yatırım Menkul Değerler A.Ş.**

### **A. Report on the Financial Statements**

#### **1) Opinion**

We have audited the consolidated financial statements of İş Yatırım Menkul Değerler A.Ş. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit and loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the same period, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards (TFRS).

#### **2) Basis for Opinion**

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



## INDEPENDENT AUDITOR'S REPORT

### 3) Key Audit Matters

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

<b>Derivative Financial Instruments</b>	
<p>For the first time derivative financial instruments including foreign exchange contracts, currency and interest rate swaps, currency and interest rate options, futures and other derivative financial instruments are initially recognized on the statement of financial position at fair value and subsequently are re-measured at their fair value.</p> <p>Fair value of the derivative financial instruments is determined by selecting most convenient market data and applying valuation techniques to those particular derivative products. Derivative Financial Instruments are considered by us as a key audit matter because of the subjectivity in the estimates, assumptions and judgements used.</p> <p>Details of derivative financial instruments are explained in Note 38.</p>	<p>Our audit procedures included among others involve auditing policies regarding fair value measurement accepted by the Group management fair value calculations of the selected derivative financial instruments which is carried out by valuation experts of our firm and the assessment of used estimations and the judgements and testing the assement of operating effectiveness of the key controls in the process of fair value determination.</p>

### 4) Responsibilities of Management and Directors for the Financial Statements

The Group management is responsible for the preparation and fair presentation of the financial statements in accordance with the Turkish Accounting Standards ("TAS") and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

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

The directors' responsibilities include overseeing the Group's financial reporting process.

## 5) Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

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

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

## INDEPENDENT AUDITOR'S REPORT

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

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

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

### B. Report on Other Legal and Regulatory Requirements

- 1) The Auditor's Report on the Early Risk Detection System and Committee organized in accordance with the fourth paragraph of Article 398 of the Turkish Commercial Code No. 6102 ("TCC") was presented to the Company's Board of Directors on February 4, 2018.
- 2) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period January 1 - December 31, 2018 are not in compliance with the code and provisions of the Group's articles of association in relation to financial reporting.
- 3) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner on the audit resulting in this independent auditor's report is Emre Çelik.

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

Emre Çelik, SMMM  
Partner  
February 4, 2019  
İstanbul, Türkiye

İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018 and 2017**

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

		<b>Audited Current Period</b>	<b>Audited Prior Period</b>
	<b>Notes</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	7	3.260.526.205	3.879.420.964
Financial Investments	8	758.591.597	760.714.160
Trade Receivables	11	1.682.373.619	2.499.512.671
<i>Due From Related Parties</i>	6	7.228.313	16.604.948
<i>Other Trade Receivables</i>		1.675.145.306	2.482.907.723
Other Receivables	12	172.636.610	146.316.108
<i>Due From Related Parties</i>	6	7.154.663	2.537.043
<i>Other Receivables</i>		165.481.947	143.779.065
Derivative Instruments	38	156.278.927	108.779.939
Inventories	14	64.897.927	61.699.114
Prepaid Expenses		8.019.208	9.113.934
Current Tax Assets		62.641.404	21.224.889
Other Current Assets	25	16.900.479	12.089.188
<b>SUBTOTAL</b>		<b>6.182.865.976</b>	<b>7.498.870.967</b>
Assets Held For Sale	32	12.042.188	11.312.488
<b>TOTAL CURRENT ASSETS</b>		<b>6.194.908.164</b>	<b>7.510.183.455</b>
<b>Non-current Assets</b>			
Financial Investments	8	57.207.768	34.491.291
Other Receivables	12	1.083.113	377.340
<i>Due From Related Parties</i>	6	150	150
<i>Other Receivables</i>		1.082.963	377.190
Investments in Equity Accounted Investees	17	14.637.467	19.335.288
Tangible Assets	19	35.168.889	41.684.118
Intangible Assets		55.091.740	57.472.598
<i>Goodwill</i>	18	38.593.847	38.593.847
<i>Other Intangible Assets</i>	20	16.497.893	18.878.751
Prepaid Expenses		249.439	453.096
Deferred Tax Assets	34	12.336.016	9.496.352
<b>TOTAL NON-CURRENT ASSETS</b>		<b>175.774.432</b>	<b>163.310.083</b>
<b>TOTAL ASSETS</b>		<b>6.370.682.596</b>	<b>7.673.493.538</b>

İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018 and 2017**

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

	Notes	Audited	Audited
		Current Period	Prior Period
		31 December 2018	31 December 2017
<b>LIABILITIES</b>			
<b>Short-Term Liabilities</b>			
Short Term Borrowings	9	3.342.129.139	4.193.023.814
<i>Due to Related Parties</i>		50.211.514	54.770.130
<i>Other Short Term Borrowings</i>		3.291.917.625	4.138.253.684
Short Term Portion of Long Term Borrowings	9	23.769.850	24.714.697
<i>Due to Related Parties</i>		17.451.725	18.479.130
<i>Other Borrowings</i>		6.318.125	6.235.567
Other Financial Liabilities	10	1.611.080	8.940.085
Trade Payables	11	1.586.588.130	2.210.529.554
<i>Due to Related Parties</i>	6	2.082.265	3.031.813
<i>Other Trade Payables</i>		1.584.505.865	2.207.497.741
Payables Relating to Employee Benefits		4.554.545	3.021.854
Other Payables	12	18.433.508	15.338.327
<i>Due to Related Parties</i>	6	2.017.137	1.475.096
<i>Other Payables</i>		16.416.371	13.863.231
Derivative Instruments	38	112.128.647	60.398.963
Current Tax Liabilities	34	2.275.932	1.992.399
Short Term Provisions		28.018.412	25.586.386
<i>Employee Benefits</i>	24	24.300.246	23.735.783
<i>Other Short Term Provisions</i>	22	3.718.166	1.850.603
Other Current Liabilities	25	13.133.630	28.104.193
<b>TOTAL CURRENT LIABILITIES</b>		<b>5.132.642.873</b>	<b>6.571.650.272</b>
<b>Long-Term Liabilities</b>			
Long Term Borrowings	9	127.869.163	95.620.834
<i>Due to Related Parties</i>		64.270.654	33.379.116
<i>Other Long Term Borrowings</i>		63.598.509	62.241.718
Other Payables	12	590.442	1.766.751
<i>Due to Related Payables</i>	6	361.856	1.305.214
<i>Other Payables</i>		228.586	461.537
Long Term Provisions		10.856.658	7.758.813
<i>Employee Benefits</i>	24	10.856.658	7.758.813
Deferred Tax Liabilities	34	8.506.777	17.122.892
Other Long Term Liabilities	25	5.124.270	3.782.273
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>152.947.310</b>	<b>126.051.563</b>
<b>EQUITY</b>			
<b>Total Equity Attributable to Equity Holders of the Company</b>		<b>805.284.982</b>	<b>681.877.659</b>
Paid in Capital	26	355.000.000	355.000.000
Share Premium		1.324.230	1.302.324
Other Comprehensive Income and Expenses to be Reclassified to Profit or Loss		31.666.739	13.857.524
<i>Currency Translation Differences</i>		7.812.161	5.005.609
<i>Fair Value Reserve</i>	26	23.854.578	8.851.915
Other Reserves	26	8.761.518	1.753.763
Restricted Reserves	26	83.855.163	62.346.550
Prior Year's Profit/Loss	26	102.976.315	90.642.341
Profit for the Year		221.701.017	156.975.157
<b>Non-Controlling Interests</b>	26	<b>279.807.431</b>	<b>293.914.044</b>
<b>TOTAL EQUITY</b>		<b>1.085.092.413</b>	<b>975.791.703</b>
<b>TOTAL LIABILITIES</b>		<b>6.370.682.596</b>	<b>7.673.493.538</b>

The accompanying notes form an integral part of these consolidated financial statements.

İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AS IF DECEMBER 31, 2018 and 2017**

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

		<b>Audited Current Period</b>	<b>Audited Prior Period</b>
	<b>Notes</b>	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
<b>STATEMENT OF PROFIT OR LOSS</b>			
<b>Revenue</b>	27	<b>45.139.711.945</b>	<b>49.200.993.260</b>
Sales Revenue	27	44.638.923.841	48.773.517.119
Interest and Derivative Income from Operating Activities, Net	27	164.720.617	147.202.174
Service Income, Net	27	258.201.975	223.174.092
Other Operating Income, Net	27	77.865.512	57.099.875
<b>Cost of Sales (-)</b>	27	<b>(44.412.494.178)</b>	<b>(48.622.885.569)</b>
<b>GROSS PROFIT/LOSS</b>		<b>727.217.767</b>	<b>578.107.691</b>
Administrative Expenses (-)	28	(262.777.435)	(238.734.372)
Marketing Expenses (-)	28	(102.516.097)	(105.619.781)
Research and Development Expenses (-)	28	(7165.235)	(3.633.043)
Other Operating Income	29	17.728.293	9.876.234
Other Operating Expenses (-)	29	(12.781.255)	(14.488.637)
<b>OPERATING PROFIT/LOSS</b>		<b>359.706.038</b>	<b>225.508.092</b>
Share of Profit/Loss of Equity Accounted Investees, Net of Income Tax	17	(4.697.821)	(2.387.979)
<b>OPERATING PROFIT/LOSS BEFORE FINANCE COST</b>		<b>355.008.217</b>	<b>223.120.113</b>
Finance Income	30	75.931.540	50.046.959
Finance Costs (-)	31	(132.482.768)	(73.851.260)
<b>PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS</b>		<b>298.456.989</b>	<b>199.315.812</b>
<b>Income Tax From Continuing Operations</b>	34	<b>(64.171.710)</b>	<b>(44.463.621)</b>
<i>Current Tax Expense</i>		(73.126.219)	(20.661.817)
<i>Deferred Tax Income/(Expense)</i>		8.954.509	(23.801.804)
<b>PROFIT FROM CONTINUING OPERATIONS</b>		<b>234.285.279</b>	<b>154.852.191</b>
<b>PROFIT FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
<b>PROFIT FOR THE YEAR</b>		<b>234.285.279</b>	<b>154.852.191</b>
<b>Profit Attributable to:</b>			
Non-controlling interests		12.584.262	(2.122.966)
Equity holders of the company		221.701.017	156.975.157
		<b>234.285.279</b>	<b>154.852.191</b>
<b>Earning per share</b>			
Earning Per Share From Continuing Operations	35	0,6245	0,4422
Earning Per Share From Discontinued Operations	35	-	-
<b>Diluted Earnings Per Share</b>			
Diluted Earnings Per Share From Continuing Operations	35	0,6245	0,4422
Diluted Earnings Per Share From Discontinued Operations	35	-	-

The accompanying notes form an integral part of these consolidated financial statements.

**İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**AS OF DECEMBER 31, 2018 and 2017**

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

		<b>Audited Current Period</b>	<b>Audited Prior Period</b>
		<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
	<b>Notes</b>		
<b>PROFIT FOR THE YEAR</b>		<b>234.285.279</b>	<b>154.852.191</b>
<b>OTHER COMPREHENSIVE INCOME:</b>			
<b>Items that not to be reclassified to profit or loss</b>	33	<b>(1.580.434)</b>	<b>(2.319.037)</b>
Net change in remeasurements of defined benefit liability		(1.975.542)	(2.898.796)
Related tax		395.108	579.759
<i>Deferred Tax Expense/Income</i>		<i>395.108</i>	<i>579.759</i>
<b>Items that are or may be reclassified to profit or loss</b>	33	<b>(1.995.182)</b>	<b>(852.459)</b>
Net change in fair values of available for sale financial assets		(1.356.844)	(1.271.438)
Change in Currency Translation Reserve		(706.180)	355.407
Related tax		67.842	63.572
<b>OTHER COMPREHENSIVE INCOME</b>		<b>(3.575.616)</b>	<b>(3.171.496)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>230.709.663</b>	<b>151.680.695</b>
<b>Total Comprehensive Income Attributable to:</b>			
Non-Controlling Interests		8.433.157	(3.312.144)
Equity Holders of the Company		222.276.506	154.992.839
		<b>230.709.663</b>	<b>151.680.695</b>



İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
AS OF DECEMBER 31, 2018 and 2017**

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

	Paid in Capital	Share Premium	Other Comprehensive Income to be reclassified to be profit or loss	
			Currency Translation Difference	Fair Value Reserve
<b>Balance at January 1, 2017</b>	<b>355.000.000</b>	<b>1.302.324</b>	<b>4.528.724</b>	<b>9.968.628</b>
Transfers to Reserves	-	-	-	-
Total Comprehensive Income	-	-	1.223.407	(1.116.713)
Increase/Decrease in Changes in Subsidiaries Due to Changes in Share Ratios Not Resulted by Loss of Control	-	-	-	-
Subsidiary acquisition or disposal	-	-	(746.522)	-
Change in Non-Controlling Interests	-	-	-	-
Dividends	-	-	-	-
<b>Balance at December 31, 2017</b>	<b>355.000.000</b>	<b>1.302.324</b>	<b>5.005.609</b>	<b>8.851.915</b>

	Paid in Capital	Share Premium	Other Comprehensive Income to be reclassified to be profit or loss	
			Currency Translation Difference	Fair Value Reserve
<b>Balance at January 1, 2018</b>	<b>355.000.000</b>	<b>1.302.324</b>	<b>5.005.609</b>	<b>8.851.915</b>
Corrections made in accordance with TMS 8	-	-	-	<b>15.849.281</b>
<b>Revised as of January 1, 2018</b>	<b>355.000.000</b>	<b>1.302.324</b>	<b>5.005.609</b>	<b>24.701.196</b>
Transfers to Reserves	-	-	-	-
Total Comprehensive Income	-	-	2.831.535	(1.058.271)
Change in Non-Controlling Interests	-	21.906	(24.983)	211.653
Dividends	-	-	-	-
<b>Balance at January 31, 2018</b>	<b>355.000.000</b>	<b>1.324.230</b>	<b>7.812.161</b>	<b>23.854.578</b>

		Retained Earnings				
Other Reserves	Restricted Reserves	Prior Year's Profit/(Loss)	Net Profit/Loss For The Year	Shareholders' Equity	Non-Controlling Interest	Equity
<b>1.753.763</b>	<b>53.180.123</b>	<b>92.979.665</b>	<b>53.891.828</b>	<b>572.605.055</b>	<b>307.721.051</b>	<b>880.326.106</b>
-	9.166.427	44.725.401	(53.891.828)	-	-	-
-	-	(2.089.012)	156.975.157	<b>154.992.839</b>	(3.312.144)	<b>151.680.695</b>
-	-	(619.008)	-	<b>(619.008)</b>	619.008	-
-	-	645.295	-	<b>(101.227)</b>	-	<b>(101.227)</b>
-	-	-	-	-	7.347.973	<b>7.347.973</b>
-	-	(45.000.000)	-	<b>(45.000.000)</b>	(18.461.844)	<b>(63.461.844)</b>
<b>1.753.763</b>	<b>62.346.550</b>	<b>90.642.341</b>	<b>156.975.157</b>	<b>681.877.659</b>	<b>293.914.044</b>	<b>975.791.703</b>

		Retained Earnings				
Other Reserves	Restricted Reserves	Prior Year's Profit/Loss	Net Profit/Loss For The Year	Shareholders' Equity	Non-Controlling Interest	Equity
<b>1.753.763</b>	<b>62.346.550</b>	<b>90.642.341</b>	<b>156.975.157</b>	<b>681.877.659</b>	<b>293.914.044</b>	<b>975.791.703</b>
-	-	<b>(5.802.582)</b>	-	<b>10.046.699</b>	<b>(675.347)</b>	<b>9.371.352</b>
<b>1.753.763</b>	<b>62.346.550</b>	<b>84.839.759</b>	<b>156.975.157</b>	<b>691.924.358</b>	<b>293.238.697</b>	<b>985.163.055</b>
7.000.000	20.660.299	129.314.858	(156.975.157)	-	-	-
-	-	(1.197.775)	221.701.017	<b>222.276.506</b>	8.433.157	<b>230.709.663</b>
7.755	848.314	19.473	-	<b>1.084.118</b>	4.567.290	<b>5.651.408</b>
-	-	(110.000.000)	-	<b>(110.000.000)</b>	(26.431.713)	<b>(136.431.713)</b>
<b>8.761.518</b>	<b>83.855.163</b>	<b>102.976.315</b>	<b>221.701.017</b>	<b>805.284.982</b>	<b>279.807.431</b>	<b>1.085.092.413</b>

İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS  
AS OF DECEMBER 31, 2018 and 2017**

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

		<b>Audited Current Period</b>	<b>Audited Prior Year</b>
	<b>Notes</b>	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Net Profit for the year</b>		<b>234.285.279</b>	<b>154.852.190</b>
<b>Adjustments to reconcile net profit/(loss)</b>			
Adjustments for depreciation and amortization	19-20	17.476.256	15.395.693
Changes in provisions		13.441.713	14.004.397
Interest income and expenses	7-9	6.482.631	(3.480.308)
Adjustments related to share-based payments		(2.547.057)	(2.310.069)
Adjustments related to fair value losses/gains		(18.960.490)	(17.348.260)
Changes in tax loss/income	34	64.171.710	44.737.216
Gain/losses from sales of tangible assets	19-20	(216.064)	-
Adjustments related to investments accounted for using the equity method	17	4.697.821	2.387.979
Other adjustments related to profit/loss reconciliation		(18.439.857)	13.050.887
<b>Changes in net working capital</b>			
Increases/decreases in inventories		(3.198.813)	6.777.457
Increases/decreases in trade receivables		817.139.052	(761.973.969)
Increases/decreases in other receivables		(69.876.803)	(42.999.917)
Changes in restricted deposits	7	(174.735)	179.587
Increases/decreases in trade payables		(623.941.424)	788.855.059
Increases/decreases in other payables		5.385.031	5.088.234
<b>Cash flows from operating activities</b>			
Current tax paid		(75.343.956)	(20.964.690)
Employment termination benefits paid/return		(727.743)	(4.917.343)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increases/decreases in financial investments		(54.622.203)	(243.388.959)
Proceeds from acquisition of associates		40.084	75.135
Proceeds from disposal of property, plant and equipment	19	3.462.693	3.489.887
Cash inflow from sales of tangible assets	19	(6.922.825)	(21.951.038)
Dividend income	30	2.547.057	2.310.069
Cash outflow from purchases of intangible assets	20	(4.139.137)	(4.387.336)
Corrections related to losses (gains) arising from the change in profit or loss of associates, joint ventures and financial investments		-	(101.227)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from financial liabilities		69.151.398.112	106.142.364.149
Repayments of financial liabilities		(70.040.985.369)	(106.298.477.091)
Dividends paid	26	(136.431.713)	(63.461.844)
Change in time deposits with original maturities longer than three months		10.034.424	(184.608.917)
Change in other financial liabilities		44.400.681	(44.090.721)
Financing cash inflows from commercial paper		6.474.893.084	7.621.955.553
Financial cash outflows from commercial paper		(6.411.523.291)	(7.162.348.562)
Change in non-controlling interest		-	2.107.893
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES (A+B+C)</b>			
		<b>(618.195.852)</b>	<b>(59.178.866)</b>
<b>D. EFFECTS OF UNREALIZED EXCHANGE LOSS/(GAIN) ON CASH AND CASH EQUIVALENTS</b>			
		<b>2.831.535</b>	<b>1.223.407</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>			
		<b>(615.364.317)</b>	<b>(57.955.459)</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>			
	7	<b>3.871.732.152</b>	<b>3.929.687.611</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>			
	7	<b>3.256.367.835</b>	<b>3.871.732.152</b>

The accompanying notes form an integral part of these consolidated financial statements.

## İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017**

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

**1. ORGANIZATION AND OPERATIONS OF THE GROUP**

The purpose of İş Yatırım Menkul Değerler Anonim Şirketi ("the Company") is to perform capital market activities in accordance with its Articles of Association of the Capital Markets Law. In this respect, the Company obtained the establishment permission through the Capital Markets Board's (the "CMB") meeting No: 51/1515 on December 5, 1996.

The Company is registered in Turkey and the head quarter of the Company operates at the address below. The contact information of the Company's head quarter and web site is stated below:

Levent Mahallesi, Meltem Sokak, İş Kuleleri, Kule - 2 Kat 13, 34330, Beşiktaş/İstanbul/Türkiye  
Telephone: + 90 (212) 350 20 00 Fax: + 90 (212) 350 20 01  
<http://www.isyatirim.com.tr>

Türkiye İş Bankası AŞ is the main shareholder of the Company. The equity shares of the Company are traded on the stock Exchange.

As at December 31, 2018, the Company has 342 employees (31 December 2017: 346).

As at December 31, 2018, the details of the Company's subsidiaries included in consolidation are as follows:

**Subsidiaries:**

Company	Place of incorporation	Business Activity
Efes Varlık Yönetim AŞ	İstanbul	Asset management
İş Girişim Sermayesi Yatırım Ortaklığı AŞ <sup>(*)</sup>	İstanbul	Private equity
İş Portföy Yönetimi AŞ	İstanbul	Portfolio management
İş Yatırım Ortaklığı AŞ	İstanbul	Investment trust
Maxis Girişim Sermayesi Portföy Yönetimi AŞ.	İstanbul	Portfolio management
Maxis Investments Ltd.	London	Securities brokerage

<sup>(\*)</sup> Subsidiaries of İş Girişim Sermayesi Yatırım Ortaklığı AŞ are presented in Note 2.1

The Company and its consolidated subsidiaries, jointly controlled entities and associates are referred to as "the Group" in this report. The operations of the subsidiaries included in the consolidation are stated below:

**Efes Varlık Yönetim AŞ**

The subsidiary has been established on February 8, 2011. The purpose of the subsidiary is to buy and sell receivables and other assets of deposit banks, participation banks and other financial institutions.

**İş Girişim Sermayesi Yatırım Ortaklığı AŞ ("İş Girişim Sermayesi"):**

The operations of this subsidiaries are mainly making long-term investments in entrepreneurships founded or to be found in Turkey with a development potential and in need of capital.

**İş Portföy Yönetimi AŞ:**

This subsidiary was registered with the Istanbul Trade Registry on 23 September 2000 and its foundation was published in the Trade Registry Gazette No: 5168 on 6 November 2000. Its purpose is to perform capital market activities in accordance with its Articles of Association and the Capital Markets Law and the related regulation. This participation offers only portfolio management and investment advisory services within the context of capital market activities to institutional investors.

## İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

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

#### 1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

İş Yatırım Ortaklığı AŞ (Previous Title: İş B Tipi Yatırım Ortaklığı AŞ):

The purpose of this subsidiary is to perform capital market activities in accordance with the Capital Markets Law and the related regulation. This subsidiary performs capital market activities and managing its own portfolio.

Maxis Girişim Sermayesi Portföy Yönetimi AŞ:

The activity of the subsidiary established on November 2, 2017 and started operating in May 17, 2018 is the establishment and management of venture capital investment funds within the framework of the Capital

Markets Law and related legislative provisions. An application has been made to the Capital Markets Board for the relevant transaction.

Maxis Investments Ltd.:

The subsidiary has been established with the official registration with "The Official Seal of the Registrar of Companies" on August 8, 2005 located on 7 Princes Street, London. The purpose of the subsidiary is to perform profitable operations in the international capital markets.

#### Associates and jointly controlled entities:

Associates are entities on which the Group has significant influence apart from subsidiaries. Significant influence is the participation power to govern the financial and operating policies of an entity without having individually or jointly control power. Joint ventures are controlled by the Group with a contractual agreement and the Group have the authority on strategic, financial and operational decisions of joint ventures by these agreements. The details of Group's associates as at December 31, 2017 are as follows:

#### Associate

Company Name	Type of Services	Main Operations
Radore Veri Hizmetleri AŞ ("Radore")	Data services	Information technology sector, data center management and other works written in the main contract.
Mika Tur Seyahat Acenteliği ve Turizm AŞ ("Mika Tur")	Tourism	Travel Agency

The Group invested in Radore Veri Hizmetleri AŞ with a consideration of TL 17.500.000 on October 2, 2014 and Mika Tur Seyahat Acenteliği ve Turizm AŞ with a consideration of TL 11.288.195 on November 6, 2015 and September 22, 2016.

