

**IS YATIRIM ORTAKLIGI
ANONIM SirkETI**

ANNUAL REPORT FOR 2018

INDEPENDENT AUDITOR'S REPORT IN RELATION TO THE BOARD OF DIRECTOR'S ANNUAL REPORT

To the Shareholders' General Assembly of Is Yatirim Ortakligi Anonim Sirketi,

1) Opinion

We have audited the annual report of Is Yatirim Ortakligi Anonim Sirketi (the "Company") for the accounting period between January 1, 2018 - December 31, 2018.

According to our opinion; the financial details within the annual report, issued by the board of directors, are in conformity with the scrutiny by the Board of Directors regarding the status of the Company, full-set financial statements audited from all important aspects, and all information we have obtained during the independent audit, and they do accurately reflect the same.

2) Basis of the Opinion

The independent audit we have conducted has been carried out in accordance with the independent auditing standards, which have been promulgated by the Capital Markets Board of Turkey, and also the Independent Auditing Standards (IAS) which constitute a part of the Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority ("KGK"). The responsibilities, we have under these Standards, are explained in detail in the section titled *Responsibilities of the Independent Auditor Regarding Independent Auditing of the Annual Report* hereunder. We hereby represent that we are independent from the Company in accordance with the *Code of Ethics for Independent Auditors*, promulgated by the Public Oversight, Accounting and Auditing Standards Authority ("KGK"), as well as the provisions on ethics prescribed under the applicable regulations on independent audit. The other responsibilities on ethics, prescribed under the Code of Ethics and the said applicable regulations, have been fulfilled by us. We believe that the independent audit evidence, we have obtained during the performance of the said independent auditing, constitutes an appropriate and sufficient ground for the composition of our opinion.

3) Our Audit Opinion on Full-Set Financial Statements

We have provided a favorable opinion under our auditor's report dated February 1, 2019 regarding full-set financial statements in relation to the accounting period between January 1, 2018 - December 31, 2018.

4) Responsibility of the Board of Directors regarding the Annual Report

As per sections 514 and 516 of the Turkish Commercial Code ("TCC") Nr. 6102, and the "*Communiqué on Principles Regarding Financial Reporting in Capital Markets*" Serial II; No: 14.1, promulgated by the Capital Markets Board, the management of the Company shall be responsible for fulfillment of the below-given matters regarding the annual report:

- a) It shall draw up the annual report within a period of three months following the date of balance-sheet, and submit the same to the shareholder's general assembly.
- b) It shall draw up the annual report in a manner to reflect the flow of the Company's activities, and its financial status for the respective year accurately, perfectly, directly, realistically and fairly. The financial status shall be evaluated in line with the financial statements hereunder. Furthermore; the growth of the Company, as well as any possible risk it might face shall be indicated clearly. The considerations of the board of directors pertaining to such issues shall also be included in the report.

c) The annual report shall also include the below-listed matters:

- Occurrences which have arisen across the Company following completion of the accounting year, and which are of particular importance,
- Research and development activities of the Company,
- Material benefits paid to the members of the board of directors, and the senior executives such as remuneration, premium, bonus, etc., as well as allowances, travelling, accommodation and representation costs and expenses, and any benefit, either in kind or in cash, insurances and such other coverage.

While drawing up the annual report, the board of directors shall also consider the secondary regulatory arrangements performed by the Ministry of Customs and Trade, and the concerned bodies.

5) Responsibilities of the Independent Auditor Regarding Independent Auditing of the Annual Report

Our purpose is to deliver an opinion regarding the fact that whether the financial details, included under the annual report, and the scrutiny by the Board of Directors are consistent with the audited financial statements of the Company, as well as the information we have obtained during the independent audit, and that whether they do reflect the truth, or not, and then, to draw up a report covering our opinion, in line with the provisions of the TCC and the Communiqué.

Our independent audit has been conducted in accordance with the Independent Auditing Standards (IAS), and the independent auditing standards promulgated by the Capital Markets Board. Such standards require ensuring compliance with the ethical provisions, and also planning and performance of independent auditing to obtain a reasonable assurance in respect of the fact that whether the financial information, available under the annual report, as well as the scrutiny by the Board of Directors are consistent with the financial statements and the information obtained during the audit, or not, and also that whether such information reflects the truth, or not.

Emre Celik has acted as the auditor in charge who has conducted and finalized this independent audit.