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

### 2.1 Basis of presentation

#### Financial reporting standards

Approval of Financial Statements

The Group's consolidated financial statements as at and for the year then ended December 31, 2018 have been approved by the Board of Directors and authorization for issue has been given on February 4, 2019. The General Assembly has the authority to amend the consolidated financial statements after publishing.

## İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017**

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

**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)**2.1. Basis of presentation** (cont'd)**Financial reporting standards** (cont'd)Preparation of Consolidated Financial Statements and Statement of Compliance to TAS

The accompanying consolidated 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 June 13, 2013. According to the Communiqué, financial statements are prepared in accordance with Turkish Accounting Standards ("TAS") which are published by the 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 consolidated financial statements as at December 31, 2018 have been prepared in accordance with the 2016 TAS Taksonomi approved by the Board decision dated June 2, 2016, developed by the UPS based on Article 9 (b) of the Decree Law No. 660 ("KKK"). The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code ("TCC") and tax legislation. Businesses which are controlled by subsidiaries operating in foreign countries maintain their books of account in the currencies of those countries and prepare their statutory financial statements in accordance with the prevailing legislation in those countries.

**Functional and Reporting Currency**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional and presentation currency of the Company.

Foreign currency exchange rates used by the Group are as follows:

	31 Aralık 2018	31 Aralık 2017
USD	5,2609	3,7719
EURO	6,0280	4,5155
GBP	6,6528	5,0803

**Assumption of Going Concern**

The consolidated financial statements of the Group are prepared on a going concern basis, which presumes the realization of assets and settlement of liabilities of the Company and its consolidated subsidiaries, jointly controlled entities and associates in the normal course of operations and in the foreseeable future.

**Basis of Consolidation***Subsidiaries:*

Subsidiaries are entities controlled by the Group. The Group can control a business when exposure, or rights, to variable returns due to its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries have been included in the consolidated financial statements from the date control commences until the date that controls ends. Non-controlling interests in the net assets of the consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest share of changes in equity since the date of the combination. Even if the non-controlling interests result in a reverse balance, total comprehensive income is attributable to the equity holders of the Company and to the non-controlling interests.

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)

**2.1. Basis of Presentation** (cont'd)

**Basis of Consolidation** (cont'd)

Subsidiaries: (cont'd)

The details of the Company's subsidiaries are as follows:

Subsidiaries	Ownership as at 31 December 2018	Ownership as at 31 December 2017
Efes Varlık Yönetim AŞ	74,00%	74,00%
İş Girişim Sermayesi Yatırım Ortaklığı AŞ	30,49%	30,49%
İş Portföy Yönetimi AŞ	70,00%	70,00%
İş Yatırım Ortaklığı AŞ	29,58%	29,58%
Maxis Girişim Sermayesi Portföy Yönetimi AŞ.	100,00%	100,00%
Maxis Investments Ltd.	100,00%	100,00%
Nevotek Bilişim Ses ve İletişim Sis. San. ve Tic. AŞ ("Nevotek") <sup>(*)</sup>	93,46%	89,72%
Ortopro Tıbbi Aletler Sanayi ve Ticaret AŞ ("Ortopro") <sup>(*)</sup>	90,63%	90,63%
Toksöz Spor Malzemeleri Ticaret AŞ ("Toksöz Spor") <sup>(*)</sup>	88,27%	88,27%
Num Num Yiyecek ve İçecek AŞ ("Num Num") <sup>(*)</sup>	83,57%	83,57%

<sup>(\*)</sup>The subsidiaries of İş Girişim Sermayesi are presented with İş Girişim Sermayesi's ownership percentages.

The accounting policies of subsidiaries are changed as necessary to align them with the policies adopted by the Group.

Associates and joint ventures:

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in associates and jointly controlled entities are accounted for using the equity method and are recognized initially at cost.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The details of the Group's associates are as follows:

Associates	Place of incorporation	Share on capital (%)		Main Business Area
		31 December 2018	31 December 2017	
Radore <sup>(*)</sup>	Turkey	25,50	25,50	Data Services
Mika Tur <sup>(*)</sup>	Turkey	20,00	20,00	Tourism

<sup>(\*)</sup>The subsidiaries of İş Girişim Sermayesi are presented with İş Girişim Sermayesi's ownership percentages.

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)****2.1. Basis of Presentation (cont'd)****Basis of Consolidation (cont'd)**Goodwill:

Goodwill represents the excess cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate. Goodwill on acquisitions of associates is included in "Associates or Associates Accounted by Using Equity Method" and is tested for impairment as part of the overall balance. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

If the fair value of identifiable assets, liabilities, the fair value of contingent liabilities or the cost of mergers can only be determined temporarily on the carrying amount, hence the accounting of the merger can only be made temporarily at the end of the period which the merger is realized, then the acquirer recognizes the merger at its temporary value. The mentioned temporary recognition should be completed within the following 12 months and all adjustments including goodwill should be made as of the merger date.

Transactions eliminated on consolidation:

Statements of financial positions and profit and loss of the companies who are included in the consolidation are consolidated based on full consolidation method and by netting off their book value within the Company's assets and their shares within the Company's equity. Portion of the net assets of the subsidiaries that are not directly or indirectly controlled by the parent company, is recognized under "Non-Controlling Interests" in the consolidated statement of financial position. In addition, the portion of the net profit or loss of the subsidiaries that are not directly or indirectly controlled by the Parent company, is also recognized under "Non-Controlling Interests" in the consolidated statement of profit or loss. Intragroup balances and transactions of the companies who are included in the consolidation are eliminated. Profit or loss realized

due to the transactions between the group companies or joint ventures, are eliminated by using the Group's share ratio of the related company or joint venture.

**2.2 Changes in the Accounting Estimates and Error**

The Group has started to apply TFRS 9 Financial Instruments ("TFRS 9") published by Public Oversight Accounting and Auditing Standards Authority ("POA") for the first time in the current period. Within the scope of the transition clauses of the mentioned standard that replaces TAS 39 Financial Instruments: "Accounting and Measurement", prior period's financial statements and disclosures have not been adjusted, however the total effect of standard's first application has been presented within the equity in the current period.

As of January 1, 2018, the Group has valued the shares of Borsa Istanbul A.Ş. and İstanbul Takas ve Saklama Bankası A.Ş. at the price from which Borsa Istanbul A.Ş. is planning to buy related shares.

Regarding the revaluation of related shares which was recognized under "Financial Assets Held for Sale" as of December 31, 2017, the statement of financial position as of January 1, 2018 has been readjusted. The Group has not made a classification between financial asset categories based on the transition to TFRS 9. In accordance with the standard of TFRS 9, the Group has calculated the expected credit loss as of January 1, 2018.



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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)

**2.2 Changes in the Accounting Estimates and Error** (cont'd)

Related changes are presented in the table below;

	<b>Announced January 1, 2018</b>	<b>Adjustment of the Accounting Policy Change</b>	<b>Restated January 1, 2018</b>
Cash and Cash Equivalents	3.879.420.964	(8.097.411)	3.871.323.553
Long Term Financial Investments	34.491.291	16.701.245	51.192.536
Deferred Tax Asset	9.496.352	1.619.482	11.115.834
Deferred Tax Liability	17.122.892	851.964	17.974.856
<b>EQUITY</b>			
<b>Total Equity Attributable to Equity Holders of the Company</b>	<b>681.877.659</b>	<b>10.046.699</b>	<b>691.924.358</b>
Paid in Capital	355.000.000	-	355.000.000
Share Premium	1.302.324	-	1.302.324
Other Comprehensive Income and Expenses to be Reclassified to Profit or Loss	13.857.524	15.849.281	29.706.805
<i>Currency Translation Differences</i>	5.005.609	-	5.005.609
<i>Fair Value Reserve</i>	8.851.915	15.849.281	24.701.196
Other Reserves	1.753.763	-	1.753.763
Restricted Reserves	62.346.550	-	62.346.550
Prior Period Profit/Loss	90.642.341	(5.802.582)	84.839.759
Current Period Profit/Loss (Net)	156.975.157	-	156.975.157
<b>Non Controlling Interests</b>	<b>293.914.044</b>	<b>(675.347)</b>	<b>293.238.697</b>
<b>TOTAL EQUITY</b>	<b>975.791.703</b>	<b>9.371.352</b>	<b>985.163.055</b>
<b>TOTAL LIABILITIES</b>	<b>7.673.493.538</b>	<b>10.223.316</b>	<b>7.683.716.854</b>

The effects of TFRS 9 on the consolidated statement of financial position as of December 31, 2018 and the effects on the statement of profit or loss for the same period are given below.

**Classification and Measurement**

Group within the scope of "TFRS 9 Financial Instruments", classifies and accounts its financial assets as "Financial Assets at Fair Value Through Profit or Loss", "Financial Assets at Fair Value Through Other Comprehensive Income" or "Financial Assets at Measured at Amortised Cost" by taking into account their business model and contractual cash flow characteristics. The Group recognizes a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the financial instrument. The Group recognizes financial assets at the date when they are acquired. TFRS 9 replaces the categories of TAS 39 held to maturity, loans and receivables and financial assets held for sale.

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)

**2.2 Changes in the Accounting Estimates and Error** (cont'd)

**Classification and Measurement** (cont'd)

Financial assets measured at amortized cost are those financial assets that are held within the framework of a business model aimed at collecting contractual cash flows over the life of the asset and which result in cash flows that include principal and interest on the principal amount outstanding at specific dates. The Group's financial assets that are measured at amortized cost include "cash and cash equivalents", "trade receivables", "other receivables" and "financial investments". Financial assets measured at amortized cost with the initial recognition at fair value including transaction costs are subject to valuation with their discounted cost value by using the effective interest rate method, net of any provision for impairment. The fair value differences due to the valuation of financial assets measured at amortized cost and non-derivative financial assets, are accounted under consolidated statement of income.

Financial assets at fair value through other comprehensive income are financial assets that are held under a business model that aims both to collect contractual cash flows and to sell financial assets, and financial assets with contractual terms that lead to cash flows that are solely payments of principal and interest on the principle amount outstanding at specific dates. Gains and losses, except impairment gain or loss and foreign exchange gain or loss, arising from changes in the fair value of financial assets at fair value through other comprehensive income are reflected to other comprehensive income until derecognized or reclassified. When financial asset is disposed, the related fair value differences accumulated in the other comprehensive income are transferred to prior year's profit.

The Group, can prefer transferring the fair value differences from investments in equity instruments to other comprehensive income, within the period of initial recognition. Dividend income arising from investments in equity intruments that are classified as at fair value through other comprehensive income is also recognized in consolidated statement of income.

Financial assets other than financial assets that are measured at amortized cost or at fair value through other comprehensive income, are measured at fair value through profit or loss. The fair value differences related to the revaluation of mentioned financial assets are accounted under consolidated statement of income.

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)

**2.2 Changes in the Accounting Estimates and Error** (cont'd)

**Classification and Measurement** (cont'd)

The reclassification of financial assets and liabilities within the scope of TFRS 9, are given below. The reclassifications does not have any impact on the calculation of financial assets.

	<b>Previous Classification According to TAS 39</b>	<b>Reclassification According to TFRS 9</b>
<b>Financial Assets</b>		
Cash and Cash Equivalents	Loans and Receivables	Measuerd at Amortized Cost
Financial Investments	Financial Assets Held to Maturity	Measuerd at Amortized Cost
Financial Investments	Financial Assets Held for Sale	Fair Value through Other Comprehensive Income
Derivative Instruments	Fair Value through Profit or Loss	Fair Value through Profit or Loss
Trade Receivables	Loans and Receivables	Measuerd at Amortized Cost
Other Receivables	Loans and Receivables	Measuerd at Amortized Cost
<b>Financial Liabilities</b>		
Financial Payables	Measuerd at Amortized Cost	Measuerd at Amortized Cost
Trade Payables	Measuerd at Amortized Cost	Measuerd at Amortized Cost
Derivative Instruments	Fair Value through Profit or Loss	Fair Value through Profit or Loss
Other Payables	Measuerd at Amortized Cost	Measuerd at Amortized Cost

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** *(cont'd)***2.3. Basis of Presentation of the Consolidated Financial Statements****The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

**i) The new standards, amendments and interpretations which are effective as at January 1, 2018 are as follows:****IFRS 15 Revenue from Contracts with Customers**

In September 2016, POA issued IFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step

model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

**IFRS 9 Financial Instruments**

In January 2017, POA issued the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted by applying all requirements of the standard. The Group recognized the effects of IFRS 9 on financial instruments, within the statement of financial position as of December 31, 2018, and under prior year's profit or loss. The Standard's effects on the Group's financial position and performance are explained in Footnote 2.2.

**IFRS 4 Insurance Contracts (Amendments)**

In December 2017, POA issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach.

The standard is applicable for the periods after January 1, 2018 and will not have an impact on the financial position or performance of the Group.

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#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

##### 2.3. Basis of Presentation of the Consolidated Financial Statements *(cont'd)*

###### i) The new standards, amendments and interpretations which are effective as at January 1, 2018 *(cont'd)*

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

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

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

The interpretation is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

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

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

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

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

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

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

###### **Annual Improvements to TFRS - 2014-2016 Cycle**

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

- TAS 28** Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying TFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

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

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)**2.3. Basis of Presentation of the Consolidated Financial Statements** (cont'd)**ii) Standards issued but not yet effective and not early adopted**

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

**TFRS 16 Leases**

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

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

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Transition to TFRS 16:

The Group plans to adopt TFRS 16 using the modified retrospective approach. The Group plans to elect to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

The Group has assessed the impact of TFRS 16 on its consolidated financial statements, including its subsidiaries and foresees the recognition of an asset utilization right of 0.5 to 2% of consolidated assets and the lease obligations. This calculation will be revised in 2019 due to variations in the parameters used.

**TAS 28 Investments in Associates and Joint Ventures (Amendments)**

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

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#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

##### 2.3. Basis of Presentation of the Consolidated Financial Statements *(cont'd)*

###### ii) Standards issued but not yet effective and not early adopted *(cont'd)*

###### TAS 28 Investments in Associates and Joint Ventures (Amendments) *(cont'd)*

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

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

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

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

In December 2017, POA postponed the effective date of this amendments in TFRS 10 and TAS 28 indefinitely, regarding the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will evaluate the impact of the amendments after the mentioned standards reach their final version.

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

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

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

- (a) whether an entity considers uncertain tax treatments separately;
- (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (d) how an entity considers changes in facts and circumstances.

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

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)**2.3. Basis of Presentation of the Consolidated Financial Statements** (cont'd)**ii) Standards issued but not yet effective and not early adopted** (cont'd)**IFRIC 23 Uncertainty over Income Tax Treatments** (cont'd)

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

**Annual Improvements - 2015-2017 Cycle**

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

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

Overall, the Group expects no significant impact on its balance sheet and equity

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

The Group is not expecting any impact on balance sheet and equity.

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

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement". The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs. An entity shall apply these amendments for annual reporting periods beginning on or after 1 January 2019, early application is permitted. If an entity applies these amendments for an earlier period, it shall disclose that fact.

**Prepayment Features with Negative Compensation (Amendments to TFRS 9)**

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

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

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

The Group is not expecting any impact on balance sheet and equity.



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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

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#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

##### 2.3. Basis of Presentation of the Consolidated Financial Statements *(cont'd)*

##### Prepayment Features with Negative Compensation (Amendments to TFRS 9) *(cont'd)*

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

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

##### Annual Improvements - 2010-2012 Cycle

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

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

##### Definition of a Business (Amendments to IFRS 3)

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

The amendments:

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

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

The Group is not expecting any impact on balance sheet and equity.

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

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

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

The Group is not expecting any impact on balance sheet and equity.

## İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

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

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

##### 2.4. Comparative Figures

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements.

##### 2.5. Summary of Significant Accounting Policies

The Group's accounting policies used in the preparation of these consolidated financial statements as at December 31, 2018 except new standards beginnings from January 1, 2018 and the adoption of amendments are consistent with the accounting policies which was used for the year ended 31 December 2017 annual consolidated financial statements.

##### Revenue:

The Group immediately recognizes gain on sale of marketable securities in its portfolio, when proceeds on such sale transactions are deemed to be collectable while dividend and similar type of revenue are recognized when proceeds on such sale transactions are deemed to be collectable at maturity.

##### *Interest income and expenses*

Interest income and expenses are recognized in the statement of profit or loss on an accrual basis. Interest income include coupon payments on fixed income securities, interest income on the Stock Exchange Money Market transactions and reverse repurchase agreements and interest on guarantees given for futures transactions.

##### *Service income*

Revenue generated from a service contract is recognized by reference to the stage of completion of the contractual obligation. In this respect, fees and commissions generated as a consequence of the completion of the service contract or service, mutual fund management fees, portfolio management commissions and agency commissions are recognized on an accrual basis.

##### *Dividend income*

Dividend income from equity shares is recognized when the shareholders' rights to receive payment have been established.

##### *Private equity*

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

Revenues from sale of subsidiary or associate resulting in change in control are recognized when the sales are realized. Consultancy services given to associates are recognized at the date of the service rendered.

##### *IT, audio and communication systems*

Revenue is recognized on an accrual basis by the amount of excess of the fair value if it is probable that the future economic benefits of the revenue will flow to the Group.

The Group recognizes revenue when the Group has available contracts with clients, product or service is delivered, amount of revenue measured reliably, and it is probable that the Group will be receiving economical benefit.

The Group recognizes revenue for license and software solutions after the software is delivered and the service is started to be used by considering the conditions mentioned in the first paragraph.

## İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### 2.5. Summary of Significant Accounting Policies (cont'd)

###### Revenue (cont'd):

###### *Trade of orthopedics, medical equipments and sport products*

Revenues are calculated by received payments or fair value of payments which will be received. Estimated refunds, discounts, and provisions are deducted from the mentioned amount.

###### *Food and beverage services revenue*

Revenue is measured at fair values of the consideration received or receivable. Estimated discount is recognized as a reduction of revenue as the sales are granted.

Food and beverage revenues are recognized as the services are rendered. Revenues that are measured at fair values of the consideration received or receivable and after sale discounts and deductions.

###### *Restaurant sponsorship revenue*

Sponsorship revenues are earned as cash and non-cash benefits from sales of food suppliers and other suppliers in respect of their marketing activities. Sponsorship revenues are recognized as the services are rendered related to sponsorship activities performed. Sponsorship revenue related with uncollected part of long term agreements are deferred until services are rendered. There are no deferred costs related to these revenues.

###### *Restaurant commission revenue*

Commission revenues are generated from franchising agreements that were made in order to lease registered trademarks and also restaurants' operating rights to third parties. Commission revenues include both franchise entrance fees and sale commission fees which is computed over the specified rate. Franchise entrance fees are recognized as revenue as a restaurant which is mentioned on the agreement start to operate. Sale commission fees are recognized as revenue when recovery of the consideration is probable and if the entity believes that the payment amount is collectible and there is sufficient evidence that the amount of revenue can be measured.

###### *Sport goods sold*

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received and receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of the ownership have been transferred to customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

###### Inventories:

Inventories are measured at the lower of cost and net realizable value. Costs involved in inventories are comprised of direct material, direct labour used for bringing inventories to their existing condition if applicable and production overheads. Weighted average cost method is used in calculating cost of inventories. Net realizable value is estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

###### Tangible Assets:

Items of tangible assets of the Turkish entities purchased before 1 January 2005 are stated at cost adjusted for the effects of inflation during the hyperinflationary period lasted through December 31, 2004, and tangible assets purchased after January 1, 2005 are recorded at their historical costs less accumulated depreciation and accumulated impairment losses.

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)

**2.5. Summary of Significant Accounting Policies** (cont'd)

**Tangible Assets:** (cont'd)

*Depreciation*

Depreciation is recognized over the estimated useful lives of the related assets from the date of acquisition or the date of installation, on a straight-line basis.

Leasehold improvements are depreciated over the lower of the periods of the respective leases and useful lives, on a straight-line basis.

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

	<b>Useful life</b>
Machinery and equipment	3-15 years
Vehicles	4-5 years
Furnitures and fixtures	2-15 years
Leasehold improvements	5-10 years
Other tangible assets	5-10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

*Subsequent expenditure*

Expenditure incurred to replace a component of an item of tangible assets that is accounted for separately, including major inspection and overhauls costs, are capitalized. Other subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the item of tangible assets. All other expenditures are recognized in profit or loss as an expense as incurred.

**Leasing Transactions:**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases of the Group are recognized at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognized in the statement of profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)

**2.5. Summary of Significant Accounting Policies** (cont'd)

**Intangible Assets:**

Intangible assets are comprised of trademarks and licenses and information technologies and computer software. Intangible assets are carried at restated cost for the effects of inflation in TL units current at December, 31 2004 for the intangible assets acquired before January, 1 2005, and intangible assets acquired after January, 1 2005 are carried at acquisition cost less accumulated amortization and impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives for a period not exceeding 5 years from the date of acquisition.

Trademarks and Licenses:

Acquired trademarks and licenses are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (not exceeding five years).

Computer Software:

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 - 5 years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding three years).

Intangible Assets Acquired in a Business Combination:

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they meet the definition of an intangible asset and their fair value can be measured reliably. Cost of such intangible fixed assets is the fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)**2.5. Summary of Significant Accounting Policies** (cont'd)**Intangible Assets:** (cont'd)Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible assets and use or sell it,
- The ability to use or sell the intangible asset,
- How the intangibles asset will generate probable future economic benefits,
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in the statement of profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the differences between the net disposal proceeds and the carrying amount of the asset. The difference is recognized in the statement of profit or loss when the asset is derecognized.

**Impairment of Assets:**

Assets that have an indefinite useful life, like goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

##### 2.5. Summary of Significant Accounting Policies *(cont'd)*

###### **Assets Held for Sale:**

Assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale or distribution. These assets can be an operating unit, sales groups or a separate tangible asset. Assets held for sale are expected to be sold in twelve months following the reporting period. The assets held for sale are measured at the lower of their carrying amount and fair value. In the condition that the carrying amount exceeds the fair value, the impairment is recognized as a loss in the related period's profit or loss statement.

###### **Borrowing Costs:**

In the case of assets that require considerable time to be ready for use and sale, the borrowing costs directly attributable to the acquisition, construction or production are included in the cost of the asset until the asset is ready for use or sale. The financial investment income, which is obtained by evaluating the unspent portion of the investment-related loan temporarily in financial investments, is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are recognized under the statement of profit or loss in the period that they occur.

###### **Financial Instruments:**

A financial asset or a financial liability is recognized in the statement of financial position only when it is a party to the contract of the financial instrument. Normal purchases or sales of financial instruments are recognized in the financial statements or excluded from the financial statements by using one of the accounting methods on the transaction date or delivery date. The initial recognition and classification of financial instruments depends on the contractual terms and the relevant business model. A financial asset or financial liability other than TFRS 15 Customer Contracts are measured at fair value when first recognized in financial statements. Transaction costs directly attributable to the acquisition or the issuance of financial assets and liabilities, except for the fair value changes recognized in profit or loss, are also added to the fair value or deducted from the fair value.

The classification of financial instruments during the initial recognition depends on the characteristics of the contractual cash flows.