Guney Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik Anonim Sirketi
A member firm of Ernst & Young Global Limited

Emre Celik, Certified Public Accountant
Auditor in Charge

February 1, 2019
Istanbul, Turkey

TRADE NAME OF THE COMPANY	:	İŞ YATIRIM ORTAKLIĞI ANONİM ŞİRKETİ
HEAD OFFICE	:	İstanbul
DATE OF INCORPORATION	:	16/08/1995
FIELD OF BUSINESS	:	To operate the portfolio consisting of capital market instruments and precious metals.
TRADE REGISTRY NUMBER	:	367835
ADDRESS	:	Büyükdere Cad. İş Kuleleri Kule 1 Kat:5 Levent/İstanbul
TELEPHONE - FAX	:	212/ 284 17 10 - 212/ 284 16 70
WEBSITE	:	www.isyatort.com.tr
ACCOUNTING PERIOD	:	01.01.2018 – 31.12.2018
ISSUED CAPITAL	:	TL 160.599.284
REGISTERED CAPITAL	:	TL 300.000.000

Our Mission is to have the portfolio of our Company professionally managed effectively, coherently, and rationally in line with the risk distribution principle in accordance with the applicable regulations and the articles of association, and also to provide a regular dividend income/yield to the shareholders by years in accordance with our Dividend Distribution Policy.

Our Vision is to update the investment strategy in accordance with the changing market conditions so as to keep the risk at an optimum level, and to provide a regular dividend distribution for the shareholders, and accordingly, to become a preferred collective investment company.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

I. SHAREHOLDING STRUCTURE

The current shareholding structure of the Company is given below.

Shareholders	Group	Shareholding Amount (TL)	Shareholding (%)
Is Yatirim Menkul Degerler A.S.	A	2,347,411	1.46
Is Yatirim Menkul Degerler A.S.	B	44,106,690	27.47
T.Sinai Kalkinma Bankasi A.S.	B	2,757,169	1.72
Yatirim Finansman Menkul Degerler A.S.	A	1,185,072	0.73
Yatirim Finansman Menkul Degerler A.S.	B	618,429	0.39
Anadolu Hayat Emeklilik AS	A	592,536	0.37
Anadolu Hayat Emeklilik AS	B	574,662	0.36
Anadolu Anonim Turk Sigorta Sirketi	B	278,394	0.17
Other	B	108,138,921	67.33
Total		160,599,284	100.00

The capital of the Company is divided into 16,059,928,400 shares, the nominal value of each of which amounts to 1 (one) Kurush, and the portion amounting to TL 4,125,019 of the shares consists of Group (A) shares, while the portion amounting to TL 156,474,265 of the shares consists of Group (B) shares. In respect of election of the members of the Board of Directors; each of the Group (A) shares shall entitle the holder thereof to 1,000,000 (one million) votes, and each of the Group (B) shares shall entitle the holder thereof to 1 (one) vote.

II. BOARD OF DIRECTORS

The members of the Board of Directors have been elected at the shareholders' ordinary general assembly meeting, held on March 22, 2018, to hold office until the next shareholders' ordinary general assembly meeting; and have not been assigned with any executive duties within the organization of our Company.

Full Name	Position	Date of Election
Gamze Yalçın	: Chairman	22.03.2018
Rıfat Cenk Aksoy	: Deputy Chairman	22.03.2018
Volkan Kublay	: Member	22.03.2018
H.Esma Uygun Çelikten	: Member	22.03.2018
Serhat Gürleyen	: Member	22.03.2018
Prof. Dr. Şule Işınsu Özmen	: Member (Independent)	22.03.2018
İbrahim Kurban	: Member (Independent)	22.03.2018

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

The resumes of and the duties assigned to the members of the Board of Directors are provided as follows:

MS. GAMZE YALÇIN
CHAIRMAN

Gamze Yalcin, who graduated from the Department of Economics, Faculty of Economic and Administrative Sciences, Middle East Technical University in 1993, started to serve as assistant specialist at T. Is Bankasi A.S. in the same year. Upon serving at Organization Management and Accounting Management and assuming a role during establishment process of the Risk Management Department, she was first appointed to the position of Deputy Manager in this department in 2002, and then to the Division Manager and Department Manager in 2011. Upon having been promoted to the office of Deputy General Manager in 2017, Ms. Yalcin completed her master's degree in the field of International Banking and Finance at the University of Birmingham in the United Kingdom, and participated in the Advanced Executive Program at the Harvard Business School in 2017.