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)

**2.5. Summary of Significant Accounting Policies** (cont'd)

**Financial Instruments:** (cont'd)

The financial assets and liabilities of the Group under TFRS 9 are as follows:

Financial Assets:

Financial investments, except financial assets classified at fair value through profit or loss and financial assets initially recognized at fair value, are recognized at fair value net of directly attributable transaction costs. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: "financial assets at fair value through profit or loss ("FVTPL")", "financial assets measured at amortized cost", and "financial assets at fair value through other comprehensive income ("FVTOCI)".

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading. 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 for hedging purposes.

Financial assets measured at amortized cost

Financial assets are aimed at collecting contractual conditions of the financial asset cause cash flows that include payments due to the principal and principal balance at certain dates are classified as financial assets measured at amortized cost. It is valued at amortized cost using the effective interest method, and provision is set for impairment. Interest income from held to maturity investments is recognized as "interest income" in profit or loss.

Financial assets at FVTOCI

The contractual financial transactions of the financial asset are classified as being non-collected and the financial asset's resulting cash flows that include the average interest rates from the principal and principal balance in terms of the conditions, specifications, nearby principal and principal balance of the assets. Financial assets at fair value through other comprehensive income are initially recognized at their fair value including their transaction costs on the financial statements. However, if the fair value cannot be determined reliably, for those with a fixed maturity, the discount rate is calculated using the internal rate of return method for those who do not have a fixed maturity, they are valued using fair value pricing models or discounted cash flow techniques. Unrealized gains or losses arising from the changes in the fair value of financial assets at fair value through profit and loss is recognized in other comprehensive income are shown below Financial Assets Value Increase/Decrease Fund. In the event that the fair value differences of financial assets that are reflected in other comprehensive income are eliminated, the value in the equity accounts as a result of the fair value application is reflected to the period profit/loss.



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#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### 2.5. Summary of Significant Accounting Policies (cont'd)

###### Financial Instruments: (cont'd)

###### Repurchase and reverse repurchase agreements

Marketable securities sold as part of repurchase agreement commitments ("repo") are accounted for in the consolidated financial statements and liabilities to counterparties are presented as payables to customers. Marketable securities held as part of commitments to resale ("reverse repo") are accounted for as funds loaned under marketable securities reverse repurchase agreements and accounted for under cash and cash equivalents in the balance sheet. The difference between purchase and resale prices is accounted for as interest and amortized during the period of the agreement.

###### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are 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.

###### Impairment of financial assets/expected credit loss

At each reporting period, each financial asset's credit risk within the scope of impairment is assessed from the date which it is first recognized in the financial statements. Within this assessment, the change of the default risk of the financial asset is taken into consideration. The expected loss provision estimate is unbiased, weighted according to probabilities, and includes information that can be supported about past events, current conditions, and forecasts for future economic conditions.

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. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of profit or loss.

With the exception of equity instruments at fair value through other comprehensive income, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of equity securities, any increase in equity instruments at fair value through other comprehensive income, subsequent to an impairment loss is recognized directly in equity.

###### Trade receivables and provision for doubtful receivables

Trade receivables are written off from the assets if the Group had no future cash flow expectations.

For the calculation of impairment of trade receivables that are measured at amortized cost and has no important financial component (a maturity with less than one year), "Simplified approach" is used. In cases where the trade receivables are not impaired due to certain reasons (except for the realized impairment losses), the provisions for losses related to trade receivables are measured by an amount equal to the "life time expected credit loss"

After recognizing allowance for doubtful receivables, if the entire amount or a portion of the entire amount is collected, the amount deducted from the provision for doubtful receivables and the amount is recognized in other operating income.

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)**2.5. Summary of Significant Accounting Policies** (cont'd)**Financial Instruments:** (cont'd)Financial liabilities:

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Forward, Option Contracts and Derivative financial instruments:

As at statement of financial position date, the Group has derivative financial instrument transactions which predominantly consist of positions related to foreign currency forward contracts and Borsa Istanbul indexed futures contracts. The Group uses foreign currency forward contracts and futures to hedge its risks associated with market fluctuations in connection with trading portfolio transactions. The Group participates in derivative transactions indexed to foreign currencies and securities, also performs brokerage activities relating to derivative transactions on behalf of its customers. As at statement of financial position date, transactions related to derivative financial instruments are entered into for trading purposes and measured at fair value. Interest and foreign currency gains and losses on these instruments are accounted for on an accrual basis in the statement of profit or loss.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in the statement of profit or loss in the same period as the hedged cash flows affect the statement of profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the statement of profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognized. In other cases, the amount accumulated in equity is reclassified to the statement of profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in the statement of profit or loss.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

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#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### 2.5. Summary of Significant Accounting Policies (cont'd)

###### Financial Instruments: (cont'd)

###### Recognition and removal of financial assets and liabilities:

A financial asset or a financial liability is recognized in the statement of financial position only when it is a party to the contract of the related financial instrument. The Company derecognizes a financial asset or a portion of its financial asset only when it loses its control over the rights arising from the contract. The Company derecognizes a financial liability only if the obligation defined in the contract is eliminated, canceled or expired.

###### Business Combinations:

The acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the recognition criteria under TFRS 3, "Business Combinations" are recognized at fair value at the date of acquisition, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of non-controlling interest's shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

In business combinations under common control, assets and liabilities subject to business combination are accounted for at carrying value in consolidated financial statements. Statements of profit or loss are consolidated starting from the beginning of the fiscal year in which the business combination is realized. Consolidated financial statements of previous fiscal years are restated in the same manner in order to maintain consistency and comparability. Any positive or negative goodwill arising from such business combination is not recognized in the consolidated financial statements. The residual balance calculated by netting off investment in subsidiary and the share acquired in subsidiary's equity is directly accounted for under equity as "effect of the business combinations in entities under common control" and presented in retained earnings.

###### Impact of Foreign Currency Fluctuations:

Transactions in foreign currencies have been translated into TL at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such transactions are included in the statement of profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into TL at foreign exchange rates ruling at the dates the values were determined.

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)**2.5. Summary of Significant Accounting Policies** (cont'd)**Impact of Foreign Currency Fluctuations:** (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity under "Foreign Currency Translation Differences". Such exchange differences are recognized in the statement of profit or loss in the period in which the foreign operation is disposed off.

**Earnings per Share:**

Earnings per share disclosed in the accompanying consolidated statement of profit or loss is determined by dividing net income by the weighted average number of shares circulating during the year concerned.

In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

**Events after the Reporting Period:**

Events after the reporting period comprise any event between the statement of financial position date and the date of authorization of the consolidated financial statements for publication, even if any event after the balance sheet date occurred subsequent to an announcement on the Group's profit or following any financial information disclosed to public.

If there is evidence of such events as at the statement of financial position or if such events occur after the statement of financial position date and if adjustments are necessary, Group's consolidated financial statements are adjusted according to the new situation. The Group discloses the post-balance sheet events that are not adjusting events but material.

**Provisions, Contingent Assets and Liabilities:**

Provisions are recognized when the Group has a legal and constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are not recognized in the consolidated financial statements but disclosed in the notes if the possibility of any outflow is low. Contingent assets are not included in consolidated financial statements but explained in the notes if an inflow of economic benefits is probable.

**Related Parties:**

For the purpose of the accompanying consolidated financial statements, shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. There may be business transactions with related parties due to ordinary operations.

**Segment Reporting:**

The Group has five business segments determined by the management based on information available for the evaluation of performances and the allocation of resources. These segments are managed separately because they are affected by the economical conditions and geographical positions in terms of risks and returns.

İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)

**2.5. Summary of Significant Accounting Policies** (cont'd)

**Segment Reporting:** (cont'd)

Since the Group predominantly operates in Turkey and only in marketable securities sector, segment information in the accompanying consolidated financial statements are configured according to structure of the Group's operating entities as securities brokerage, investment trust, portfolio management, private equity and asset management (Note 5).

**Tax Assets and Liabilities:**

Current Tax

Current tax expense is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted on reporting date.

Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities is calculated for the Group's subsidiaries, investments in associates, shares in joint ventures of all taxable temporary differences except for controlling removal of temporary differences and disappearance of these differences in the near future is unlikely. Deferred tax assets arising from investments and interest associated with taxable deductible temporary differences are calculated by obtaining sufficient taxable profits in the near future when it is likely to benefit from these differences and it is probable that the disappearance of the differences in the near future.

The carrying amount of deferred tax assets is reviewed at each reporting period. Deferred tax asset or liability is recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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**2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS** (cont'd)**2.5. Summary of Significant Accounting Policies** (cont'd)**Tax Assets and Liabilities:** (cont'd)Current and deferred tax for the period

Current and deferred tax are recognized as an income or expense in the statement of profit or loss except items recognized directly in equity (in which case the tax is also recognized directly in equity) or where they arise from the initial accounting for business combinations. In the case of a business combination, the tax effect is taken into account by calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost of acquisition.

**Employee Benefits/Retirement Pay Liability:**Retirement pay liability

According to the related regulation the Group is obliged to pay employee termination benefits to employees who retire, die, quit for their military service obligations, who have been dismissed after completing one year as defined in the related regulation. The provision for employment termination benefits represents the present value of the future estimation liability in case of retirement of the Group's employees.

As of December 31, 2018, the maximum ceiling amount for employee severance indemnity is TL 5.434 (December 31, 2017: TL 4.732). As disclosed in Note 24, the Group has used some actuarial assumptions in computation of provision for employee severance indemnity. Actuarial differences are recognized in profit or loss as incurred. Retirement pay ceiling for the calculation of provision for employee termination benefits, announced by the Ministry of Labour. Actuarial differences are recognized in other comprehensive income and presented prior year's profit or loss.

Defined contribution plans

The Company has started to pay private pension contribution for its employees since 2006. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of profit or loss when they are due. The only obligation of the Group with respect to the retirement plan is to make the specified contributions.

Bonus payments

The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Other short-term benefits

Other short-term benefits include provision for unused vacation. In accordance with existing social legislation in Turkey, employers are obligated to make payment to the employees for unused vacations when the employee leave. Provision for unused vacation is undiscounted amount of obligation of unused vacation days which is deserved and unused by the employee.

Retirement plans

The Group does not provide any post retirement benefit and pension for the employees.

## İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

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#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

##### 2.5. Summary of Significant Accounting Policies *(cont'd)*

###### Statement of Cash Flows:

In the statement of cash flows, cash flows are classified according to operating, investment and finance activities.

Cash flows from operating activities reflect cash flows mainly generated from brokerage and portfolio management operations of the Group.

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group. Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments whose maturities are 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.

###### Share Capital and Dividends:

Common shares are classified as equity. Dividends on common shares are reclassified as dividend payables by netting off from the retained earnings in the period in which they are approved and disclosed.

##### 2.6. Significant Accounting Judgements, Estimates and Assumptions

The preparation of consolidated financial statements requires management of Company to make 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.

There has not been significant change in estimates and assumptions of the Company management for the accounting policies adopted in the preparation of consolidated financial statements.

The preparation of consolidated financial statements in conformity with Communiqué requires management to make 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 YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

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

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(cont'd)*

##### 2.6. Significant Accounting Judgements, Estimates and Assumptions *(cont'd)*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The estimates are used particularly in the following notes:

Note 2 - Basis of presentation of the consolidated financial statements: Changes in the Accounting Estimates and Error, Valuation differences in financial assets <sup>(\*)</sup>

Note 11 - Trade receivables and payables

Note 17 - Investments in equity accounted investees

Note 18 - Goodwill<sup>(\*\*)</sup>

Note 19 - Tangible assets

Note 20 - Intangible assets

Note 22 - Provisions, contingent assets and liabilities

Note 24 - Employee benefits

Note 34 - Tax assets and liabilities

Note 39 - Nature and level of risks related to financial instruments

Note 40 - Financial instruments

<sup>(\*)</sup> Valuation differences for financial assets: the Group calculates valuation differences in financial assets by evaluating default risk and probability of default.

<sup>(\*\*)</sup> Estimated impairment of goodwill

According to accounting policies explained in note 21, the Group tests impairment of goodwill every year. Recoverable amount of cash generating units are specified according to value in use. These calculations require estimations.

#### 3. BUSINESS COMBINATIONS

Disclosed in Note 17.



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**4. GROUP ENTITIES**

As of December 31, 2018 and 2017, summary financial information of the Group's subsidiaries is as follows:

31 December 2018						
	İş Yatırım Ortaklığı AŞ	İş Portföy Yönetimi AŞ	İş Girişim Sermayesi Yatırım Ortaklığı AŞ	Efes Varlık Yönetim AŞ	Maxis Girişim Sermayesi Portföy Yönetimi AŞ (*)	Maxis Investments Ltd.
Non-Current Assets	7.578	29.852.651	97.444.607	807.624	21.121	1.875.994
Current Assets	241.831.929	84.402.848	243.696.510	213.151.542	3.579.953	116.743.337
Long Term Liabilities	290.601	951.066	32.544.063	106.135.312	12.993	-
Short Term Liabilities	518.511	7.176.252	201.284.313	75.602.890	353.168	101.674.841
<b>Net Assets</b>	<b>241.030.395</b>	<b>106.128.181</b>	<b>107.312.741</b>	<b>32.220.964</b>	<b>3.234.913</b>	<b>16.944.490</b>
Carrying Value of Non- Controlling Interests	-	-	(7.302.726)	-	-	-
Revenue	431.322.695	70.573.756	321.072.898	50.563.002	-	13.695.331
Profit/(Loss)	31.365.756	26.253.527	(24.566.496)	393.753	(1.728.433)	(1.603.798)
Non-Controlling Interests	-	-	(17.432.386)	-	-	-
<b>Total Comprehensive Income</b>	<b>31.346.611</b>	<b>25.451.402</b>	<b>(28.822.777)</b>	<b>393.753</b>	<b>(1.728.433)</b>	<b>(1.603.798)</b>
Comprehensive Income	-	-	(3.899.652)	-	-	-
Cash Flows Related to Operating Activities	18.000	21.307.378	(9.427.141)	(11.492.591)	-	(18.128.778)
Cash Flows Related to Investing Activities	(6.620)	11.937.231	15.675.843	(928.082)	(17.883)	927.027
Cash Flows Related to Financing Activities	(30.032.066)	(21.588.579)	5.408.304	10.000.000	747.030	3.215.491
Net Increase/(Decrease) on Cash and Cash Equivalents	44.201.721	1.771.725	11.657.006	(2.420.673)	(1.486.452)	(13.986.260)

(\*) Founded in 2017

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**4. GROUP ENTITIES** (cont'd)

31 December 2017						
	İş Yatırım Ortaklığı AŞ	İş Portföy Yönetimi AŞ	İş Girişim Sermayesi Yatırım Ortaklığı AŞ	Efes Varlık Yönetim AŞ	IS Investments Gulf Ltd. (*)	Maxis Investments Ltd.
Non-Current Assets	14.808	21.713.122	105.334.940	689.120	6.576	2.737.427
Current Assets	240.431.485	86.854.616	257.042.613	197.503.484	4.986.479	72.095.723
Long Term Liabilities	224.526	676.670	41.491.986	62.248.452	-	-
Short Term Liabilities	473.441	6.267.590	186.227.232	114.100.250	29.710	60.621.810
<b>Net Assets</b>	<b>239.748.326</b>	<b>101.623.478</b>	<b>134.658.335</b>	<b>21.843.902</b>	<b>4.963.345</b>	<b>14.211.340</b>
Carrying Value of Non- Controlling Interests	-	-	(5.116.866)	-	-	-
Revenue	764.799.379	61.867.902	262.606.676	37.498.998	-	7.414.455
Profit/(Loss)	25.182.077	23.924.573	(35.909.391)	(4.350.452)	(36.655)	(4.301.681)
Non-Controlling Interests	-	-	(25.481.304)	-	-	-
<b>Total Comprehensive Income</b>	<b>25.189.388</b>	<b>23.343.775</b>	<b>(37.618.347)</b>	<b>(4.350.452)</b>	<b>(36.654)</b>	<b>(4.301.681)</b>
Comprehensive Income	-	-	-	-	-	-
Cash flows Related to Operating Activities	49.820	(7.092.242)	(3.767.257)	(11.501.540)	-	11.650.870
Cash flows Related to Investing Activities	(3.527)	10.115.978	(31.603.280)	979.803	-	82.362
Cash flows Related to Financing Activities	(20.074.911)	(15.173.896)	(4.620.425)	100.000.000	73.345	(8.773.536)
Net Increase/(Decrease) on Cash and Cash Equivalents	(11.394.146)	5.784.579	(15.106.206)	(521.737)	23.232	2.959.696

(\*) Liquidated in 2017

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**5. SEGMENT REPORTING**

Segments	Securities Brokerage	Investment Trust
	1 January - 31 December 2018	1 January - 31 December 2018
<b>Revenue</b>		
Sales revenue	43.868.444.195	433.473.647
Interest and derivative income from operating activities (net)	117.399.491	(2.150.952)
Services income (net)	204.888.466	-
Other operating income (net)	77.865.512	-
<b>Cost of sales (-)</b>	<b>(43.783.451.137)</b>	<b>(395.423.970)</b>
<b>GROSS PROFIT/LOSS</b>	<b>485.146.527</b>	<b>35.898.725</b>
Administrative expenses (-)	(171.811.388)	(3.175.056)
Marketing expenses (-)	(46.778.984)	(2.199.020)
Research and development expenses (-)	-	-
Other operating income	12.973.819	-
Other operating expenses (-)	(6.851.861)	(397.224)
<b>OPERATING PROFIT/LOSS</b>	<b>272.678.113</b>	<b>30.127.425</b>
Share of profit/(loss) of equity accounted investess	-	-
<b>OEPRATING PROFIT/LOSS BEFORE FINANCE COSTS</b>	<b>272.678.113</b>	<b>30.127.425</b>
Finance income	39.078.820	1.238.331
Finance costs (-)	(29.609.118)	-
<b>PROFIT OR LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS</b>	<b>282.147.815</b>	<b>31.365.756</b>
<b>Tax income/(expense) from continuing Operations</b>	<b>(57.337.356)</b>	<b>-</b>
- Current tax expenses	(65.157.447)	-
- Deferred tax income/(expense)	7.820.091	-
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>224.810.459</b>	<b>31.365.756</b>
<b>PROFIT FOR DISCONTUNIED OPERATIONS</b>	<b>-</b>	<b>-</b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>224.810.459</b>	<b>31.365.756</b>
<b>Profit/(Loss) attributable to:</b>		
Non-Controlling interests	-	22.536.296
Equity holders of the Company	224.810.459	8.829.460
	<b>224.810.459</b>	<b>31.365.756</b>
<b>Other informations</b>		
Acquisition of tangible and intangible assets	3.801.207	6.620
Depreciation and amortization charges	(4.865.370)	(13.850)

<b>Portfolio Management</b>	<b>Private Equity</b>	<b>Asset Management</b>	<b>Elimination Adjustments</b>	<b>Total</b>
<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2018</b>
14.743.917	321.072.898	1.324.826	(135.642)	<b>44.638.923.841</b>
-	-	49.238.176	233.902	<b>164.720.617</b>
55.829.839	-	-	(2.516.330)	<b>258.201.975</b>
-	-	-	-	<b>77.865.512</b>
<b>(8.470.500)</b>	<b>(219.355.039)</b>	<b>(5.749.468)</b>	<b>(44.064)</b>	<b>(44.412.494.178)</b>
<b>62.103.256</b>	<b>101.717.859</b>	<b>44.813.534</b>	<b>(2.462.134)</b>	<b>727.217.767</b>
(39.235.268)	(35.065.105)	(13.832.624)	342.006	<b>(262.777.435)</b>
(1.951.026)	(54.003.891)	-	2.416.824	<b>(102.516.097)</b>
-	(7165.235)	-	-	<b>(7.165.235)</b>
17.965	4.386.273	592.736	(242.500)	<b>17.728.293</b>
(1.660)	(8.530.510)	-	3.000.000	<b>(12.781.255)</b>
<b>20.933.267</b>	<b>1.339.391</b>	<b>31.573.646</b>	<b>3.054.196</b>	<b>359.706.038</b>
-	(4.697.821)	-	-	<b>(4.697.821)</b>
<b>20.933.267</b>	<b>(3.358.430)</b>	<b>31.573.646</b>	<b>3.054.196</b>	<b>355.008.217</b>
13.129.012	46.431.723	691.137	(24.637.483)	<b>75.931.540</b>
(2.075.236)	(68.927.384)	(31.871.030)	-	<b>(132.482.768)</b>
<b>31.987.043</b>	<b>(25.854.091)</b>	<b>393.753</b>	<b>(21.583.287)</b>	<b>298.456.989</b>
<b>(7.461.949)</b>	<b>1.287.595</b>	-	<b>(660.000)</b>	<b>(64.171.710)</b>
(7.463.900)	(504.872)	-	-	<b>(73.126.219)</b>
1.951	1.792.467	-	(660.000)	<b>8.954.509</b>
<b>24.525.094</b>	<b>(24.566.496)</b>	<b>393.753</b>	<b>(22.243.287)</b>	<b>234.285.279</b>
-	-	-	-	-
<b>24.525.094</b>	<b>(24.566.496)</b>	<b>393.753</b>	<b>(22.243.287)</b>	<b>234.285.279</b>
7.357.528	(17.432.386)	61.032	61.792	<b>12.584.262</b>
17.167.566	(7.134.110)	332.721	(22.305.079)	<b>221.701.017</b>
<b>24.525.094</b>	<b>(24.566.496)</b>	<b>393.753</b>	<b>(22.243.287)</b>	<b>234.285.279</b>
1.106.139	5.558.485	589.511	-	<b>11.061.962</b>
(810.226)	(11.315.803)	(471.007)	-	<b>(17.476.256)</b>

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**5. SEGMENT REPORTING** (cont'd)

<b>Segments</b>	<b>Securities Brokerage</b>	<b>Investment Trust</b>	<b>Portfolio Management</b>
<b>Balance sheet information</b>	<b>31 December 2018</b>	<b>31 December 2018</b>	<b>31 December 2018</b>
<b>Assets</b>	<b>5.629.171.108</b>	<b>241.839.507</b>	<b>117.856.573</b>
Cash and cash equivalents	3.069.071.494	73.427.337	56.370.426
Financial investments (short term)	562.667.687	158.027.660	21.490.048
Financial investments (long term)	180.434.455	1	26.934.218
Trade receivables	1.405.525.958	10.310.708	6.845.428
Other receivables	167.831.896	13.288	494
Derivative instruments	156.278.927	-	-
Investment in equity accounted investees	-	-	-
Other assets	87.360.691	60.513	6.215.959
<b>Liabilities</b>	<b>4.879.869.531</b>	<b>809.112</b>	<b>8.493.479</b>
Financial liabilities	3.175.514.890	-	-
Other financial liabilities	1.611.080	-	-
Trade payables	1.534.432.856	176.643	40.079
Other payables	15.020.251	55.224	1.114.963
Derivative instruments	112.128.647	-	-
Other liabilities	41.161.807	577.245	7.338.437
<b>Net assets</b>	<b>749.301.577</b>	<b>241.030.395</b>	<b>109.363.094</b>

<b>Private Equity</b>	<b>Asset Management</b>	<b>Elimination Adjustments</b>	<b>Total</b>
<b>31 December 2018</b>	<b>31 December 2018</b>	<b>31 December 2018</b>	<b>31 December 2018</b>
<b>341.141.117</b>	<b>213.959.166</b>	<b>(173.284.875)</b>	<b>6.370.682.596</b>
58.365.872	3.291.076	-	<b>3.260.526.205</b>
28.707.215	-	(12.301.013)	<b>758.591.597</b>
-	-	(150.160.906)	<b>57.207.768</b>
76.919.737	193.285.166	(10.513.378)	<b>1.682.373.619</b>
1.740.478	4.173.651	-	<b>173.759.807</b>
-	-	-	<b>156.278.927</b>
14.597.383	-	-	<b>14.597.383</b>
160.810.432	13.209.273	(309.578)	<b>267.347.290</b>
<b>233.828.376</b>	<b>181.738.202</b>	<b>(19.148.517)</b>	<b>5.285.590.183</b>
143.482.531	180.405.869	(5.635.138)	<b>3.493.768.152</b>
-	-	-	<b>1.611.080</b>
61.466.289	985.642	(10.513.379)	<b>1.586.588.130</b>
2.626.337	207.175	-	<b>19.023.950</b>
-	-	-	<b>112.128.647</b>
26.253.219	139.516	(3.000.000)	<b>72.470.224</b>
<b>107.312.741</b>	<b>32.220.964</b>	<b>(154.136.358)</b>	<b>1.085.092.413</b>

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**5. SEGMENT REPORTING** (cont'd)

Segments	Securities Brokerage	Investment Trust	Portfolio Management
	31 December 2017	31 December 2017	31 December 2017
<b>Revenue</b>			
Sales Revenue	47.757.681.281	744.556.891	8.696.207
Interest and derivative income from operating activities,(net)	89.295.215	20.238.918	-
Services income (net)	173.049.597	3.570	53.171.695
Other operating income (net)	57.099.875	-	-
<b>Cost of sales (-)</b>	<b>(47.685.235.138)</b>	<b>(738.658.781)</b>	<b>(5.348.485)</b>
<b>GROSS PROFIT/LOSS</b>	<b>391.890.830</b>	<b>26.140.598</b>	<b>56.519.417</b>
Administrative expenses (-)	(158.136.542)	(2.891.457)	(29.402.889)
Marketing expenses (-)	(48.752.620)	(2.995.345)	(5.543.763)
Research and Development expenses (-)	-	-	-
Other operating income	4.720.310	-	341.900
Other operating expenses (-)	(5.480.591)	-	-
<b>OPERATING PROFIT/LOSS</b>	<b>184.241.387</b>	<b>20.253.796</b>	<b>21.914.665</b>
Share of profit of equity accounted investees	-	-	-
<b>OPERATING PROFIT/LOSS BEFORE FINANCE COSTS</b>	<b>184.241.387</b>	<b>20.253.796</b>	<b>21.914.665</b>
Finance income	26.101.420	4.928.281	8.609.570
Finance costs (-)	(9.563.877)	-	(729.786)
<b>PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS</b>	<b>200.778.930</b>	<b>25.182.077</b>	<b>29.794.449</b>
<b>Tax income/(expense) from continuing Operations</b>	<b>(39.780.611)</b>	<b>-</b>	<b>(5.906.531)</b>
- Current tax expenses	(14.256.129)	-	(6.156.709)
- Deferred tax income/(expense)	(25.524.482)	-	250.178
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>	<b>160.998.319</b>	<b>25.182.077</b>	<b>23.887.918</b>
<b>PROFIT FOR DISCOUNTED OPERATIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>160.998.319</b>	<b>25.182.077</b>	<b>23.887.918</b>
<b>Profit/(loss) attributable to:</b>			
Non-Controlling interests	-	18.093.322	7.166.375
Equity holders of the Company	160.998.319	7.088.755	16.721.543
	<b>160.998.319</b>	<b>25.182.077</b>	<b>23.887.918</b>
<b>Other information</b>			
Acquisition of tangible and intangible assets	13.119.462	3.527	1.422.625
Depreciation and amortization charges	(2.919.818)	(41.145)	(979.669)

<b>Private Equity</b>	<b>Asset Management</b>	<b>Elimination Adjustments</b>	<b>Total</b>
<b>31 December 2017</b>	<b>31 December 2017</b>	<b>31 Decembe 2017</b>	<b>31 December 2017</b>
262.606.676	-	(23.936)	<b>48.773.517.119</b>
-	37.498.998	169.043	<b>147.202.174</b>
-	-	(3.050.770)	<b>223.174.092</b>
-	-	-	<b>57.099.875</b>
<b>(184.450.856)</b>	<b>(8.742.872)</b>	<b>(449.437)</b>	<b>(48.622.885.569)</b>
<b>78.155.820</b>	<b>28.756.126</b>	<b>(3.355.100)</b>	<b>578.107.691</b>
(35.398.411)	(13.206.177)	301.104	<b>(238.734.372)</b>
(51.265.519)	-	2.937.466	<b>(105.619.781)</b>
(3.633.043)	-	-	<b>(3.633.043)</b>
3.937.989	1.063.835	(187.800)	<b>9.876.234</b>
(10.319.664)	-	1.311.618	<b>(14.488.637)</b>
<b>(18.522.828)</b>	<b>16.613.784</b>	<b>1.007.288</b>	<b>225.508.092</b>
(2.387.979)	-	-	<b>(2.387.979)</b>
<b>(20.910.807)</b>	<b>16.613.784</b>	<b>1.007.288</b>	<b>223.120.113</b>
26.033.653	611.198	(16.237.163)	<b>50.046.959</b>
(41.982.163)	(21.575.434)	-	<b>(73.851.260)</b>
<b>(36.859.317)</b>	<b>(4.350.452)</b>	<b>(15.229.875)</b>	<b>199.315.812</b>
<b>949.926</b>	-	<b>273.595</b>	<b>(44.463.621)</b>
(248.979)	-	-	<b>(20.661.817)</b>
1.198.905	-	273.595	<b>(23.801.804)</b>
<b>(35.909.391)</b>	<b>(4.350.452)</b>	<b>(14.956.280)</b>	<b>154.852.191</b>
-	-	-	-
<b>(35.909.391)</b>	<b>(4.350.452)</b>	<b>(14.956.280)</b>	<b>154.852.191</b>
(25.481.304)	(674.320)	(1.227.040)	<b>(2.122.966)</b>
(10.428.087)	(3.676.132)	(13.729.240)	<b>156.975.157</b>
<b>(35.909.391)</b>	<b>(4.350.452)</b>	<b>(14.956.280)</b>	<b>154.852.191</b>
11.673.571	119.193	-	<b>26.338.378</b>
(10.971.941)	(483.120)	-	<b>(15.395.693)</b>



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**5. SEGMENT REPORTING** (cont'd)

<b>Segments</b>	<b>Securities Brokerage</b>	<b>Investment Trust</b>	<b>Portfolio Management</b>
<b>Balance sheet information</b>	<b>31 December 2017</b>	<b>31 December 2017</b>	<b>31 December 2017</b>
<b>Assets</b>	<b>6.936.189.187</b>	<b>240.446.293</b>	<b>113.560.793</b>
Cash and cash equivalents	3.741.968.548	29.059.974	55.959.995
Financial investments (short term)	505.976.433	192.103.601	22.731.035
Financial investments (long term)	156.675.471	1	19.125.725
Trade receivables	2.235.016.974	19.208.796	11.114.909
Other receivables	140.732.849	9.310	-
Derivative instruments	108.779.939	-	-
Investments in equity accounted investees	-	-	-
Other assets	47.038.973	64.611	4.629.129
<b>Liabilities</b>	<b>6.314.880.848</b>	<b>697.967</b>	<b>6.973.970</b>
Financial liabilities	4.004.513.613	-	-
Other financial liabilities	8.940.085	-	-
Trade payables	2.181.989.298	199.046	250
Other payables	12.988.853	46.301	1.110.352
Derivative instruments	60.398.963	-	-
Other liabilities	46.050.036	452.620	5.863.368
<b>Net assets</b>	<b>621.308.339</b>	<b>239.748.326</b>	<b>106.586.823</b>

<b>Private Equity</b>	<b>Asset Management</b>	<b>Elimination Adjustments</b>	<b>Total</b>
<b>31 December 2017</b>	<b>31 December 2017</b>	<b>31 December 2017</b>	<b>31 December 2017</b>
<b>362.377.553</b>	<b>198.192.604</b>	<b>(177.272.892)</b>	<b>7.673.493.538</b>
46.720.699	5.711.748	-	<b>3.879.420.964</b>
47.839.782	-	(7.936.691)	<b>760.714.160</b>
-	-	(141.309.906)	<b>34.491.291</b>
85.410.510	176.737.199	(27.975.717)	<b>2.499.512.671</b>
2.488.822	3.462.467	-	<b>146.693.448</b>
-	-	-	<b>108.779.939</b>
19.335.288	-	-	<b>19.335.288</b>
160.582.452	12.281.190	(50.578)	<b>224.545.777</b>
<b>227.719.218</b>	<b>176.348.702</b>	<b>(28.918.870)</b>	<b>6.697.701.835</b>
135.029.742	174.759.143	(943.153)	<b>4.313.359.345</b>
-	-	-	<b>8.940.085</b>
55.166.163	1.118.832	(27.944.035)	<b>2.210.529.554</b>
2.679.592	311.662	(31.682)	<b>17.105.078</b>
-	-	-	<b>60.398.963</b>
34.843.721	159.065	-	<b>87.368.810</b>
<b>134.658.335</b>	<b>21.843.902</b>	<b>(148.354.022)</b>	<b>975.791.703</b>

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**6. RELATED PARTY TRANSACTIONS**

The immediate parent and ultimate controlling party of the Group is Türkiye İş Bankası AŞ incorporated in Turkey. Transactions between the Company and its subsidiaries, related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The details of transactions between the Group and other related parties are disclosed below.

<b>Deposits in Türkiye İş Bankası AŞ</b>	<b>31 December 2018</b>	<b>31 December 2017</b>		
Demand Deposits	73.252.275	115.749.090		
Times Deposits	2.361.533.619	473.368.114		
	<b>2.434.785.894</b>	<b>589.117.204</b>		
<b>Borrowings from Türkiye İş Bankası AŞ</b>	<b>31 December 2018</b>	<b>31 December 2017</b>		
Loans	131.933.893	88.170.388		
	<b>131.933.893</b>	<b>88.170.388</b>		
<b>İş Finansal Kiralama AŞ</b>	<b>31 December 2018</b>	<b>31 December 2017</b>		
Leasing debt	1.264.356	1.435.892		
	<b>1.264.356</b>	<b>1.435.892</b>		
<b>İş Faktoring AŞ</b>	<b>31 December 2018</b>	<b>31 December 2017</b>		
Factoring debt	21.836.432	17.022.096		
	<b>21.836.432</b>	<b>17.022.096</b>		
	<b>31 December 2018</b>			
	<b>Receivables</b>		<b>Payables</b>	
	<b>Trading</b>	<b>Non- Trading</b>	<b>Trading</b>	<b>Non- Trading</b>
<b>Balances with related parties</b>				
İş Merkezleri Yönetim ve İşletim AŞ	-	13.288	2.536	162.324
Türkiye İş Bankası AŞ	2.101.217	150	623.671	322.545
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İlet. Hiz. AŞ	-	-	118	1.838.097
Borsa İstanbul AŞ	-	-	1.402.081	-
Anadolu Anonim Türk Sigorta Şirketi	22.569	-	2.778	8.658
Anadolu Hayat Emeklilik AŞ	2.597.690	-	-	-
ATT Technology Management BV	-	-	33.432	-
Milli Reasürans T.AŞ	19.240	-	-	-
Anadolu Cam Sanayii AŞ	21.000	-	-	-
İstanbul Takas ve Saklama Bankası AŞ	-	7.140.881	-	-
Turkishfund (SICAV) Fonları	168.784	-	-	-
Kurucusu ve Yöneticisi Olunan Fonlar	2.246.968	494	-	-
SoftTech Yazılım Tekn. Araş. Gel. ve Paz. Tic. A.Ş.	-	-	-	43.832
Diğer	50.845	-	17.649	3.537
	<b>7.228.313</b>	<b>7.154.813</b>	<b>2.082.265</b>	<b>2.378.993</b>

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**6. RELATED PARTY TRANSACTIONS** (cont'd)

Balances with related parties	31 December 2017			
	Receivables		Receivables	
	Trading	Trading	Trading	Trading
İş Merkezleri Yönetim ve İşletim AŞ	171.746	9.310	518	113.743
Türkiye İş Bankası AŞ	438.065	-	1.067.171	331.058
İş Gayrimenkul Yatırım Ortaklığı AŞ	9.543	-	-	-
İş Net Elektronik Bilgi Üretim Dağ. Tic. ve İlet. Hiz. AŞ	-	-	118	2.351.101
İş Faktoring AŞ	5.374.582	-	-	-
Borsa İstanbul AŞ	8.176	-	1.747.919	-
Anadolu Anonim Türk Sigorta Şirketi	10.500	-	183.530	8.848
Anadolu Hayat Emeklilik AŞ	7.857.924	-	-	-
ATT Technology Management BV	-	-	31.595	-
Milli Reasürans T.AŞ	67.621	-	-	-
İstanbul Takas ve Saklama Bankası AŞ	-	2.527.733	-	314.981
Turkishfund (SICAV) Fonları	193.549	-	838	-
Kurucusu ve Yöneticisi Olunan Fonlar	2.451.096	-	-	-
Şişecam Sigorta Aracılık Hizmetleri	6.816	-	-	-
Diğer	15.330	150	124	11.045
	<b>16.604.948</b>	<b>2.537.193</b>	<b>3.031.813</b>	<b>3.130.775</b>

The amount of TL 350.465 of non-trading payables to related parties refers to expense accruals presented in other current liabilities.

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**6. RELATED PARTY TRANSACTIONS** (cont'd)

	<b>1 January- 31 December 2018</b>			
<b>Related party transactions (income)</b>	<b>Fee and brokerage commission income</b>	<b>Interest income on time deposits</b>	<b>Dividend received</b>	<b>Other</b>
Türkiye İş Bankası AŞ	42.790.206	43.031.959	991.436	1.596.129
Anadolu Hayat Emeklilik AŞ	12.487.595	-	-	1.279
Anadolu Anonim Türk Sigorta Şirketi	458.444	1.005	130.127	28.440
Milli Reasürans T.AŞ	482.978	-	-	47.413
İş Gayrimenkul Yatırım Ortaklığı AŞ	901.968	559.760	1.027.176	-
Türkiye Sınai Kalkınma Bankası AŞ	-	654.299	-	-
İş Faktoring AŞ	2.211.079	5.034	-	-
T.Şişecam Fab.AŞ Ve İşt. Sos.Güv.Ve Blm. Araş.Vakfı	19.497	-	-	13.885
T.Şişe ve Cam Fabrikaları AŞ	133.100	-	66.231	274.940
İş Finansal Kiralama AŞ	5.931.844	6.790	-	-
Yatırım Finansman Menkul Değerler AŞ	553	-	-	2.341
Borsa İstanbul AŞ	-	-	1.501.881	-
Efes Holding AŞ	69.505	-	-	-
Turkishfund (SICAV) Fonları	798.839	-	-	-
Tecim Yapı Elemanları İnş.Ser.AŞ	70.741	-	-	-
Trakya Cam San. AŞ	363.603	-	-	-
Soda Sanayii AŞ	293.920	-	17.513	-
Türkiye Teknoloji Geliştirme Vakfı	88.207	-	-	-
Anadolu Cam Sanayii AŞ	146.121	-	-	-
Paşabahçe Cam San. Ve Tic. AŞ	-	-	-	2.393
Kurucusu ve Yöneticisi Olunan Fonlar	32.056.403	-	-	-
	<b>99.304.603</b>	<b>44.258.847</b>	<b>3.734.364</b>	<b>1.966.820</b>

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**6. RELATED PARTY TRANSACTIONS** (cont'd)

	<b>1 January- 31 December 2017</b>			
<b>Related party transactions (income)</b>	<b>Fee and brokerage commission income</b>	<b>Interest income on time deposits</b>	<b>Dividend received</b>	<b>Other</b>
Türkiye İş Bankası AŞ	35.831.406	59.638.865	736.994	2.519
Anadolu Hayat Emeklilik AŞ	24.514.807	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	408.343	-	-	15.697
Camiş Yatırım Holding AŞ	537	-	-	-
Milli Reasürans T.AŞ	507.433	-	-	-
İş Gayrimenkul Yatırım Ortaklığı AŞ	161.838	1.359.772	955.513	-
Türkiye Sınai Kalkınma Bankası AŞ	-	126.266	-	-
İş Faktoring AŞ	1.033.047	-	-	-
T.Şişecam Fab.AŞ Ve İşt. Sos.Güv.Ve Blm. Araş.Vakfı	44.250	-	-	-
T.Şişe ve Cam Fabrikaları AŞ	145.443	-	12.088	84.283
İş Finansal Kiralama AŞ	4.274.641	291.362	-	-
Yatırım Finansman Menkul Değerler AŞ	944	-	-	1.937
İstanbul Takas ve Saklama Bankası A.Ş	-	-	655.875	-
Efes Holding AŞ	71.887	-	-	-
Turkishfund (SICAV) Fonları	760.766	-	-	-
Camiş Madencilik A.Ş	-	-	-	391
Tecim Yapı Elemanları İnş.Ser.AŞ	66.487	-	-	-
Trakya Cam San. AŞ	1.229.280	-	-	866
Nemtaş Nemrut Liman İşletmeleri AŞ	-	-	-	4.814
TSKB Gayrimenkul Değerler AŞ	112.500	-	-	-
Denizli Cam Sanayi Ve Ticaret AŞ	17.000	-	-	5
Soda Sanayii AŞ	246.954	-	3.781	-
Türkiye Teknoloji Geliştirme Vakfı	55.490	-	-	-
Anadolu Cam Sanayii AŞ	240.283	-	-	678
Paşabahçe Cam San. Ve Tic. AŞ	-	-	-	2.290
Kurucusu ve Yöneticisi Olunan Fonlar	22.907.426	-	-	-
	<b>92.630.762</b>	<b>61.416.265</b>	<b>2.364.251</b>	<b>113.480</b>
		<b>1 January- 31 December 2018</b>	<b>1 January- 31 December 2017</b>	
<b>Compensation of key management personnel</b>				
Salaries and other short-term benefits		26.969.367	24.356.565	
		<b>26.969.367</b>	<b>24.356.565</b>	

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**6. RELATED PARTY TRANSACTIONS (cont'd)**

	<b>1 January - 31 December 2018</b>			
<b>Related party transactions (expenses)</b>	<b>Letters of guarantee commission expenses</b>	<b>Custody commission expenses</b>	<b>Interest on borrowings</b>	<b>Other interest expenses</b>
Türkiye İş Bankası AŞ	399.921	739.974	18.138.652	13.025
İş Gayrimenkul Yatırım Ortaklığı AŞ	-	-	-	-
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	1.005
Anadolu Hayat Emeklilik AŞ	-	-	-	-
İş Merkezleri Yönetim ve İşletim AŞ	-	-	-	-
İş Net Elektronik Bilgi Ür. Dağ. Tic. ve İlet. Hiz. AŞ	-	-	-	-
İş Faktoring AŞ	-	-	-	2.805.789
İş Finansal Kiralama AŞ	-	-	-	101.928
İstanbul Takas ve Saklama Bankası AŞ	-	4.609.141	4.421.600	-
Türkiye İş Bankası AŞ Mensupları Emekli San. Vakfı	-	-	-	-
Milli Reasürans T.AŞ	-	-	-	768
Yatırım Finansman Menkul Değerler AŞ	-	-	-	-
ATT Technology Management BV	-	-	-	-
Paşabahçe Mağazaları AŞ	-	-	-	-
Borsa İstanbul AŞ	-	-	-	-
Türkiye İş Bankası Kültür Yayınları İş - Türk Ltd. Şti.	-	-	-	-
SoftTech Yazılım Tekn. Araş. Gel. ve Paz. Tic. A.Ş.	-	-	-	-
	<b>399.921</b>	<b>5.349.115</b>	<b>22.560.252</b>	<b>2.922.515</b>

1 January - 31 December 2018

<b>Transaction commission expenses</b>	<b>Personnel insurance contribution</b>	<b>Office insurance</b>	<b>Rent expenses</b>	<b>Administrative expenses</b>	<b>Technical service and consultancy expenses</b>
10,384.212	-	-	2,156.051	-	184.026
-	-	-	5,269.404	-	-
-	634.679	549.988	-	-	-
-	613.821	-	-	-	-
-	-	-	-	3,232.361	-
-	-	-	-	-	770.769
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	330.615	-	-
-	-	-	-	-	-
31.054	-	-	-	-	-
-	-	-	-	-	94.620
-	-	-	-	40.080	-
24,911.377	-	-	-	-	-
-	-	-	-	437	-
-	-	-	-	-	1,898.739
<b>35.326.643</b>	<b>1.248.500</b>	<b>549.988</b>	<b>7.756.070</b>	<b>3.272.878</b>	<b>2.948.154</b>



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**6. RELATED PARTY TRANSACTIONS** (cont'd)

	1 January - 31 December 2017			
<b>Related party transactions (expenses)</b>	<b>Letters of guarantee commission expenses</b>	<b>Custody commission expenses</b>	<b>Interest on borrowings</b>	<b>Other interest expenses</b>
Türkiye İş Bankası AŞ	164.843	1.839.931	15.899.423	177.431
İş Gayrimenkul Yatırım Ortaklığı AŞ	-	-	-	-
T.Şişecam Fab.AŞ Ve İşt. Sos.Güv.Ve Bil. Araş.Vakfı	-	-	-	933
Anadolu Anonim Türk Sigorta Şirketi	-	-	-	2.442
Anadolu Hayat Emeklilik AŞ	-	-	-	-
İş Merkezleri Yönetim ve İşletim AŞ	-	-	-	-
İş Net Elektronik Bilgi Ür. Dağ. Tic. ve İlet. Hiz. AŞ	-	-	-	-
İş Faktoring AŞ	-	-	-	2.298.744
İş Finansal Kiralama AŞ	-	-	-	120.885
İstanbul Takas ve Saklama Bankası AŞ	-	3.369.927	11.094.832	-
Türkiye İş Bankası AŞ Mensupları Emekli San. Vakfı	-	-	-	-
Milli Reasürans T.AŞ	-	-	-	2.752
Yatırım Finansman Menkul Değerler AŞ	-	-	-	-
ATT Technology Management BV	-	-	-	-
Paşabahçe Mağazaları AŞ	-	-	-	-
Borsa İstanbul AŞ	-	-	-	-
Türkiye İş Bankası Kültür Yayınları İş - Türk Ltd. Şti.	-	-	-	-
TSKB Gayrimenkul Değerleme A.Ş.	-	-	-	-
SoftTech Yazılım Tekn. Araş. Gel. ve Paz. Tic. A.Ş.	-	-	-	-
	<b>164.843</b>	<b>5.209.858</b>	<b>26.994.255</b>	<b>2.603.187</b>

1 January - 31 December 2017

<b>Transaction commission expenses</b>	<b>Personnel insurance contribution</b>	<b>Office insurance</b>	<b>Rent expenses</b>	<b>Administrative expenses</b>	<b>Technical service and consultancy expenses</b>
8.206.732	-	-	2.534.133	-	166.300
-	-	40.000	5.586.272	-	-
-	-	-	-	-	-
-	1.701.708	132.327	-	-	-
-	632.042	-	-	-	-
-	-	-	-	3.391.949	-
-	-	-	-	-	1.224.470
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	535.345	-	-
-	-	-	-	-	-
57.636	-	-	-	-	-
-	-	-	-	-	61.063
-	-	-	-	9.949	-
21.007.643	-	-	-	-	-
-	-	-	-	1.426	-
-	-	-	-	-	13.382
-	-	-	-	-	78.974
<b>29.272.011</b>	<b>2.333.750</b>	<b>172.327</b>	<b>8.655.750</b>	<b>3.403.324</b>	<b>1.544.189</b>