MR. RIFAT CENK AKSOY
DEPUTY CHAIRMAN

Having completed his studies at the Department of Economics, the Faculty of Economics of the Istanbul University, Mr. Aksoy joined the Securities Department of T. Is Bankasi A.S. in 1991 to hold office as an Assistant Specialist. He had held offices of the Deputy Manager in charge of treasury transactions at Is Yatirim Menkul Degerler A.S. between 1997 and 2001, and of the Manager in charge of the portfolio management at Is Portfoy Yonetimi A.S. between 2001 and 2004. In 2004, he was raised to the office of Deputy General Manager at Is Portfoy Yonetimi A.S., and in 2010, he was assigned to the office of General Manager at Camis Menkul Degerler A.S. After the merger of Camis Menkul Degerler A.S. with its parent company, Is Yatirim Menkul Degerler A.S., he has been holding the office of Deputy General Manager at Is Yatirim Menkul Degerler A.S. since June, 2014. He has been serving as the Deputy Chairman of the Board of Directors of our Company since 15.07.2015.

MR. VOLKAN KUBLAY
MEMBER

Mr. Kublay, who has graduated from the Department of Economics (English), Faculty of Economic and Administrative Sciences, Marmara University, has started to serve as an Assistant Auditor for T. Is Bankasi A.S. in 2000. Mr. Kublay has served as an Auditor between 2000 and 2008, and has been appointed to the office of Assistant Manager of the Subsidiaries Department in 2008, and has been promoted to the position of Division Manager of the same department in 2012. Mr. Kublay, who has been elected to serve as a Member of the Board of Directors of the Company on 24.08.2012, also serves as a director for several other affiliates.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

MRS. HAMİDE ESMA UYGUN ÇELİK TEN
MEMBER

After graduating from the Department of Business Administration, Faculty of Economic and Administrative Sciences, Gazi University in 1996, Mrs. Celikten started to serve as an Assistant Specialist in Capital Markets Department at Türkiye İş Bankası A.Ş. in 1997. Being promoted first to the office of Deputy Manager in 2006 at the same department, and then to the position of Division Manager in 2010, Mrs. Celikten still holds this office.

MR. SERHAT GÜRLEYEN
MEMBER

Mr. Gurleyen, who has graduated from the Department of Economics, Bogazici University, has served as the Research Manager for TEB Ekonomi Araştırmaları A.Ş. between 1995 and 1998, and for TEB Yatırım A.Ş. between 1998 and 2002, and for İş Yatırım Menkul Değerler A.Ş. between 2002 and 2007. He currently serves for the same company as a Director, and has also been serving as a Member of the Board of Directors of the Company since 28.03.2005.

PROF. DR. MRS. ŞULE İŞİNSU ÖZMEN
INDEPENDENT MEMBER

Mrs. Ozmen, who graduated from the Department of Economics, Faculty of Economic and Administrative Sciences, Middle East Technical University in 1981, has completed her master's degree at the Department of Economics, Faculty of Economic and Administrative Sciences, Middle East Technical University and Marmara University, her doctorate at the Department of Econometrics, Marmara University. Serving as a research associate at the Faculty of Economic and Administrative Sciences in the Middle East Technical University between 1981 - 1985 and Marmara University between 1985 - 1992, Mrs. Ozmen maintained her academic career in Marmara University. She has been serving as a lecturer at the Faculty of Economic and Administrative Sciences, İstanbul Bilgi University since 2009.

MR. İBRAHİM KURBAN
INDEPENDENT MEMBER

Having completed his studies at the Department of Political Science and Public Administration, and graduated from the Middle East Technical University in 1982, Mr. Kurban kicked-off this career as an Assistant Specialist at the Capital Markets Board in that year, and following his career as a specialist and chief specialist, he had held the offices of the Head of Auditing Department, and Representative of İstanbul between 1995 and 1999, and of the Head of Accounting Standards in 1999. He had held offices of the Chairman of the Supervisory and Inspection Committee of İstanbul Stock Exchange (İSE) between 1999 and 2008; of the Principal Deputy Chairman at İSE between 2008 and 2012, and of the Chairman Advisor at Borsa İstanbul A.Ş. between 2012 and 2014. He also had held office of the Member of the Board of Directors at Merkezi Kayıt Kuruluşu A.Ş., Takas ve Saklama Bankası A.Ş., and Vadeli İşlem ve Opsiyon Borsası A.Ş. within different periods between 2001 and 2010. He has been serving as the Member of the Board of Directors of our Company since 20.03.2015.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