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**7. CASH AND CASH EQUIVALENTS**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Cash	52.708	117.939
Cash at banks	3.190.547.458	3.843.146.028
<i>Demand deposits</i>	104.758.413	140.010.780
<i>Time deposits (with maturities less than three months)</i>	3.085.789.045	3.703.135.248
Type B mutual funds	4.934.841	1.021.252
Receivable from reverse repurchase agreements	34.915.432	21.677.864
Other cash equivalents	4.483.265	3.715.720
Receivables from money market placements	29.441.318	9.742.161
Expected loss provision	(3.848.817)	-
	<b>3.260.526.205</b>	<b>3.879.420.964</b>

Cash and cash equivalents in the Group's consolidated statement of cash flows as at December 31, 2018 and December 31, 2017 are presented by netting off interest accruals and time deposits:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Cash and cash equivalents	3.260.526.205	3.879.420.964
Interest accrual	(8.084.485)	(7.940.845)
Restricted deposits	77.298	252.033
Expected loss provision	3.848.817	-
	<b>3.256.367.835</b>	<b>3.871.732.152</b>

Maturities and interest rates of time deposits as at December 31, 2018 and December 31, 2017 are as follows:

<b>31 December 2018</b>				
	<b>Interest Rate (%)</b>	<b>Maturity</b>	<b>Currency Type</b>	<b>Amount (TL)</b>
Time deposit in FX	1,10	09.01.2019	USD	835.433
Time deposit in FX	1,25-2,85	02.01.2019-19.02.2019	EUR	2.960.643.188
Time deposit in FX	0,95	08.01.2019-19.02.2019	GBP	8.648.640
Time deposit in TL	12,00 -23,75	02.01.2019-14.02.2019	TL	108.082.432
Money market placements	23,50-24,40	02.01.2019-17.01.2019	TL	29.130.000
Interest accrual				7.890.670
				<b>3.115.230.363</b>

<b>31 December 2017</b>				
	<b>Interest Rate (%)</b>	<b>Maturity</b>	<b>Currency Type</b>	<b>Amount (TL)</b>
Time deposit in FX	3,40	09.01.2018	USD	3.848.804
Time deposit in FX	1,60-2,05	02.01.2018-27.03.2018	EUR	3.267.063.591
Time deposit in FX	0,82	15.01.2018-22.02.2018	GBP	11.176.660
Time deposit in TL	6,50-15,70	02.01.2018-23.03.2018	TL	413.157.509
Money market placements	13,90-15,00	02.01.2018-29.01.2018	TL	9.690.000
Interest accrual				7.940.845
				<b>3.712.877.409</b>

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**7. CASH AND CASH EQUIVALENTS** (cont'd)

Maturities and interest rates of reverse repurchase agreements as at 31 December 2018 and 31 December 2017 are as follows:

<b>31 December 2018</b>				
	<b>Interest Rate (%)</b>	<b>Maturity</b>	<b>Cost</b>	<b>Carrying Value</b>
Reverse repurchase agreement	8,53-25,49	02.01.2019	34.891.723	34.915.432
			<b>34.891.723</b>	<b>34.915.432</b>
<b>31 December 2017</b>				
	<b>Interest Rate (%)</b>	<b>Maturity</b>	<b>Cost</b>	<b>Carrying Value</b>
Reverse repurchase agreement	12,02-12,80	02.01.2018	21.658.447	21.677.864
			<b>21.658.447</b>	<b>21.677.864</b>

**8. FINANCIAL INVESTMENTS**

<b>Current financial assets</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Time deposits with maturities more than three months	194.234.779	204.269.203
Financial assets at fair value through profit or loss	564.356.818	556.444.957
	<b>758.591.597</b>	<b>760.714.160</b>
<b>Non-current financial assets</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Available for sale financial assets	40.952.890	25.354.488
Held to maturity financial investments	16.254.878	9.136.803
	<b>57.207.768</b>	<b>34.491.291</b>
<b>31 December 2018</b>		
<b>Financial assets at fair value through profit or loss</b>	<b>Cost</b>	<b>Carrying value</b>
Government bonds and treasury bills	496.360	432.850
Private sector bonds	191.380.925	182.581.605
Equity shares	90.080.250	89.088.124
Foreign currency securities	216.194.595	230.214.896
Investment funds	40.492.763	61.639.343
Real Estate certificates	748.200	400.000
	<b>539.393.093</b>	<b>564.356.818</b>
<b>31 December 2017</b>		
<b>Financial assets at fair value through profit or loss</b>	<b>Cost</b>	<b>Carrying value</b>
Government bonds and treasury bills	5.427.910	5.363.245
Private sector bonds	151.863.771	150.541.581
Equity shares	200.863.943	209.638.406
Foreign currency securities	129.755.361	129.955.875
Investment funds	53.489.420	60.597.650
Real Estate certificates	425.000	348.200
	<b>541.825.405</b>	<b>556.444.957</b>

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**8. FINANCIAL INVESTMENTS** (cont'd)

Annual interest rate ranges of government bonds and treasury bills held for trading purposes as at December 31, 2018 are 25,24%. (31 December 2017: 13,50%).

The details of financial assets at fair value through other comprehensive income are as follows:

<b>31 December 2018</b>		
<b>Financial Assets at Fair Value Through Other comprehensive Income</b>	<b>Ownership Rate (%)</b>	<b>Carrying value</b>
<b>Listed Entities</b>		
İş Gayrimenkul Yatırım Ortaklığı AŞ	1,13	14.854.693
<b>Unlisted Entities</b>		
İstanbul Takas ve Saklama Bankası AŞ	0,87	9.444.600
Ege Tarım Ürünleri Lisanslı Depoculuk AŞ	10,05	1.540.045
Borsa İstanbul AŞ	0,38	15.096.668
Yatırım Finansman Menkul Değ. AŞ	0,06	16.884
		<b>40.952.890</b>

<sup>(1)</sup> In accordance with the transition to TFRS 9, "Financial Assets Available for Sales" are replaced as "Financial Assets at Fair Value through Other Comprehensive Income".

<b>31 December 2017</b>		
<b>Financial assets available for sale</b>	<b>Ownership Rate (%)</b>	<b>Carrying value</b>
<b>Listed Entities</b>		
İş Gayrimenkul Yatırım Ortaklığı AŞ	1,13	18.515.853
<b>Unlisted Entities</b>		
İstanbul Takas ve Saklama Bankası AŞ	0,87	3.692.583
Ege Tarım Ürünleri Lisanslı Depoculuk AŞ	10,05	1.540.045
Borsa İstanbul AŞ	0,38	1.589.123
Yatırım Finansman Menkul Değ. AŞ	0,06	16.884
		<b>25.354.488</b>

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**8. FINANCIAL INVESTMENTS** (cont'd)

The details of the Group's government bonds classified as financial assets measured at amortized cost are as follows:

<b>31 December 2018</b>			
<b>Held to maturity financial assets (*)</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Carrying Value</b>
Financial instruments	9.126.580	16.334.163	16.254.878
	<b>9.126.580</b>	<b>16.334.163</b>	<b>16.254.878</b>

(\*) In accordance with the transition to TFRS 9, "Financial assets held to maturity" are replaced as "Financial assets measured at amortized cost"

<b>31 December 2017</b>			
<b>Held to maturity financial assets</b>	<b>Cost</b>	<b>Fair Value</b>	<b>Carrying Value</b>
Financial instruments	4.964.623	9.480.975	9.136.803
	<b>4.964.623</b>	<b>9.480.975</b>	<b>9.136.803</b>

As of December 31, 2018, the maturity dates of the financial assets measured at amortized cost with the nominal amount of TL 5.000.000 and USD 1.000.000 are April 2020 and January 2023 consecutively. (As of December 31, 2017, the maturity of held to maturity securitites with the nominal amount of TL 5.000.000 is April 1, 2020)

The fair values of financial assets measured at amortized cost are presented in the above table for presentation purposes are determined according to Level 1.

**9. FINANCIAL PAYABLES**

<b>Financial Payables</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Payables to Stock Exchange Money Market	1.477.931.000	2.281.773.000
Payables from bills	1.662.914.987	1.599.545.194
Short-term bank borrowings	152.097.338	275.714.813
Long-term bank borrowings	124.910.967	93.942.573
Short-term portion of long term bank loans	22.560.391	19.792.365
Short-term factoring payables	21.901.411	18.342.165
Interest accruals on payables to Stock Exchange Money Markets	8.299.949	5.232.924
Accrued interest on bank borrowings	716.276	1.116.829
Long-term finance lease liabilities	599.411	2.878.653
Short-term portion of long-term finance lease liabilities	21.836.422	15.020.829
	<b>3.493.768.152</b>	<b>4.313.359.345</b>

USD 11.286.641 and EUR 7.812.575 of the factoring and leasing payables are denominated to Turkish Lira as a total amount of TL 23.152.109

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**9. FINANCIAL PAYABLES** (cont'd)

As at December 31, 2018 and December 31, 2017, interest rates and maturities of bank borrowings are as follows:

31 December 2018					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	273.109.360	TL	12,07-33,00	10.01.2019-19.01.2022	273.109.360
Interest accrual	7.655.993	TL			7.655.993
Principal	4.417.104	USD	4,96-12,50	18.01.2019-31.12.2019	26.459.336
Interest accrual	107.502	USD			643.956
					<b>307.868.645</b>
31 December 2017					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	373.085.992	TL	10,50-18,50	02.01.2018-19.01.2022	373.085.992
Interest accrual	4.771.928	TL			4.771.928
Principal	4.274.431	USD	4,50-6,40	19.01.2018-28.12.2018	16.122.727
Interest accrual	121.235	USD			457.288
Principal	53.379	EUR	3,90	10.08.2018	241.032
Interest accrual	821	EUR			3.708
					<b>394.682.675</b>

As at December 31, 2018 and December 31, 2017, interest rates and maturities of payables to stock exchange money market are as follows:

31 December 2018					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	1.477.931.000	TL	23,25-24,85	02.01.2019-23.01.2019	1.477.931.000
Interest accrual	21.901.411	TL			21.901.411
	<b>1.499.832.411</b>				<b>1.499.832.411</b>
31 December 2017					
Description	Amount	Currency Type	Interest Rate (%)	Maturity	Amount TL
Principal	2.281.773.000	TL	13,00-15,00	02.01.2018-02.05.2018	2.281.773.000
Interest accrual	18.342.165	TL			18.342.165
	<b>2.300.115.165</b>				<b>2.300.115.165</b>

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**9. FINANCIAL PAYABLES** (cont'd)

Interest rates and maturities of payables to stock exchange money market are as follows:

<b>31 December 2018</b>		
	<b>Future minimum lease payments</b>	<b>Present value of minimum lease payments</b>
0-1 year	617.568	599.410
1-2 years	382.906	357.805
2-5 years	402.993	358.472
Future financial expenses	-	-
Present value of leasing liabilities	<b>1.403.467</b>	<b>1.315.687</b>
Debts payable within 12 months (presented in short term liabilities)		(599.410)
Debts payable after 12 months		<b>716.277</b>
<b>31 December 2017</b>		
	<b>Future minimum lease payments</b>	<b>Present value of minimum lease payments</b>
0-1 year	1.132.612	1.070.101
1-2 years	489.865	433.535
2-5 years	553.025	480.794
Future financial expenses	(191.072)	-
Present value of leasing liabilities	<b>1.984.430</b>	<b>1.984.430</b>
Debts payable within 12 months (presented in short term liabilities)		(1.070.101)
Debts payable after 12 months		<b>914.329</b>

The Group purchases tool sets and production machines for its orthopedics, medical and surgical operations and furniture and fixtures for its restaurant operations through leasing.

As at contract date, the interest rates related to financial lease transactions are fixed for the whole leasing period.

Average yearly effective interest rate for contracts in TL is range between 10,94%-16,40% (December 31, 2017: contracts in TL range between 10,94%-16,40%).

**10. OTHER FINANCIAL LIABILITIES**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Liabilities from short selling transactions <sup>(*)</sup>	1.611.080	8.940.085
	<b>1.611.080</b>	<b>8.940.085</b>

<sup>(\*)</sup>As of 31 December 2018, liabilities from short selling transactions comprised of share certificates having nominal value amounting TL 284.871 (31 December 2017: TL 594.790).



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**11. TRADE RECEIVABLES AND PAYABLES**

<b>Current trade receivables</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Receivables from customers	738.248.559	888.059.179
Receivables from clearing houses on derivative transactions	483.199.732	593.514.725
Receivables from credit customers	111.693.489	301.012.852
Receivables from clearing houses	146.945.471	521.478.666
Purchase of nonperforming loans	193.285.166	176.737.199
Due from related parties (Note 6)	7.228.313	16.604.948
Commission and fund management fee receivables	713.357	864.009
Other trade receivables	1.059.532	1.241.093
Doubtful trade receivables	22.859.168	23.312.122
Provisions for doubtful trade receivables (-)	(22.859.168)	(23.312.122)
	<b>1.682.373.619</b>	<b>2.499.512.671</b>

As at December 31, 2018, the average interest rates applied to customers on margin trading are 41,25% (December 31, 2017: 19,49%).

As at December 31, 2018, the Group holds the equity shares of the listed entities as collaterals received in relation to receivables from customers on margin trading with an amount of TL 205.274.732 (December 31, 2017: TL 547.078.724).

As at December 31, 2018, the Group holds letters of guarantee with an amount of TL 164.379.941 in relation to the derivative transactions of its customers (December 31, 2017: TL 104.656.105).

<b>Doubtful Trade Payables Transactions</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Opening balance	23.312.122	20.404.871
Provisions for the year	862.034	2.521.520
Cancelled provisions	156.766	-
Receipts	(1.471.754)	385.731
<b>Closing balance</b>	<b>22.859.168</b>	<b>23.312.122</b>

<b>Short term trade payables</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Payables to customers	902.074.916	1.486.197.696
Payables to clearing houses on derivative transactions	620.464.917	638.874.430
Payables to clearing house	5.312.829	28.496.375
Trade payables	55.720.840	52.499.621
Due to related parties	2.082.265	3.031.813
Other trade payables	932.363	1.429.619
	<b>1.586.588.130</b>	<b>2.210.529.554</b>

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**12. OTHER RECEIVABLES AND PAYABLES**

<b>Other current receivables</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Deposits and guarantees given	90.248.055	91.377.076
Collaterals given for futures	70.462.321	47.271.330
Due from related parties (Note 6)	7.154.663	2.537.043
Other receivables	4.771.571	5.130.659
	<b>172.636.610</b>	<b>146.316.108</b>
<b>Other non-current receivables</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Deposits and guarantees given	1.082.963	377.190
Due from related parties (Note 6)	150	150
	<b>1.083.113</b>	<b>377.340</b>
<b>Other short-term payables</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Taxes and fund payables	14.142.442	11.251.524
Due to related parties (Note 6)	2.017.137	1.475.096
Other payables	2.273.929	2.611.707
	<b>18.433.508</b>	<b>15.338.327</b>
<b>Other long-term payables</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Other payables	228.586	461.537
Due to related parties (Note 6)	361.856	1.305.214
	<b>590.442</b>	<b>1.766.751</b>

**13. RECEIVABLES AND PAYABLES FROM FINANCIAL SECTOR OPERATIONS**

Since the Group operates in finance sector, this account item has not been used.

**14. INVENTORIES**

<b>Inventories</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Trading goods and other inventories, net	64.897.927	61.699.114
	<b>64.897.927</b>	<b>61.699.114</b>

**15. BIOLOGICAL ASSETS**

None (December 31, 2017: None).

**16. ASSETS RELATED TO ONGOING CONSTRUCTION CONTRACTS**

None (December 31, 2017: None).

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**17. INVESTMENTS IN EQUITY ACCOUNTED INVESTEEES**

As at 31 December 2018 and 31 December 2017, the details of the Group's associates and joint ventures are as follows:

	Shareholding interest (%)		Main business area
	31 December 2018	31 December 2017	
Radore	25,50	25,50	Data Services
Mika Tur	20,00	20,00	Tourism

Summary financial information of the Group's associate is as follows:

	31 December 2018	31 December 2017
The Group's share in associate's net assets	(7.298.981)	(2.601.160)
Goodwill in equity accounted investees	7.607.415	7.607.415
Intangible assets	14.329.033	14.329.033
<b>Investments in equity accounted investees</b>	<b>14.637.467</b>	<b>19.335.288</b>
<b>Goodwill in equity accounted investees:</b>		
<b>Associates and joint ventures</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Radore	7.607.415	7.607.415
Mika Tur	-	-
<b>Total</b>	<b>7.607.415</b>	<b>7.607.415</b>
	<b>1 Ocak- 31 December 2018</b>	<b>1 Ocak- 31 December 2017</b>
Revenue	601.201.881	416.773.240
Profit/(Loss) for the period	(22.234.613)	(9.249.953)
<b>The Group's share in the profit/(loss) of associates</b>	<b>(4.697.821)</b>	<b>(2.387.979)</b>

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**17. INVESTMENT IN EQUITY ACCOUNTED INVESTEEES (cont'd)**

**Radore:**

With the decision of the Board of Directors on October 2, 2014, the Group decided to participate in capital increase of Radore Veri Hizmetleri AŞ ("Radore") which operates in data center management of information technologies industry with TL 8.750.000 and to acquire 28,50% share of Radore by acquisition from existing shareholders for TL 8.750.000 provision and the Group has been authorized in this context. General Directorate signed a Capital Associates, Shares and Shareholders Agreement ("Agreement") with Doğu SK Girişim Sermayesi Yatırım Ortaklığı AŞ which will invest the same amount and conditions, Radore and the existing shareholders of Radore and partnership transactions were completed on December 1, 2014. The Group sold 3% of its capital to Mustafa Selçuk Saraç on July 29, 2015.

	31 December 2018	31 December 2017
The Group's share in associate's net assets	(330.779)	832.174
Goodwill in equity accounted investees	7.607.415	7.607.415
Intangible assets	3.000.754	3.040.838
<b>Investments in equity accounted investees</b>	<b>10.277.390</b>	<b>11.480.427</b>
	<b>2018</b>	<b>2017</b>
Balance at 1 January	11.480.427	12.929.439
Share of Profit/Loss of Equity Accounted Investees	(1.162.953)	(1.288.726)
Other	(40.084)	(160.286)
<b>Balance at 31 December</b>	<b>10.277.390</b>	<b>11.480.427</b>

**Mika Tur (Tatil Budur):**

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 November 6, 2015 in return for a purchase price which is to be determined by share price adjustment mechanisms stated on the purchase contract. The Company has acquired 20% shareholding in Tatil Budur in return for TL 11.5 million, with a reservation for adjustment in the purchase price depending on the actual net financial liability at the closing date, the level of the net working capital and the level of the total gross profit in the last 12 months, at the end of September, 2015. TL 10.35 million of the final purchase price to be determined through above parameters has been paid to the above shareholders at the closing date in cash. On September 22, 2016, the Group made an additional payment of TL 938.195 to Tatil Budur.

	31 December 2018	31 December 2017
The Group's share in associate's net assets	(6.968.202)	(3.433.334)
Intangible assets	11.288.195	11.288.195
<b>Investments in equity accounted investees</b>	<b>4.319.993</b>	<b>7.854.861</b>
	<b>2018</b>	<b>2017</b>
Balance at 1 January	7.854.861	8.954.114
Share of Profit/Loss of Equity Accounted Investees, Net of Income Tax	(3.534.868)	(1.099.253)
<b>Balance at 31 December</b>	<b>4.319.993</b>	<b>7.854.861</b>

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**18. GOODWILL**

Each cash-generating unit ("CGU") to be distributed to the carrying value of goodwill is as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Ortopro	9.206.500	9.206.500
Toksöz	22.354.606	22.354.606
Numnum	26.871.534	26.871.534
Impairment	(19.838.793)	(19.838.793)
	<b>38.593.847</b>	<b>38.593.847</b>

As three separate CGUs, valuations of Ortopro, Toksöz and Numnum were conducted by an independent valuation firm. Income and market approaches have been used for determining the fair values of Ortopro, Toksöz and Numnum. Analysis is made mostly using income approach (discounted cash flow method) method while lower weight is applied for values determined using similar transactions.

5-year business plans prepared by the management have been used. Growth in business of Ortopro, Toksöz and Numnum stems from the opportunities in the industry and new customer acquisitions.

The significant assumptions used in the calculation of the recoverable amount are discount rate and terminal growth rate. These assumptions are as follows:

	<b>Discount Rate</b>	<b>Growth Rate</b>
Ortopro	% 14,8	% 1,9
Toksöz	% 30,3	% 6,8
Numnum	% 32,4	% 6,8

The Group did not book any additional impairment provision in the current year as a result of the impairment test performed by using the assumptions explained above.

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**19. TANGIBLE ASSETS**

<b>Cost</b>	<b>Machinery and Equipment</b>	<b>Vehicles</b>	<b>Furniture and Fixtures</b>	<b>Other Tangible Assets</b>	<b>Leasehold Improvements</b>	<b>Total</b>
Opening balances at 1 January 2018	12.330.335	1.102.563	46.122.687	660.971	39.784.333	100.000.889
Foreign currency translation differences	157.513	20.747	218.920	-	255.466	652.646
Additions	823.550	20.919	2.842.531	50.786	3.185.039	6.922.825
Disposals	(31.455)	(109.262)	(415.705)	(30.000)	(4.395.124)	(4.981.546)
<b>Closing balances at 31 December 2018</b>	<b>13.279.943</b>	<b>1.034.967</b>	<b>48.768.433</b>	<b>681.757</b>	<b>38.829.714</b>	<b>102.594.814</b>
<b>Accumulated depreciation</b>						
Opening balances at 1 January 2018	(7.972.099)	(320.015)	(28.879.923)	(249.381)	(20.895.353)	(58.316.771)
Foreign currency translation differences	(148.387)	-	(228.933)	-	(413.081)	(790.401)
Charge for the period	(1.404.847)	(207.373)	(4.853.248)	(1.792)	(5.586.393)	(12.053.653)
Disposals	8.382	70.200	266.894	-	3.389.424	3.734.900
<b>Closing balance at 31 December 2018</b>	<b>(9.516.951)</b>	<b>(457.188)</b>	<b>(33.695.210)</b>	<b>(251.173)</b>	<b>(23.505.403)</b>	<b>(67.425.925)</b>
<b>Carrying value as at 1 January 2018</b>	<b>4.358.236</b>	<b>782.548</b>	<b>17.242.764</b>	<b>411.590</b>	<b>18.888.980</b>	<b>41.684.118</b>
<b>Carrying value as at 31 December 2018</b>	<b>3.762.992</b>	<b>577.779</b>	<b>15.073.223</b>	<b>430.584</b>	<b>15.324.311</b>	<b>35.168.889</b>
<b>Cost</b>	<b>Machinery and Equipment</b>	<b>Vehicles</b>	<b>Furniture and Fixtures</b>	<b>Other Tangible Assets</b>	<b>Leasehold Improvements</b>	<b>Total</b>
Opening balances at 1 January 2017	14.087.940	919.602	41.050.710	1.201.393	36.585.835	93.845.480
Foreign currency translation differences	-	-	105.975	-	215.791	321.766
Business Combinations	-	-	238.311	-	(238.311)	-
Classification	-	-	487.185	(487.189)	-	(4)
Additions	1.695.344	571.085	6.408.148	-	13.276.465	21.951.042
Disposals	(3.452.949)	(388.124)	(2.167.642)	(53.233)	(10.055.447)	(16.117.395)
<b>Closing balances at 31 December 2017</b>	<b>12.330.335</b>	<b>1.102.563</b>	<b>46.122.687</b>	<b>660.971</b>	<b>39.784.333</b>	<b>100.000.889</b>
<b>Accumulated depreciation</b>						
Opening balances at 1 January 2017	(9.880.777)	(455.989)	(23.365.220)	(1.574.208)	(24.378.338)	(59.654.532)
Foreign currency translation differences	-	-	(99.912)	-	(193.190)	(293.102)
Classification	-	7.102	(1.373.747)	1.330.727	35.918	-
Charge for the period	(1.544.604)	(166.475)	(4.976.324)	(5.900)	(4.347.625)	(11.040.928)
Disposals	3.453.282	295.347	935.280	-	7.987.882	12.671.791
<b>Closing balance at 31 December 2017</b>	<b>(7.972.099)</b>	<b>(320.015)</b>	<b>(28.879.923)</b>	<b>(249.381)</b>	<b>(20.895.353)</b>	<b>(58.316.771)</b>
<b>Carrying value as at 1 January 2017</b>	<b>4.207.163</b>	<b>463.613</b>	<b>17.685.490</b>	<b>(372.815)</b>	<b>12.207.497</b>	<b>34.190.948</b>
<b>Carrying value as at 31 December 2017</b>	<b>4.358.236</b>	<b>782.548</b>	<b>17.242.764</b>	<b>411.590</b>	<b>18.888.980</b>	<b>41.684.118</b>

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**20. INTANGIBLE ASSETS**

<b>Cost</b>	<b>Distribution Network, Patent, License and Leasing Agreements</b>	<b>Computer software and Licenses</b>	<b>Total</b>
Opening balance at 1 January 2018	30.352.069	27.842.735	58.194.804
Exchange differences	-	1.557.454	1.557.454
Disposals	(3.333.065)	(672.065)	(4.005.130)
Additions	71.889	4.067.248	4.139.137
<b>Closing balance at 31 December 2018</b>	<b>27.090.893</b>	<b>32.795.372</b>	<b>59.886.265</b>
<b>Accumulated amortization</b>			
Opening balance at 1 January 2018	(21.568.088)	(17.747.965)	(39.316.053)
Exchange differences	-	(654.863)	(654.863)
Disposals	2.890.323	(885.176)	2.005.147
Charge for the period	(2.177.842)	(3.244.761)	(5.422.603)
<b>Closing balance at 31 December 2018</b>	<b>(20.855.607)</b>	<b>(22.532.765)</b>	<b>(43.388.372)</b>
<b>Carrying value at 1 January 2018</b>	<b>8.783.981</b>	<b>10.094.770</b>	<b>18.878.751</b>
<b>Carrying value as at 31 December 2018</b>	<b>6.235.286</b>	<b>10.262.607</b>	<b>16.497.893</b>
<b>Cost</b>	<b>Distribution Network, Patent, License and Leasing Agreements</b>	<b>Computer software and Licenses</b>	<b>Total</b>
Opening balance at 1 January 2017	30.304.188	23.038.649	53.342.837
Exchange differences	-	673.619	673.619
Disposals	-	(208.988)	(208.988)
Additions	47.881	4.339.455	4.387.336
<b>Closing balance at 31 December 2017</b>	<b>30.352.069</b>	<b>27.842.735</b>	<b>58.194.804</b>
<b>Accumulated amortization</b>			
Opening balance at 1 January 2017	(19.988.376)	(14.853.164)	(34.841.540)
Exchange differences	-	(284.453)	(284.453)
Disposals	-	164.705	164.705
Charge for the period	(1.579.712)	(2.775.053)	(4.354.765)
<b>Closing balance at 31 December 2017</b>	<b>(21.568.088)</b>	<b>(17.747.965)</b>	<b>(39.316.053)</b>
<b>Carrying value at 1 January 2017</b>	<b>10.315.812</b>	<b>8.185.485</b>	<b>18.501.297</b>
<b>Carrying value as at 31 December 2017</b>	<b>8.783.981</b>	<b>10.094.770</b>	<b>18.878.751</b>

**21. GOVERNMENT INCENTIVES AND GRANTS**

None (December 31, 2017: None).

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**22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

<b>Current provisions</b>	<b>31 December 2018</b>	<b>31 December 2017</b>	
Legal claims	3.210.724	1.504.132	
Other liabilities and expense accruals	507.442	346.471	
	<b>3.718.166</b>	<b>1.850.603</b>	
<b>1 January-31 December 2018</b>			
	<b>Legal claims</b>	<b>Other</b>	<b>Total</b>
Opening balance	1.504.132	346.471	1.850.603
Additional provisions	1.707.603	160.971	1.868.574
Canceled provisions	(1.011)	-	(1.011)
<b>Closing balance</b>	<b>3.210.724</b>	<b>507.442</b>	<b>3.718.166</b>
<b>1 January-31 December 2017</b>			
	<b>Legal claims</b>	<b>Other</b>	<b>Total</b>
Opening balance	798.864	227.474	1.026.338
Additional provisions	705.268	118.997	824.265
<b>Closing balance</b>	<b>1.504.132</b>	<b>346.471</b>	<b>1.850.603</b>

In relation to the Company's subsidiary, Toksöz Spor Malzemeleri Ticaret A.Ş., within the case no 2017/372, which was opened in the 3<sup>rd</sup> Commercial Court of First Instance, a decision of capital reduction dated April 7, 2017, has been taken by the extraordinary general assembly and the decision of capital increase by the extraordinary general assembly has been cancelled. Against the decision Toksöz Spor Malzemeleri Ticaret A.Ş. has been appealed to the Istanbul Regional Court of Justice in the 12th Legal Department.

Details of the nominal amounts of government bonds and treasury bills, equity shares, eurobonds and mutual funds belonging to customers and held for custody purposes are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Customer portfolio-Debt Instruments	1.662.853.011	993.965.633
Eurobond	498.820.989	310.407.032
Equity shares	14.205.697.592	9.079.123.611
Mutual funds - units	31.308.222.573	40.304.511.440

As of December 31, 2018 and 2017, letters of guarantee and promissory notes given by the Group are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
İstanbul Takas ve Saklama Bankası AŞ	1.768.000.000	2.620.500.000
Borsa İstanbul AŞ	37.135.000	71.435.000
Sermaye Piyasası Kurulu	1.776	1.776
Other	222.400.395	92.345.188
	<b>2.027.537.171</b>	<b>2.784.281.964</b>

As of December 31, 2018, letters of guarantee and promissory notes amounting to TL 2.027.537.171 given by the Group contains USD 13.000.000 that equals to TL 68.391.700, EUR 10.000 that equals to TL 60.280 and GBP 5.000.000 that equals to TL 33.264.000 (December 31, 2017: letters of guarantee and promissory notes amounting to TL 2.784.281.964 given by the Group contains USD 13.050.000 that equals to TL 49.223.295 EUR 40.000 that equals to TL 180.620 and GBP 5.000.000 that equals to TL 25.401.500).



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**22. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES** (cont'd)

Guarantee/pledge/mortgage ("GPM") position of the Group as at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
<b>Guarantees/Pledges/Mortgages given by the Company</b>		
<b>A. GPM given on behalf of its own legal entity</b>	<b>1.805.610.027</b>	<b>2.692.655.868</b>
GPM	1.805.610.027	2.692.655.868
Financial investments	-	-
<b>B. GPM given on behalf of consolidated subsidiaries</b>	<b>101.655.700</b>	<b>74.436.200</b>
GPM	101.655.700	74.436.200
Financial investments	-	-
<b>C. Total amount of GPM given on behalf of other third parties' debt</b>	<b>-</b>	<b>-</b>
<b>D. Other GPM</b>	<b>-</b>	<b>-</b>
i. Total amount of GPM given on behalf of the Parent	-	-
ii. Total amount of GPM given on behalf of other	-	-
iii. Total amount of GPM given on behalf of third parties not covered	-	-
<b>TOTAL</b>	<b>1.907.265.727</b>	<b>2.767.092.068</b>

As of December 31, 2018, GPM, amounting to TL 101.655.700 given for fully consolidated subsidiaries, contains USD 13.000.000 that equals to TL 68.391.700 and GBP 5.000.000 that equals to TL 33.264.000 (As at December 31, 2017, GPM, amounting to TL 74.326.200 given for fully consolidated subsidiaries, contains USD 13.000.000 that equals to TL 49.034.700 and GBP 5.000.000 that equals to TL 25.401.500). Proportion of GPM to the Group's equity as at December 31, 2018 is 176% (December 31, 2017: 284%).

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**23. COMMITMENTS**

Derivative commitments and option agreements of the Group as at December 31, 2018 and 2017 are as follows:

Derivatives instrument description	31 December 2018			
	SHORT POSITION		LONG POSITION	
	Notional Amount	Notional Amount (TL)	Notional Amount	Notional Amount (TL)
<b>Foreign currency based</b>				
Option agreements	18.337.852	73.764.996	9.895.199	76.016.640
Forward and swap agreements	1.304.917.869	5.529.622.083	419.793.563	2.199.682.214
Futures agreements	167.179.565	198.572.662	16.364.140	64.733.596
<b>Index based</b>				
Option agreements	13.791.600	351.635	50.450.000	1.897.807
Futures agreements	1.176.300	-	407.725	15.792.642
Other	-	-	29.000	1.570.495
Derivatives instrument description	31 December 2017			
	SHORT POSITION		LONG POSITION	
	Notional Amount	Notional Amount (TL)	Notional Amount	Notional Amount (TL)
<b>Foreign currency based</b>				
Option agreements	39.955.976	140.318.726	75.048.000	186.891.460
Forward and swap agreements	1.541.733.388	7.072.598.127	2.111.015.002	2.237.114.226
Futures agreements	16.549.000	63.616.849	357.000	439.121
<b>Index Based</b>				
Option agreements	1.667.400	34.749	139.703.799	3.427.718
Futures agreements	1.056.100	104.831.395	295.300	2.064.912
Other	230.470	869.310	-	-

**24. PROVISIONS RELATED TO EMPLOYEE BENEFITS**

**Short-term employee benefits:**

	31 December 2018	31 December 2017
Unused vacation pay liability and miscellaneous bonus provision	24.300.246	23.735.783

In accordance with the existing social legislation in Turkey, the Group is required to make payments for unused vacation days when the personnel leave from the company. Vacation pay liability is the undiscounted amount calculated over the unused vacation days of the employees.

**Long-term employee benefits:**

	31 December 2018	31 December 2017
Employee severance pay liability	10.856.658	7.758.813
<b>Total</b>	<b>10.856.658</b>	<b>7.758.813</b>

Under the Turkish Labour Law, the Group is required to pay employment termination benefits to each entitled employee to receive such benefits.

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**24. PROVISIONS RELATED TO EMPLOYEE BENEFITS** (cont'd)

**Long-term employee benefits:** (cont'd)

The applicable retirement pay provision ceiling as at December 31, 2018 is TL 5.434 for the calculation of employment termination benefits (December 31, 2017: TL 4.732). The retirement pay provision ceiling is revised semi-annually, and TL 5.434, which is effective from July 2018, is taken into consideration in the calculation of provision for employment termination benefits (December 31, 2017; The retirement pay provision ceiling effective from July 1, 2017 amounts to TL 4.732).

The liability is not funded, as there is no funding requirement. Provision is calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the Group's obligation under the defined benefit plans. Accordingly, the following actuarial assumptions are 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 December 31, 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 respective balance sheet date has been calculated assuming an annual inflation rate of 11,03% (December 31, 2017: 7,00%) calculated by the average of inflation rate 16,00% (December 31, 2017: 11,50%) and discount rate assumptions 4,60% (December 31, 2017: 4,60%). The estimated rate of severance indemnity amounts to be retained in the Group is also taken into account.

	<b>31 December 2018</b>	<b>31 December 2017</b>
Opening balance, 1 January	7.758.813	6.071.462
Service cost	1.703.229	1.106.970
Interest cost	1.941.378	887.966
Payments made during the year	(2.260.434)	(3.044.742)
Actuarial difference	1.713.672	2.737.157
<b>Provision for employee benefits</b>	<b>10.856.658</b>	<b>7.758.813</b>

**Retirement Benefits**

Beginning from 2006, the Group has started to contribute certain amount of private pension payments for its employees. In the current year, total contributions paid amount to TL 613.822 whereas in aggregate it is TL 4.827.645 (Contributions paid as at December 31, 2017 is TL 632.042 and cumulative payment is TL 4.213.823).

**25. OTHER ASSETS and LIABILITIES**

<b>Other current assets</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Income accruals	576.023	564.794
Deferred VAT	8.178.120	7.044.091
Advances given for purchases	2.337.192	-
Business advances	91.251	1.691.454
Personnel advances	350.801	512.448
Other	5.367.092	2.276.401
	<b>16.900.479</b>	<b>12.089.188</b>

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**25. OTHER ASSETS and LIABILITIES (cont'd)**

<b>Other short-term liabilities</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Expense accruals	4.110.349	6.725.001
Advances received	3.839.471	16.454.627
Deferred Income	2.131.076	2.350.521
Other	3.052.734	2.574.044
	<b>13.133.630</b>	<b>28.104.193</b>
<b>Other long-term liabilities</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Income related to future years	5.124.270	3.782.273
	<b>5.124.270</b>	<b>3.782.273</b>

**26. EQUITY**

**a. Capital**

The capital structure of the Company as at December 31, 2018 and December 31, 2017 are as follows:

<b>Shareholders</b>	<b>31 December 2018</b>		<b>31 December 2017</b>	
	<b>Share (%)</b>	<b>Amount</b>	<b>Share (%)</b>	<b>Amount</b>
Türkiye İş Bankası AŞ (Group A)	0,05	150.000	0,05	150.000
Türkiye İş Bankası AŞ (Group B)	67,18	238.503.549	67,18	238.503.426
Halka açık kısım (Group B)	27,74	98.471.771	27,74	98.471.894
Other (Group B)	5,03	17.874.680	5,03	17.874.680
<b>Total</b>	<b>100,00</b>	<b>355.000.000</b>	<b>100,00</b>	<b>355.000.000</b>

The authorised share capital ceiling of the Company is TL 750.000.000 and paid-in capital of the Company is TL 355.000.000 (December 31, 2017: TL 355.000.000 TL).

The capital has been divided into 355.000.000 (Three Hundred Fifty Five Million) shares each having a value of TL 1.00 (December 31, 2017: 355.000.000). TL 150.000 of the shares is Group A (December 31, 2017: 150.000 TL), and TL 354.850.000 is Group B shares (December 31, 2017: TL 354.850.000). According to the Articles of Association, additional Group A shares cannot be issued during new capital increases. Six members of the Board of Directors out of nine are elected among the nominees determined by Group A shareholders and three members by Group B shareholders.

**b. Fair Value Reserve**

	<b>1 January- 31 December 2018</b>	<b>1 January- 31 December 2017</b>
Opening balance	8.851.915	9.968.628
Borsa İstanbul and Takasbank valuation differences (IFRS 9 opening balance)	15.849.281	-
Change in non-controlling interests	211.653	-
Increase/(decrease) in value of assets available for sale	(1.058.271)	(1.116.713)
<b>Closing balance</b>	<b>23.854.578</b>	<b>8.851.915</b>

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**26. EQUITY** (cont'd)

**b. Fair Value Reserve** (cont'd)

Fair Value Reserve:

Fair value reserve arises from the measurement of available-for-sale financial assets at their fair value. In case of disposal of assets carried at fair value, the cumulative gain or loss related to that assets previously recognized in equity is included in the statement of profit or loss for the period. Gains and losses arising from changes in fair value are recognized directly in equity, until the asset is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the statement of profit or loss for the period.

**c. Foreign Currency Translation Differences**

Foreign currency translation differences consist of foreign currency exchange rate differences arising from remeasurement of foreign currency financial statements into Turkish Lira.

**d. Restricted Reserves**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Legal reserves	83.804.301	62.295.688
Statutory reserves	50.862	50.862
<b>Total</b>	<b>83.855.163</b>	<b>62.346.550</b>

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code, are not distributable to shareholders. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

**e. Prior Year's Profit**

The prior year's profit and extraordinary reserves disclosed in prior year's profit in the statement of financial position of the Group as at December 31, 2018 and 2017 are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Extraordinary reserves	74.807.432	44.101.746
Remeasurement gains of defined benefit plans (including tax effect)	(5.114.987)	(4.987.956)
Prior year's profit	33.283.870	51.528.551
<b>Total</b>	<b>102.976.315</b>	<b>90.642.341</b>

Profit Distribution:

In accordance to with the Capital Markets Board's "Profit Distribution Communiqué" Serial: II No:19.1 distributable profit will determined by the General Assembly in accordance with the dividend policy and provisions of the relevant legislation dispenses with the decision of the General Assembly.

At the Ordinary General Assembly Meeting of the Company held on March 27, 2018, the Company decided to distribute dividend to shareholders 110.000.000 TL. Dividend was paid on March 28 and 30, 2018.

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**26. EQUITY** (cont'd)

**f. Other Reserves**

Other reserves comprised of profit or loss related with the sale of shares while retaining control and increase in share capital (non-reciprocal capital contributions made by a parent or NCI to non-wholly owned subsidiary) after obtained control of a subsidiary which changes its ownership interest in that subsidiary without losing control by buying shares from the non-controlling interest at the beginning of the period. The effects of these transactions on the non-controlling interests in the accompanying consolidated financial statements are allocated to proportionally to non-controlling interest and classified as "non-controlling interests".

	<b>1 January- 31 December 2018</b>	<b>1 January- 31 December 2017</b>
Opening balance	1.753.763	1.753.763
Change in non-controlling interests	7.755	-
Reserve for venture capital fund	7.000.000	-
<b>Closing Balance</b>	<b>8.761.518</b>	<b>1.753.763</b>

**g. Change in Non Controlling Interests**

Shares of net assets of the subsidiaries that are directly or indirectly not under control of the equity holders of the Company are classified as "non-controlling interests" in the statement of financial position.

	<b>1 January- 31 December 2018</b>	<b>1 January- 31 December 2017</b>
Opening balance	293.914.044	307.721.051
Profit for the year attributable to non-controlling interest portion	12.584.262	(2.122.968)
Re-measurement gains of defined benefit plans (including tax effect)	(382.658)	(230.025)
Fair value reserve	(230.731)	(91.153)
Increase/Decrease in Changes in Subsidiaries Due to Changes in Share Ratios Not Resulted by Loss of Control	-	619.008
Foreign currency translation differences	(3.537.716)	(868.000)
Changes in non-controlling interest	4.567.290	7.347.973
Dividends paid	(26.431.713)	(18.461.844)
Corrections	(675.347)	-
<b>Closing balance</b>	<b>279.807.431</b>	<b>293.914.044</b>

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**27. SALES AND COST OF SALES**

	<b>1 January- 31 December 2018</b>	<b>1 January- 31 December 2017</b>
<b>Sales revenue</b>		
Sales of equity shares and certificates	22.802.469.349	24.785.128.565
Sales of private sector bonds	11.147.719.555	17.539.562.162
Sales of government bonds	6.064.871.426	3.736.645.733
Sales of warrants	4.092.992.393	2.203.736.055
Sales of mutual funds	210.413.363	251.162.904
Other	320.457.755	257.281.700
<b>Total</b>	<b>44.638.923.841</b>	<b>48.773.517.119</b>
<b>Cost of Sales</b>		
Purchase of equity shares and certificate	(22.831.820.283)	(24.746.300.659)
Purchase of private sector bonds	(11.117.976.297)	(17.540.777.233)
Purchase of government bonds	(6.063.611.004)	(3.731.443.451)
Purchase of warrants	(3.975.457.699)	(2.168.969.537)
Purchase of mutual funds	(199.583.934)	(242.504.778)
Depreciation and amortization expenses	(3.097.380)	(3.738.771)
Other	(220.947.581)	(189.151.140)
<b>Total</b>	<b>(44.412.494.178)</b>	<b>(48.622.885.569)</b>
<b>Interest income from operating and derivative activities, (net)</b>		
Interest income/(expenses) (net)	187.195.772	250.986.014
Forward transaction revenues/(expenses) (net)	537.398.181	350.790.453
Leveraged foreign exchange transaction income/(expense) (net)	14.275.854	15.334.056
Government and private sector bond income	14.915.568	25.655.033
Interest expenses on bank loans	(5.514.167)	(12.585.650)
Interest on financing bonds	(305.626.315)	(208.385.416)
Interest on Stock Exchange Money Market transactions	(277.924.276)	(274.592.316)
<b>Total</b>	<b>164.720.617</b>	<b>147.202.174</b>
<b>Service income</b>		
Commission income on trading of derivative transactions	67.076.627	63.094.351
Commission income on trading of equity shares	94.787.480	68.375.582
Portfolio management fees	54.595.315	52.118.220
Corporate finance income	32.821.620	32.968.550
Commission income on trading of mutual funds	8.443.087	7.925.448
Commission income on trading of repurchase agreements	639.767	1.243.282
Borçlanma senetleri alım/satım aracılık komisyonları	2.329.045	1.410.641
Commission income on trading of debt securities	506.131	1.036.200
Other commissions and income	3.866.040	1.915.351
<b>Deductions from service income</b>		
Commission reimbursements to customers	(2.715.273)	(3.578.558)
Commissions paid to agencies	(4.147.864)	(3.334.975)
<b>Service income (net)</b>	<b>258.201.975</b>	<b>223.174.092</b>
Interest income from customers	65.417.734	51.905.579
Other operating income	12.447.778	5.194.296
<b>Other operating income (net)</b>	<b>77.865.512</b>	<b>57.099.875</b>

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**28. RESEARCH AND DEVELOPMENTS EXPENSES, MARKETING EXPENSES AND ADMINISTRATIVE EXPENSES**

	<b>1 January- 31 December 2018</b>	<b>1 January- 31 December 2017</b>
Research and development expenses	(7.165.235)	(3.633.043)
Marketing expenses	(102.516.097)	(105.619.781)
Administrative expenses	(262.777.435)	(238.734.372)
	<b>(372.458.767)</b>	<b>(347.987.196)</b>
<b>Research and development expenses</b>		
Personnel expenses	(4.946.705)	(2.670.400)
Amortization expenses	(92.873)	(145.559)
Transportation expenses	(119.239)	(331)
Other expenses	(2.006.418)	(816.753)
	<b>(7.165.235)</b>	<b>(3.633.043)</b>
<b>Marketing expenses</b>		
Foreign marketable securities transaction fees	(10.476.186)	(18.271.657)
Personnel expenses	(19.270.103)	(18.610.305)
Rent warehouse and store expenses	(16.059.080)	(20.296.654)
Custody expenses	(11.039.412)	(11.510.404)
Publication and advertisement expenses	(4.956.624)	(4.007.224)
Future derivative exchange transaction fees	(11.546.936)	(9.488.170)
Depreciation and amortization expenses	(4.549.051)	(4.117.140)
Equity shares transaction and registration fees	(6.439.198)	(5.424.134)
Fixed income securities transaction and registration fees	(538.280)	(749.512)
Transportation expenses	(1.950.849)	(1.523.790)
Portfolio management commission expenses	(49.846)	(289.271)
Securities lending commission expenses	(27.520)	(144.400)
Marketable securities brokerage commission expenses	(30.394)	(66.870)
Other marketing expenses	(15.582.618)	(11.120.250)
	<b>(102.516.097)</b>	<b>(105.619.781)</b>
<b>Administrative expenses</b>		
Personnel expenses	(141.456.723)	(131.108.980)
Communication expenses	(28.929.869)	(25.932.782)
Taxes and dues	(27.207.751)	(24.410.792)
Outsourcing expenses	(13.012.509)	(13.277.297)
Rent expenses	(13.075.327)	(11.055.368)
Depreciation and amortization expenses	(9.736.952)	(7.394.223)
Operating expenses	(6.477.207)	(6.368.443)
Board of Directors attendance fees	(4.076.875)	(4.018.586)
Transportation expenses	(3.040.539)	(2.403.037)
Other administrative expenses	(15.763.683)	(12.764.864)
	<b>(262.777.435)</b>	<b>(238.734.372)</b>
<b>Total operating expenses</b>	<b>(372.458.767)</b>	<b>(347.987.196)</b>



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**29. OTHER OPERATING INCOME/(EXPENSE)**

<b>Other operating income</b>	<b>1 January- 31 December 2018</b>	<b>1 January- 31 December 2017</b>
Commission from cash and marketable securities transactions	2.694.972	2.134.946
Reversals of provisions	8.377.315	2.118.508
Gain on sale of tangible assets	216.064	444.470
Other	6.439.942	5.178.310
<b>Total</b>	<b>17.728.293</b>	<b>9.876.234</b>

<b>Other operating expenses</b>	<b>1 January- 31 December 2018</b>	<b>1 January- 31 December 2017</b>
Provisions for doubtful trade receivables (note 11)	(862.034)	(2.521.520)
Paid commission and charges	(2.882.146)	(2.156.384)
Write-off expenses	(4.150.415)	(3.447.956)
Provisions	(937.726)	(1.180.108)
Other	(3.948.934)	(5.182.669)
<b>Total</b>	<b>(12.781.255)</b>	<b>(14.488.637)</b>

**30. NON-OPERATING FINANCE INCOME**

	<b>1 January- 31 December 2018</b>	<b>1 January- 31 December 2017</b>
Foreign currency gains	36.336.501	19.412.322
Interest income on	21.789.090	18.423.737
<i>Times deposits</i>	18.712.763	13.966.551
<i>Private sector bonds</i>	2.551.327	3.807.436
<i>Government bonds and Treasury bills</i>	525.000	649.750
Dividend income from associates	2.547.057	2.310.069
Interest income on guarantees	13.176.633	6.914.711
Reverse repo interest income	1.228.901	1.290.032
Other financial income	853.358	1.696.088
<b>Total</b>	<b>75.931.540</b>	<b>50.046.959</b>

**31. NON-OPERATING FINANCE COST**

	<b>1 January- 31 December 2018</b>	<b>1 January- 31 December 2017</b>
Interest expenses	(54.340.506)	(41.604.307)
<i>Bank borrowings</i>	(54.340.506)	(41.604.307)
Factoring and Leasing Expenses	(2.771.514)	(2.824.439)
Foreign currency losses	(60.311.411)	(15.271.817)
Commission expenses on letters of guarantee	(7.973.943)	(9.160.115)
Commission and interest expenses paid for sales	(5.334.111)	(3.459.018)
Repo interest expenses	(649.709)	(694.906)
Other financial expenses	(1.101.574)	(836.658)
<b>Total</b>	<b>(132.482.768)</b>	<b>(73.851.260)</b>

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**32. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS****Assets Held for Sale**

	<b>31 December 2018</b>	<b>31 December 2017</b>
Buildings	12.042.188	11.206.488
Other tangible assets	-	106.000
	<b>12.042.188</b>	<b>11.312.488</b>

**33. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS**

As of 31 December 2018 and 2017, other comprehensive income accounted in financial income/(expenses) are as follows:

	<b>1 January- 31 December 2018</b>	<b>1 January- 31 December 2017</b>
Changes in fair value of available for sale	(1.356.844)	(1.271.438)
Changes in foreign currency translation differences	(706.180)	355.407
Tax income/expenses relating to other comprehensive income	67.842	63.572
	<b>(1.995.182)</b>	<b>(852.459)</b>

For the years ended December 31, 2018 and December 31, 2017, defined benefit plans accounted in other comprehensive income are as follows:

	<b>1 January- 31 December 2018</b>	<b>1 January- 31 December 2017</b>
Re-measurement gains/losses in defined benefit plans	(1.975.542)	(2.898.796)
Tax income/expenses relating of other comprehensive income	395.108	579.759
	<b>(1.580.434)</b>	<b>(2.319.037)</b>

**34. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)**

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10<sup>th</sup> article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

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#### 34. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

As of December 31, 2018 and 2017, provision for tax legislation has been calculated within the scope of legislation.

Tax liability includes current period tax liability and deferred tax liability. If the tax is not directly related to a transaction that is accounted under equity, it is included within the statement of income.

Nevotek, the subsidiary of the Group, is subject to current income and corporate income tax in Turkey. However, according to provisional second article of Law 4691 Technology Development Zones and Law 5035, gains from software and R&D activities in technology development zones of income and corporate income tax payers operating in that zone are exempted from income and corporate taxes until December 31, 2013. Also, researchers, programmers and R&D personnel working in these regions, and related fees are exempted from all taxes until December 31, 2013. On March 12, 2011, in accordance with the Law No 6170 Amendments to the Technology Development Zones Law, the date has been extended until 31 December 2023. No tax liability has been recognized in the accompanying financial statements relating to Nevotek since it does not have any tax liability estimation from activities other than software and R&D activities.

The Group's subsidiaries in the United Arab Emirates are not subject to corporation tax in this country. The subsidiary's income in California, the United States of America is exposed to both federal and state income tax. The federal tax rate is gradual and between 15% - 35%, the state tax rate is 8,84%.

#### Taxation for Investment Trusts:

In accordance with the Clause (1) (d) in Article 5 of the Corporate Tax Law No: 5520 and dated June 21, 2006 in effect from January 1, 2006, portfolio management income of the securities investment funds and trusts in Turkey is exempt from tax. This exemption is also applied to the advance corporate tax.

Based on the Clause (3) in Article 15 of the same law, 15% withholding tax is applied on the portfolio management income of the securities investment funds and trusts in Turkey, which is exempt from tax, whether it is distributed or not. In accordance with the Clause (4) of the same article, the Council of Ministers is authorized to reduce this withholding rate to 0% or to increase it up to the corporate tax rate.

In accordance with the Law No: 5527 and the Provisional Article 67 the Clause (1) which were introduced in the Income Tax Law No: 193 with the Law No: 5281 to be applied from January 1, 2006 to December 31, 2015 effective from January 1, 2006, 15%, 10% and 0% withholding tax is applied for securities mutual funds' and trusts' purchase and sale income from securities and other capital market instruments and periodical returns through banks and brokerage companies for the periods of January 1, 2006 - July 22, 2006, July 23, 2006 - September 30, 2006 and subsequent to October 1, 2006, respectively.

As per the Clause (8) of the Provisional Article 67, 15% withholding tax is applied on the securities investment funds established in accordance with the Capital Markets Law (including funds traded on stock exchange, mortgage finance funds and asset finance funds) and securities investment trusts' portfolio income that is exempt from corporate tax, whether distributed or not. There is no further withholding tax for the related income under the Article 94. Upon the decision made by the Council of Ministers numbered 2006/10731 and dated 23 July 2006, the related withholding tax rate was applied as 10% for the period July 23, 2006 - September 30, 2006 and 0% subsequent to October 1, 2006.

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**34. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)**Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from April 24, 2003. This rate was increased from 10% to 15% effective from July 22, 2006 with the decision made by the Council of Ministers numbered 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

<b>Current tax payable</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Current tax liability	7.968.772	20.661.817
Prepaid taxes and funds	(5.692.840)	(18.669.418)
	<b>2.275.932</b>	<b>1.992.399</b>
<b>Tax expense</b>	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Current tax expense	(73.126.219)	(20.661.817)
Deferred tax income/(expense)	8.954.509	(23.801.804)
<b>Total</b>	<b>(64.171.710)</b>	<b>(44.463.621)</b>
Tax expense from continuing operations	(64.171.710)	(44.463.621)
	<b>(64.171.710)</b>	<b>(44.463.621)</b>
<b>Income tax recognized directly in equity</b>	<b>1 January - 31 December 2018</b>	<b>1 January - 31 December 2017</b>
Valuation of available-for-sale financial assets	67.842	63.572
Re-measurement gains of defined benefit plans	395.108	579.759
	<b>462.950</b>	<b>643.331</b>

Current Tax Assets:

As of December 31, 2018 and 2017, the current tax assets of the Group consist of taxes paid in advance through withholding tax amounting to TL 62.641.404 and TL 21.224.889, respectively.

Deferred Tax:

Deferred tax is calculated by using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

Deferred tax assets and liabilities are offset in case where there is a legally enforceable right to set off current tax assets against current tax liabilities, provided that they are subject to the tax legislation of the same country.

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**34. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)**

Deferred Tax: (cont'd)

22% of taxes are applied in the calculation of deferred tax assets and liabilities (2017: 20-22%).

	<b>31 December 2018</b>	<b>31 December 2017</b>
Deferred tax assets	12.336.016	9.496.352
Deferred tax liabilities	(8.506.777)	(17.122.892)
<b>Deferred tax assets/(liabilities) (net)</b>	<b>3.829.239</b>	<b>(7.626.540)</b>
<b>Temporary differences subject to deferred tax</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Income accruals on derivative transactions, net	50.597.236	60.065.545
Useful life differences on tangible and intangible assets	6.421.351	(2.319.090)
Fair value reserve on financial assets	-	(2.287.565)
Subsidiary valuation differences	-	(2.853.400)
Retirement pay provision	(7.525.736)	(6.518.510)
Employee benefits	(6.274.473)	(2.888.900)
Valuation of marketable securities and loans	(17.053.245)	9.902.864
Provision for doubtful receivables	(1.786.427)	(1.306.755)
Provision for impairment of inventories	(1.424.536)	(971.240)
Accrued expenses	(2.464.914)	(3.046.220)
<b>Total</b>	<b>20.489.256</b>	<b>47.776.729</b>
Statuary losses carried forward	(41.556.590)	(16.610.770)
<b>General Total</b>	<b>(21.067.334)</b>	<b>31.165.959</b>
<b>Deferred tax assets/(liabilities)</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Income accruals on derivative transactions, net	(11.131.392)	(13.214.420)
Useful life differences on tangible and intangible assets	(1.412.697)	463.818
Fair value reserve on financial assets	25.557	457.513
Subsidiary valuation differences	-	570.680
Retirement pay provision	1.655.662	1.303.702
Employee benefits	1.380.384	577.780
Valuation of marketable securities and loans	3.751.714	(2.172.610)
Provision for doubtful receivables	393.014	261.351
Provision for impairment of inventories	313.398	194.248
Accrued expenses	542.281	609.244
Statuary losses carried forward	8.311.318	3.322.154
<b>Deferred tax assets/(liabilities), net</b>	<b>3.829.239</b>	<b>(7.626.540)</b>
<b>Movement of deferred tax assets/(liabilities)</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Opening balance, 1 January <sup>(*)</sup>	(6.859.022)	15.531.933
Deferred tax income/(expense)	8.954.509	(23.801.804)
Other Corrections	1.270.802	-
Deferred tax income/(expense) recorded in equity	462.950	643.331
<b>Closing balance</b>	<b>3.829.239</b>	<b>(7.626.540)</b>

<sup>(\*)</sup>The impact of TFRS 9 corrections has been evaluated and the effects of deferred tax adjustments on opening balances of BIST and Takasbank shares, provisions for expected losses on financial assets are restated by opening the balance of this period.

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**34. TAX ASSETS AND LIABILITIES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)**

Deferred Tax: (cont'd)

Tax legislation in Turkey does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, are calculated on a separate-entity basis. Deferred tax assets are recognized when it is probable that the tax benefit will be utilized in the future.

Total tax charge for the period can be reconciled to the accounting profit as follows:

<b>Reconciliation of tax provision</b>	<b>1 January - 31 December 2018</b>		<b>1 January - 31 December 2017</b>	
Profit from operating activities	298.456.989		199.315.812	
<b>Taxable profit</b>	<b>298.456.989</b>		<b>199.315.812</b>	
Income tax using the Company's domestic tax rate	22,00%	(65.660.538)	20,00%	(39.863.162)
Tax exempt income	(4,75%)	14.181.695	(15,14%)	30.176.297
Disallowable expenses	7,99%	(16.020.644)	6,43%	(38.317.771)
Dividends and other tax exempt income	(2,02%)	6.029.199	(1,57%)	3.120.116
Others	(0,03%)	75.713	(0,21%)	420.899
<b>Tax expense</b>	<b>21,51%</b>	<b>(64.171.710)</b>	<b>22,31%</b>	<b>(44.463.621)</b>

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. In this context, The Group, according to the best estimates, with the profit that is predicted for the next years, deferred tax assets calculated on tax losses that can be deducted. Accordingly, the Company has calculated deferred tax assets in the amount of TL 41.556.590 as of December 31, 2018 (December 31, 2017: TL 16.610.770) deferred tax has been subject that can be offset against tax losses amount of TL 8.311.318 (December 31, 2017: TL 3.322.154). In the future, due to lack of probable that taxable profits will be used for the realization of the temporary differences and deferred tax assets have not been recognized for these items.

Law No. 6736 on Restructuring Certain Receivables came into force with the publication of Official Gazette dated 19/08/2016 and numbered 29806. With mentioned law, conveniences of payment of finalized taxes and other debts, privileges for tax base for prior periods, unpunished correction of the commodities, machinery, equipment and fixtures of enterprises in the enterprises, unpaid and interest free correction of cash and accounts receivable from shareholders, termination of disputed debts in peace, privileged opportunities to gain in national economy domestic and foreign assets with tax free, declaration of undeclared or underperformed income and gains with interest and unpaid repentance and restructuring of the ongoing debt under Law No. 6552 are facilitated. Within the scope of the related law, subsidiaries of İş Girişim and Efes Varlık Yönetimi AŞ have benefited by increasing their tax base.

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**35. EARNINGS PER SHARE**

As at December 31, 2018 and 2017, the Company's weighted average number of shares and computation of earnings per share are as follows:

<b>Earnings per share</b>	<b>1 January- 31 December 2018</b>	<b>1 January- 31 December 2017</b>
Average number of shares in circulation throughout the period (total)	355.000.000	355.000.000
Profit for the year attributable to equity holders of the Company	221.701.017	156.975.157
<b>Basic and diluted earnings per share from continuing operations</b>	<b>0,6245</b>	<b>0,4422</b>
Total discontinued operations attributable to equity holders of the Company	-	-
<b>Basic and diluted earnings per share obtained from discontinued operations</b>	<b>-</b>	<b>-</b>

**36. EFFECTS OF EXCHANGE RATE CHANGES**

Analysis of the effects of changes in foreign exchange in December 31, 2018 and December 31, 2017 is disclosed in Note 39.

**37. REPORTING IN HYPERINFLATIONARY PERIODS**

In accordance with the CMB's resolution No: 11/367 issued on March 17, 2005, companies operating in Turkey which prepare their financial statements in accordance with the CMB Accounting Standards from January 1, 2005 (including the application of IFRS) are not subject to inflation accounting effective.

Therefore, since January 1, 2005, TAS 29 "Financial Reporting in Hyperinflationary Economies" is not applied in the accompanying consolidated financial statements.

**38. DERIVATIVE INSTRUMENTS**

The details of the derivative instruments as at December 31, 2018 and 2017 are as follows:

<b>Derivative instruments</b>	<b>31 December 2018</b>	
	<b>Assets</b>	<b>Liabilities</b>
Swap agreements	137.488.312	89.407.123
Forward contracts	13.385.206	13.119.963
Options	5.374.324	3.824.001
Warrants	31.085	5.777.560
	<b>156.278.927</b>	<b>112.128.647</b>
<b>Derivative instruments</b>	<b>31 December 2017</b>	
	<b>Assets</b>	<b>Liabilities</b>
Swap agreements	99.012.962	35.869.684
Forward contracts	5.006.574	4.810.688
Options	4.728.624	589.648
Warrants	31.779	19.128.943
	<b>108.779.939</b>	<b>60.398.963</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017

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#### 39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS

##### **Capital Risk Management:**

In its capital management, while the Group maintains to continue its operations on a going concern basis, it also maximizes its return through the optimization of the debt and equity balance.

The funding structure of the Group consists of debt, which includes the borrowings disclosed in Note 9, cash and cash equivalents and equity comprising issued capital, reserves and retained earnings.

The Group's Board of Directors reviews the capital structure on a monthly basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of equity. Based on the recommendations of the Board of Directors, the Group balances its overall capital structure through the payment of dividends, new share issues and investment in shares of associates and subsidiaries as well as issuance of a new debt or the redemption of an existing debt.

The Group continues its general capital risk management strategy since 2007.

##### **Financial Risk Factors:**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the uncertainty of financial markets and seeks to minimize the potential negative effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Risk Management Department, which is independent from steering, under policies approved by the Board of Directors. The Group's Risk Management Department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board sets out written principles for overall risk management, as well as written policies covering specific areas, such as; foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

##### **Credit Risk:**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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. Credit risk is mitigated by receiving equity shares of listed entities as collateral in accordance with the legal requirements of the CMB against credit lines utilized by customers. The Group's credit risk is predominantly in Turkey, where it operates.



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**39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS** (cont'd)

**Credit Risk** (cont'd):

Exposed credit risks through types of financial instruments:

	31 December 2018									
	Receivables				Financial investments <sup>(2)</sup>	Cash and Cash Equivalents				
	Trade Receivables		Other Receivables			Bank deposits	Repurchase agreements	Type B liquid mutual funds	Other <sup>(3)</sup>	
Related Parties	Third Parties	Related parties	Third parties <sup>(1)</sup>							
Maximum credit risk exposure as at report date	7.228.313	1.675.145.306	7.154.663	4.771.571	726.711.241	3.190.547.458	34.915.432	4.934.841	101.655.700	
- The part of maximum risk under guarantee with collateral etc.	-	996.887.519	-	-	432.850	-	34.915.432	-	101.655.700	
A. Net book value of financial assets that are neither past due nor impaired	7.228.313	1.675.145.306	7.154.663	4.771.571	726.711.241	3.190.547.458	34.915.432	4.934.841	-	
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)	-	22.859.168	-	-	-	-	-	-	-	
- Impairment (-)	-	(22.859.168)	-	-	-	-	-	-	-	
- 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 balance sheet	-	-	-	-	-	-	-	-	101.655.700	

<sup>(1)</sup> Deposits and guarantees and collaterals are excluded since they are not financial assets.

<sup>(2)</sup> Equity securities are excluded since they do not expose any credit risk

<sup>(3)</sup> Contains USD 13.000.000 that equals to TL 68.391.700, and GBP 5.000.000 that equals to TL 33.264.000).

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**39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)**

**Credit Risk: (cont'd)**

Finansal araç türleri itibarıyla maruz kalınan kredi riskleri:

	31 December 2017								
	Receivables				Financial investments <sup>(2)</sup>	Cash and Cash Equivalents			
	Trade Receivables		Other Receivables			Bank deposits	Repurchase agreements	Type B liquid mutual funds	Other <sup>(3)</sup>
Related Parties	Third Parties	Related parties	Third parties <sup>(1)</sup>						
Maximum credit risk exposure as at report date	16.604.948	2.482.907.723	2.537.043	5.130.659	585.567.045	3.843.146.028	21.677.864	1.021.252	74.436.200
- The part of maximum risk under guarantee with collateral etc.	-	1.710.550.697	-	-	3.838.675	-	21.677.864	-	74.436.200
A. Net book value of financial assets that are neither past due nor impaired	16.604.948	2.482.907.723	2.537.043	5.130.659	585.567.045	3.843.146.028	21.677.864	1.021.252	-
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)	-	23.312.122	-	-	-	-	-	-	-
- Impairment (-)	-	(23.312.122)	-	-	-	-	-	-	-
- 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 balance sheet	-	-	-	-	-	-	-	-	74.436.200

<sup>(1)</sup> Deposits and guarantees and collaterals are excluded since they are not financial assets.

<sup>(2)</sup> Equity securities are excluded since they do not expose any credit risk

<sup>(3)</sup> Contains USD 13.000.000 that equals to TL 49.034.700, and GBP 5.000.000 that equals to TL 25.401.500.

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**39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS** (cont'd)

**Interest rate risk:**

The Group is exposed to interest rate risk due to volatile market prices of its financial assets at both fixed and floating interest rates. The Group's exposure to interest rate risk sensitivity depends on the mismatch among maturities of interest rate sensitive assets and liabilities. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate assets and liabilities.

The Group's interest rate sensitive financial instruments' allocations on respective statement of financial position dates are presented below:

		<b>Interest Risk Position Table</b>	
		<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Fixed interest rate instruments</b>			
Cash and Cash			
Equivalents	Cash at banks - time deposits	3.280.023.824	3.907.404.451
	Receivables from Stock Exchange Money Market	29.441.318	9.742.161
	Receivables from reverse repurchase agreements	34.915.432	21.677.864
Financial assets	Financial assets at fair value through profit or loss	154.139.838	52.201.222
Financial liabilities	Payables to Stock Exchange Money Market	(1.499.832.411)	(2.300.115.165)
	Bank borrowings	(300.736.291)	(391.787.702)
	Finance lease liabilities	(1.315.687)	(1.889.586)
	Payables from commercial paper	(1.662.914.987)	(1.599.545.194)
	Short-term factoring liabilities	(21.836.422)	(17.022.096)
<b>Floating interest rate instruments</b>			
Cash and Cash			
Equivalents	Type B mutual funds	4.934.841	1.021.252
Financial assets	Financial assets at fair value through profit or loss	123.213.976	70.777.590
	Held-to-maturity financial assets	16.254.878	9.136.803
Trade receivables	Receivables from customers on margin trading	111.693.489	301.012.852
Financial liabilities	Bank borrowings	(7132.354)	(2.894.973)
<b>Net interest risk position</b>		<b>260.849.444</b>	<b>59.719.479</b>

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**39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)****Interest rate risk: (cont'd)**

The Group's exposure to interest rate risk and market price risk are related to fixed income financial assets classified as financial assets at fair value through profit or loss. Based on the analysis calculated by the Group, if the interest rate for TL were increased/decreased by 1% with the assumption of keeping all other variables constant, the effect on the fair value of fixed income financial assets and net profit/loss for the period ended as at December 31, 2018 and 2017 would have been as follows:

31 December 2018				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Interest rate risk	1%	Increase	(3.030.526)	(2.687.791)
		Decrease	3.321.532	3.321.532
31 December 2017				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Interest rate risk	1%	Increase	(3.287.690)	(3.287.690)
		Decrease	3.382.766	3.382.766

**Equity Price Risk:**

If Borsa Istanbul Index were increased/decreased by 10% with the assumption of keeping all other variables constant, the effect on the fair value of equity shares and net profit/loss of the Group for the period ended as at December 31, 2018 would have been as follows:

31 December 2018				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Equity price risk	10%	Increase	(1.219.094)	(789.016)
		Decrease	(523.629)	(953.707)
31 December 2017				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Hisse senedi fiyat riski	10%	Artış	(386.437)	27.210
		Azalış	(6.332.959)	(6.746.606)

**Liquidity risk:**

Liquidity risk is the Group's default in meeting its net funding liabilities. Events causing a decrease in funding resources such as; market deteriorations or decrease in credit ratings are major reasons of liquidity risk. The Group manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities through a constant monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The following table details the Group's expected maturity for its non-derivative financial liabilities. The table below has been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue for those liabilities except where the Group is entitled and intense to repay the liability before its maturity.

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**39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)**

**Liquidity risk (cont'd):**

	31 December 2018						Total
	Current	Less than 1 month	1 - 3 months	3 - 12 months	1 year and thereafter	Undistributed	
<b>ASSETS</b>							
Cash and cash equivalents	179.548.143	51.179.414	3.025.796.760	-	-	4.001.888	<b>3.260.526.205</b>
Financial investments	277.813.970	109.685.924	7.972.986	215.039.360	137.097.069	10.982.288	<b>758.591.597</b>
Trade receivables	39.171.714	1.414.809.773	5.920.543	38.633.156	14.810	183.823.623	<b>1.682.373.619</b>
Other receivables	13.288	167.812.695	559.963	74.745	-	4.175.919	<b>172.636.610</b>
Other long-term receivables	82.898	-	-	-	862.601	137.614	<b>1.083.113</b>
Other current/non-current assets	44.342.917	4.310.136	6.788.763	17.489.768	4.911.054	74.865.819	<b>152.708.457</b>
Long-term financial investments	-	-	-	-	20.934.218	36.273.550	<b>57.207.768</b>
Derivative instruments	-	88.497.531	45.413.683	22.367.713	-	-	<b>156.278.927</b>
Investments in equity accounted investees	-	-	-	-	-	14.637.467	<b>14.637.467</b>
Assets held for sale	-	-	-	-	-	12.042.188	<b>12.042.188</b>
Tangible assets	-	-	-	-	-	35.168.889	<b>35.168.889</b>
Intangible assets	-	-	-	-	-	55.091.740	<b>55.091.740</b>
Deferred tax assets	-	-	-	-	-	12.336.016	<b>12.336.016</b>
<b>Total assets</b>	<b>540.972.930</b>	<b>1.836.295.473</b>	<b>3.092.452.698</b>	<b>293.604.742</b>	<b>163.819.752</b>	<b>443.537.001</b>	<b>6.370.682.596</b>
<b>LIABILITIES</b>							
Financial liabilities	-	1.553.138.352	1.467.027.045	344.747.073	128.855.682	-	<b>3.493.768.152</b>
Other financial liabilities	1.611.080	-	-	-	-	-	<b>1.611.080</b>
Trade payables	3.897.619	1.544.408.711	25.855.211	12.426.589	-	-	<b>1.586.588.130</b>
Other payables	55.224	15.783.072	2.303.003	-	383.267	499.384	<b>19.023.950</b>
Derivative instruments	-	39.736.176	48.101.686	24.290.785	-	-	<b>112.128.647</b>
Liabilities related to employee benefits	1.838.640	2.393.868	-	322.037	-	-	<b>4.554.545</b>
Provisions (short-term)	2.077.642	4.369.189	-	20.310.554	-	1.261.027	<b>28.018.412</b>
Provisions (long-term)	-	-	-	-	9.905.592	951.066	<b>10.856.658</b>
Current tax liabilities	-	-	2.275.932	-	-	-	<b>2.275.932</b>
Other current liabilities	1.381.492	6.695.365	2.960.179	-	-	2.096.597	<b>13.133.630</b>
Other long term liabilities	-	-	-	-	5.124.270	-	<b>5.124.270</b>
Deferred tax liabilities	-	-	-	-	-	8.506.777	<b>8.506.777</b>
<b>Total liabilities</b>	<b>10.861.697</b>	<b>3.166.524.733</b>	<b>1.548.523.056</b>	<b>402.097.038</b>	<b>144.268.811</b>	<b>13.314.851</b>	<b>5.285.590.183</b>
Equity holders of the Company	-	-	-	-	-	805.284.982	<b>805.284.982</b>
Non-controlling interests	-	-	-	-	-	279.807.431	<b>279.807.431</b>
<b>Liquidity surplus/(gap)</b>	<b>530.111.233</b>	<b>(1.330.229.260)</b>	<b>1.543.929.642</b>	<b>(108.492.296)</b>	<b>19.550.941</b>	<b>(654.910.347)</b>	<b>-</b>

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**39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)**

**Liquidity risk (cont'd):**

	31 December 2017						Total
	Current	Less than 1 month	1 - 3 months	3 - 12 months	1 year and thereafter	Undistributed	
<b>ASSETS</b>							
Cash and cash equivalents	132.189.034	2.756.978.661	990.253.269	-	-	-	<b>3.879.420.964</b>
Financial investments	44.640.568	8.332.870	17.066.391	253.681.306	211.049.903	225.943.122	<b>760.714.160</b>
Trade receivables	17.846.438	2.252.699.899	24.803.678	27.224.226	201.231	176.737.199	<b>2.499.512.671</b>
Other receivables	529.434	140.715.762	334.600	1.273.845	-	3.462.467	<b>146.316.108</b>
Other long-term receivables	214.803	-	-	-	615.483	150	<b>830.436</b>
Other current/non-current assets	49.397.532	5.249.448	5.801.086	36.462.978	4.911.054	2.305.027	<b>104.127.125</b>
Long-term financial investments	15.365.565	-	-	-	9.136.804	9.988.922	<b>34.491.291</b>
Derivative instruments	-	73.731.396	25.840.578	9.207.965	-	-	<b>108.779.939</b>
Investments in equity accounted investees	-	-	-	-	-	19.335.288	<b>19.335.288</b>
Assets held for sale	-	-	-	-	-	11.312.488	<b>11.312.488</b>
Tangible assets	-	-	-	-	-	41.684.118	<b>41.684.118</b>
Intangible assets	-	-	-	-	-	57.472.598	<b>57.472.598</b>
Deferred tax assets	-	-	-	-	-	9.496.352	<b>9.496.352</b>
<b>Total assets</b>	<b>260.183.374</b>	<b>5.237.708.036</b>	<b>1.064.099.602</b>	<b>327.850.320</b>	<b>225.914.475</b>	<b>557.737.731</b>	<b>7.673.493.538</b>
<b>LIABILITIES</b>							
Financial liabilities	-	2.796.443.184	1.005.586.147	416.652.333	94.677.681	-	<b>4.313.359.345</b>
Other financial liabilities	8.940.085	36.194	-	-	-	-	<b>8.976.279</b>
Trade payables	1.239.516	2.166.125.621	13.801.454	29.362.963	-	-	<b>2.210.529.554</b>
Other payables	38.360	12.187.867	2.317.927	794.173	1.455.089	311.662	<b>17.105.078</b>
Derivative instruments	-	36.918.410	18.309.999	5.170.554	-	-	<b>60.398.963</b>
Liabilities related to employee benefits	2.253.907	767.947	-	-	-	-	<b>3.021.854</b>
Provisions (short-term)	1.931.631	-	17.273.441	3.311.912	-	3.069.402	<b>25.586.386</b>
Provisions (long-term)	633.189	-	-	162.207	6.036.863	926.554	<b>7.758.813</b>
Current tax liabilities	-	-	1.992.399	-	-	-	<b>1.992.399</b>
Other current liabilities	18.117.483	7.113.297	1.995.482	841.737	-	-	<b>28.067.999</b>
Other long term liabilities	-	-	-	-	3.782.273	-	<b>3.782.273</b>
Deferred tax liabilities	-	-	-	-	-	17.122.892	<b>17.122.892</b>
<b>Total liabilities</b>	<b>33.154.171</b>	<b>5.019.592.520</b>	<b>1.061.276.849</b>	<b>456.295.879</b>	<b>105.951.906</b>	<b>21.430.510</b>	<b>6.697.701.835</b>
Equity holders of the Company	-	-	-	-	-	681.877.659	<b>681.877.659</b>
Non-controlling interests	-	-	-	-	-	293.914.044	<b>293.914.044</b>
<b>Liquidity surplus/(gap)</b>	<b>227.029.203</b>	<b>218.115.516</b>	<b>2.822.753</b>	<b>(128.445.559)</b>	<b>119.962.569</b>	<b>(439.484.482)</b>	<b>-</b>

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**39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)**

**Liquidity risk (cont'd):**

31 December 2018						
Contractual maturities	Carrying value	Total contractual cash outflows (I+II+III+IV)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Bank loans	307.868.645	330.046.373	99.866.961	94.644.614	135.534.798	-
Trade payables	1.586.588.130	1.597.901.455	1.585.474.866	12.426.589	-	-
Payables to Stock Exchange Money Markets	1.499.832.411	1.499.832.411	1.499.832.411	-	-	-
Funds from commercial paper	1.668.550.125	1.703.067.000	263.814.000	1.439.253.000	-	-
Financial lease and factoring payables	23.152.109	23.243.942	18.866.395	3.591.650	382.906	402.991
<b>Total Liability</b>	<b>5.085.991.420</b>	<b>5.154.091.181</b>	<b>3.467.854.633</b>	<b>1.549.915.853</b>	<b>135.917.704</b>	<b>402.991</b>
31 December 2017						
Contractual maturities	Notion amount	Total contractual cash outflows (I+II+III+IV)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
<b>Derivative financial instruments</b>						
Derivative cash inflows	3.685.745.279	8.074.300.433	7.455.357.124	618.943.308	-	-
Derivative cash outflows	(6.694.648.827)	(8.324.162.031)	(7.709.392.394)	(614.769.637)	-	-
31 December 2017						
Contractual maturities	Carrying value	Total contractual cash outflows (I+II+III+IV)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Bank loans	394.682.675	431.160.909	169.797.870	146.932.614	114.430.425	-
Trade payables	2.210.529.554	2.238.473.589	2.212.310.077	26.163.512	-	-
Payables to Stock Exchange Money Markets	2.300.115.165	2.300.115.165	2.276.622.902	23.492.263	-	-
Funds from commercial paper	1.599.545.194	1.637.283.000	1.366.233.000	271.050.000	-	-
Financial lease liabilities	1.994.215	2.175.502	388.063	744.549	1.042.890	-
Factoring payables	17.022.096	17.031.815	2.295.659	14.533.656	202.500	-
<b>Total liability</b>	<b>6.523.888.899</b>	<b>6.626.239.980</b>	<b>6.027.647.571</b>	<b>482.916.594</b>	<b>115.675.815</b>	<b>-</b>
31 December 2017						
Contractual maturities	Notion amount	Total contractual cash outflows (I+II+III+IV)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)	More than 5 years (IV)
<b>Derivative financial instruments</b>						
Derivative cash inflows	4.549.895.068	11.247.146.303	10.712.886.076	534.260.228	-	-
Derivative cash outflows	(7.518.578.592)	(11.596.675.126)	(11.046.524.165)	(550.150.961)	-	-

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**39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS (cont'd)**

**Foreign currency risk:**

Foreign currency risk is the risk of volatility in the foreign currency denominated monetary assets, monetary liabilities and off-balance sheet liabilities due to changes in currency exchange rates. The breakdown of the Group's foreign currency denominated monetary assets and monetary liabilities as at December 31, 2018 and 2017 are as follows:

	31 December 2018					
	TL Equivalent (Functional currency)	USD	EURO	GBP	JPY	OTHER
1. Trade receivables	418.172.009	95.109.691	2.151.403	38.218	-	3.700
2a. Monetary financial assets	3.291.936.083	6.026.206	524.896.144	68.589	784.230	996.813
2b. Non-monetary financial assets	135.649.555	25.784.477	-	-	-	-
3. Other	89.899.895	27.103	14.887.304	1.885	-	-
<b>4. Current assets</b>	<b>3.935.657.542</b>	<b>126.947.477</b>	<b>541.934.851</b>	<b>108.692</b>	<b>784.230</b>	<b>1.000.513</b>
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	1.375.752	197.128	54.998	-	-	5.000
<b>8. Non-current asset</b>	<b>1.375.752</b>	<b>197.128</b>	<b>54.998</b>	<b>-</b>	<b>-</b>	<b>5.000</b>
<b>9. Total Assets</b>	<b>3.937.033.294</b>	<b>127.144.605</b>	<b>541.989.849</b>	<b>108.692</b>	<b>784.230</b>	<b>1.005.513</b>
10. Trade payables	424.140.978	74.269.762	5.600.588	45.211	-	99.445
11. Financial Liabilities	44.717.441	7.006.930	1.311.263	-	-	-
12a. Other monetary liabilities	5.193.663	860.047	79.317	8.496	-	3.150
12b. Other non-monetary liabilities	2.663.691	483.230	20.150	-	-	-
<b>13. Short Term Liabilities</b>	<b>476.715.773</b>	<b>82.619.969</b>	<b>7.011.318</b>	<b>53.707</b>	<b>-</b>	<b>102.595</b>
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	716.271	-	118.824	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	3.171.218	602.790	-	-	-	-
<b>17. Long Term Liabilities</b>	<b>3.887.489</b>	<b>602.790</b>	<b>118.824</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total Liabilities</b>	<b>480.603.262</b>	<b>83.222.759</b>	<b>7.130.142</b>	<b>53.707</b>	<b>-</b>	<b>102.595</b>
<b>19. Off-balance sheet derivative instruments' net asset/(liability) position (19a - 19b)</b>	<b>(3.489.149.610)</b>	<b>(61.038.721)</b>	<b>(526.218.647)</b>	<b>596.591</b>	<b>14.112.352</b>	<b>(9.812.949)</b>
19.a The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	2.996.249.000	324.714.973	175.309.887	15.825.066	951.668.875	174.176.252
19.b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	6.485.398.610	385.753.694	701.528.534	15.228.475	937.556.523	183.989.201
<b>20. Net foreign currency asset/(liability) position</b>	<b>(32.719.578)</b>	<b>(17.116.875)</b>	<b>8.641.060</b>	<b>651.576</b>	<b>14.896.582</b>	<b>(8.910.031)</b>
<b>21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>3.235.339.739</b>	<b>18.999.158</b>	<b>519.937.555</b>	<b>53.100</b>	<b>784.230</b>	<b>897.918</b>
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-	-
23. Export	10.480.600	1.854.751	236.396	-	-	-
24. Import	74.063	11.583	-	-	-	-



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**39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS** (cont'd)

**Foreign currency risk:** (cont'd)

	31 December 2017					
	TL Karşılığı (Geçerli para birimi)	USD	EURO	GBP	JPY	DİĞER
1. Trade receivables	359.526.374	114.127.928	4.262.380	63.286	-	11.408
2a. Monetary financial assets	3.607.401.467	6.343.125	773.051.970	5.029	622.429	562.677
2b. Non-monetary financial assets	37.738.991	10.005.300	-	-	-	-
3. Other	30.647.222	1.685.047	5.374.107	1.198	-	-
<b>4. Current assets</b>	<b>4.035.314.054</b>	<b>132.161.400</b>	<b>782.688.457</b>	<b>69.514</b>	<b>622.429</b>	<b>574.085</b>
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-
7. Other	622.417	119.402	35.162	1.603	-	5.000
<b>8. Non-current asset</b>	<b>622.417</b>	<b>119.402</b>	<b>35.162</b>	<b>1.603</b>	<b>-</b>	<b>5.000</b>
<b>9. Total Assets</b>	<b>4.035.936.471</b>	<b>132.280.802</b>	<b>782.723.619</b>	<b>71.117</b>	<b>622.429</b>	<b>579.085</b>
10. Trade payables	409.565.204	98.038.873	8.763.126	66.055	-	85.627
11. Financial Liabilities	26.127.374	6.739.616	158.767	-	-	-
12a. Other monetary liabilities	7.699.072	1.753.193	93.305	1.323	-	104.632
12b. Other non-monetary liabilities	1.508.760	400.000	-	-	-	-
<b>13. Short Term Liabilities</b>	<b>444.900.411</b>	<b>106.931.682</b>	<b>9.015.198</b>	<b>67.378</b>	<b>-</b>	<b>190.259</b>
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	719.351	-	159.307	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	3.782.273	1.002.750	-	-	-	-
<b>17. Long Term Liabilities</b>	<b>4.501.624</b>	<b>1.002.750</b>	<b>159.307</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total Liabilities</b>	<b>449.402.035</b>	<b>107.934.432</b>	<b>9.174.505</b>	<b>67.378</b>	<b>-</b>	<b>190.259</b>
<b>19. Off-balance sheet derivative instruments' net asset/(liability) position (19a - 19b)</b>	<b>(3.574.239.575)</b>	<b>(50.534.244)</b>	<b>(765.123.907)</b>	<b>32.623.467</b>	<b>18.012.627</b>	<b>230.120</b>
19a. The amount of long-position off-balance sheet derivative instruments denominated in foreign currency	5.759.347.000	817.956.998	424.603.698	134.926.481	795.039.047	52.773.455
19b. The amount of short-position off-balance sheet derivative instruments denominated in foreign currency	9.333.586.575	868.491.242	1.189.727.605	102.303.014	777.026.421	52.543.335
<b>20. Net foreign currency asset/(liability) position</b>	<b>12.294.862</b>	<b>(26.187.874)</b>	<b>8.425.208</b>	<b>32.627.206</b>	<b>18.635.055</b>	<b>618.946</b>
<b>21. Net foreign currency asset/(liability) position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>3.522.816.839</b>	<b>13.939.371</b>	<b>768.139.845</b>	<b>938</b>	<b>622.429</b>	<b>383.826</b>
22. Fair value of derivative instruments used in foreign currency hedge	-	-	-	-	-	-
23. Export	8.847.413	2.105.931	274.740	-	-	-
24. Import	131.323	23.353	10.625	-	-	-

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**39. NATURE AND LEVEL OF RISKS RELATED TO FINANCIAL INSTRUMENTS** (cont'd)**Foreign currency risk:** (cont'd)

Based on the positions of statements of financial position as at December 31, 2018 and 2017, if the value the Turkish Lira would increase or decrease by 10% against other hard currencies assuming each other variables remained constant, the Group's net profit or loss would change due to foreign currency gains or losses of financial assets and liabilities denominated in foreign currencies as follows:

31 December 2018				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Foreign currency risk	10%	Increase	(3.778.413)	(3.778.413)
		Decrease	2.486.480	2.486.480
31 December 2017				
Type of risk	Risk rate	Direction of risk	Effect on net profit	Effect on equity
Foreign currency risk	10%	Increase	1.791.797	1.791.797
		Decrease	(3.715.114)	(3.715.114)

**Capital adequacy requirement**

As of December 31, 2018, under the "V Series No. 34" communique the wide authority brokage company must have minimum equity of TL 26.209.815 (As of December 31, 2017, TL 25.472.637), to perform portfolio management, investment advisory, to take back the securities (repo) or sell (reverse repo) and purchase and sale, credit securities lending, short selling and securities import and export transactions, IPO underwriting, trading through, leveraged trading intermediation and brokerage of derivatives in derivatives market. Furthermore, the required capital adequacy base within the framework of the valuation rules set in the Communiqué 34, prepared as of the valuation date and is unconsolidated balance sheet the Company's total net assets of unconsolidated equity representing the portion covered by the partnership represents the amount by which the deduction of the items being listed below.

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**40. FINANCIAL INSTRUMENTS**

**Categories of Financial Instruments:**

<b>31 December 2018</b>	<b>Other financial assets measured with effective interest method</b>	<b>Loans and receivables</b>	<b>Available for sale financial assets</b>	<b>Financial assets and liabilities at fair value through profit or loss</b>	<b>Other financial liabilities measured with effective interest method</b>	<b>Carrying amount</b>	<b>Fair value</b>	<b>Note</b>
<b>Financial assets</b>								
Cash and cash equivalents	3.255.591.364	-	-	4.934.841	-	3.260.526.205	3.260.526.205	7
Trade receivables	-	1.682.373.619	-	-	-	1.682.373.619	1.682.373.619	11
Financial investments	210.489.657	-	40.952.890	564.356.818	-	815.799.365	815.878.650	8
Derivatives	-	-	-	156.278.927	-	156.278.927	156.278.927	38
<b>Financial liabilities</b>								
Financial liabilities	-	-	-	-	3.493.768.152	3.493.768.152	3.493.768.152	9
Trade payables	-	-	-	-	1.586.588.130	1.586.588.130	1.586.588.130	11
Other financial liabilities	-	-	-	1.611.080	-	1.611.080	1.611.080	10
Derivatives	-	-	-	112.128.647	-	112.128.647	112.128.647	38
<b>31 December 2017</b>								
<b>Financial assets</b>								
Cash and cash equivalents	3.878.399.712	-	-	1.021.252	-	3.879.420.964	3.879.420.964	7
Trade receivables	-	2.499.512.671	-	-	-	2.499.512.671	2.499.512.671	11
Financial investments	213.406.007	-	25.354.488	556.444.957	-	795.205.451	795.205.451	8
Derivatives	-	-	-	108.779.939	-	108.779.939	108.779.939	38
<b>Financial liabilities</b>								
Financial liabilities	-	-	-	-	4.313.359.345	4.313.359.345	4.313.359.345	9
Trade payables	-	-	-	-	2.210.529.554	2.210.529.554	2.210.529.554	11
Other financial liabilities	-	-	-	8.940.085	-	8.940.085	8.940.085	10
Derivatives	-	-	-	60.398.963	-	60.398.963	60.398.963	38

Fair value of held to maturity investments which have been accounted with their amortised cost calculated by effective interest rate is represented as level 1 with book value TL 16.254.880 (December 31, 2017: TL 9.136.803) and fair value amount to TL 16.334.163 (December 31, 2017: TL 9.480.975).

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**40. FINANCIAL INSTRUMENTS** (cont'd)

**Fair Value of Financial Instruments:**

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein may not necessarily be indicative of the amounts the Group could realize in a current market exchange.

There is no active market for loans in order to obtain available comparative market price and these instruments are discounted or subject to transaction costs when they are sold or utilized before their maturities. Fair value of these instruments could not be estimated due to the lack of necessary reliable market data. Accordingly, the carrying amount of such instruments is deemed to be a consistent indicator of the fair value.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value:

Financial Assets:

Carrying amounts of financial assets measured at amortized cost including cash and cash equivalents and other financial assets approximate their fair values due to their short-term nature and the assumption of immaterial potential losses in exchange of these assets.

Market prices are used in determination of fair values of government bonds, treasury bills and equity shares.

Financial Liabilities:

The carrying amount of monetary liabilities approximates their fair values due to their short-term nature. Variable rate long-term bank loans in recent history have been recently repriced therefore fair value is assumed to approximate their carrying values.

Valuation methods of the financial instruments carried at fair value:

<b>31 December 2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
<b>Financial assets at fair value through profit or loss</b>				
Equity shares	89.088.124	-	-	<b>89.088.124</b>
Government bonds and treasury bills	432.850	-	-	<b>432.850</b>
Private sector bonds	182.581.605	-	-	<b>182.581.605</b>
Mutual funds	61.639.343	-	-	<b>61.639.343</b>
Foreign currency securities	230.214.896	-	-	<b>230.214.896</b>
Income accruals of derivative instruments	-	156.278.927	-	<b>156.278.927</b>
<b>Financial assets at fair value through profit or loss</b>	<b>14.854.693</b>	<b>24.541.268</b>	<b>-</b>	<b>39.395.961</b>
<b>Subsidiaries</b>				
<b>Financial liabilities</b>				
<b>Other financial liabilities</b>				
Liabilities of derivative instruments	-	112.128.647	-	<b>112.128.647</b>

İŞ YATIRIM MENKUL DEĞERLER ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018 and 2017**

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

**40. FINANCIAL INSTRUMENTS** (cont'd)

**Fair Value of Financial Instruments:** (cont'd)

<b>31 December 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
<b>Financial assets at fair value through profit and loss</b>				
Equity shares	209.638.406	-	-	<b>209.638.406</b>
Government bonds and treasury bills	5.363.245	-	-	<b>5.363.245</b>
Private sector bonds	150.541.581	-	-	<b>150.541.581</b>
Mutual funds	60.597.650	-	-	<b>60.597.650</b>
Foreign currency securities	129.955.875	-	-	<b>129.955.875</b>
Income accruals of derivative instruments	-	108.779.939	-	<b>108.779.939</b>
<b>Available for sale financial assets<sup>(*)</sup></b>	<b>18.515.853</b>	<b>-</b>	<b>-</b>	<b>18.515.853</b>
<b>Subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
<b>Other financial liabilities</b>				
Liabilities of derivative instruments	-	60.398.963	-	<b>60.398.963</b>

The fair value of financial assets and liabilities are determined as follows:

First level: Implies that in determining the fair values of assets and liabilities, active market trading price is used for valuation purposes.

Second level: Implies that in determining the fair values of assets and liabilities, should other market price be observed other than first degree market prices, then observed market price is used for valuation purposes.

Third level: Implies that in determining the fair values of assets and liabilities, data not based on market observation is used for valuation purposes.

**41. EVENTS AFTER THE REPORTING PERIOD**

None.

**42. OTHER ISSUES THAT SIGNIFICANTLY EFFECT THE CONSOLIDATED FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING OF CONSOLIDATED FINANCIAL STATEMENTS**

None.