MEMBERS OF THE BOARD OF DIRECTORS HAVING HELD OFFICE WITHIN THE ACCOUNTING PERIOD

Kenan Ayvacı	: Chairman of the Board of Directors	(01.01.2018 – 22.03.2018)
Mehmet Rasgelener	: Member of the Board of Directors	(01.01.2018 – 22.03.2018)
Abdullah Akyüz	: Member of the Board of Directors	(01.01.2018 – 22.03.2018)

COMMITTEES :

AUDIT COMMITTEE

İbrahim Kurban	: Chairman
Prof. Dr. Şule Işınsu Özmen	: Member

CORPORATE GOVERNANCE COMMITTEE

İbrahim Kurban	: Chairman
Volkan Kublay	: Member
F.Nilüfer Başarır Kutlutürk (*)	: Member

(*) Director in charge of the investor relations

COMMITTEE FOR EARLY RECOGNITION OF RISK

Prof. Dr. Şule Işınsu Özmen	: Chairman
Volkan Kublay	: Member

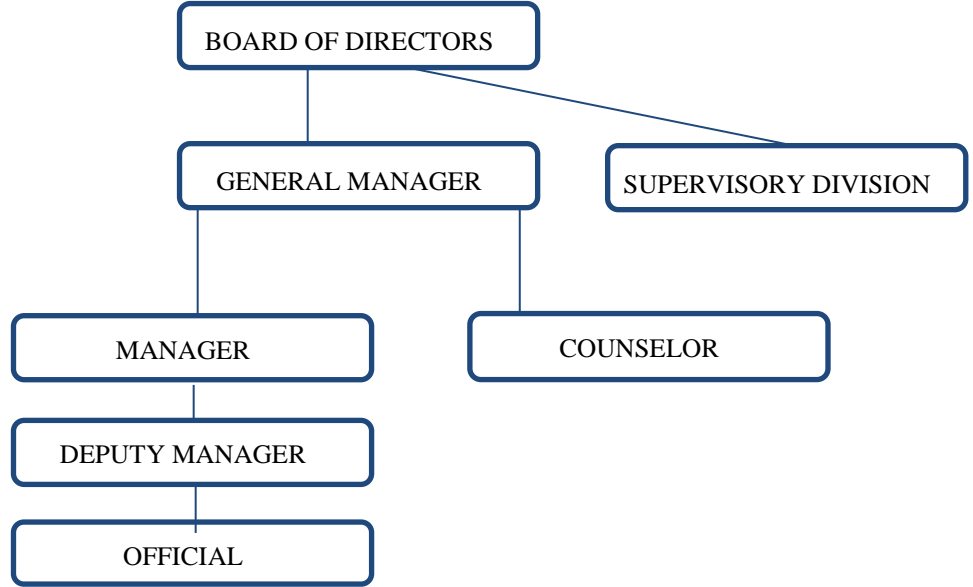
SENIOR MANAGEMENT

Yeşim Tükenmez	: General Manager
----------------	-------------------

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

ORGANIZATIONAL CHART



The headcount of our Company is 6 as of the end of the year. Our Company does not execute any collective labor agreement, and the relevant regulations and internal regulations are taken as the basis in relation to the benefits granted to the employees.

III. ECONOMIC OVERVIEW

Although the global stock indexes got off to a running start in 2018 with the effect of the overall favorable picture for the macro data on the US and Eurozone economies, it was observed that they were followed by harsh adjustment actions. The developments, which fueled the concerns for the global trade wars, put a pressure especially on the developing markets as of the second quarter of the year, and the global tension of the USA with China and EU had negative impacts on the global risk appetite.

FED increased the policy interest rate with 25 basis points to the range of 2.25% - 2.50% for the fourth time in 2018 at its last meeting held on December 19, in line with the expectations. While the members of the FED forecasted an increase by three times in the rate for 2019, it was decreased to two times. ECB didn't change its interest rates in its meeting held in December, and ended its asset acquisition program while entering into 2019, as it announced before.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

During the third quarter, the loss of momentum in the economic activities across Turkey became clear and GDP achieved a growth rate below the market expectations by 1.6% on year-over-year basis according to the chained volume index. An annual growth rate of 4.5% was achieved for the first nine months of the year, and the inflation rates were 20.30% for CPI, and 33.64% for PPI as of the end of year.

Domestic markets showed a fluctuant course with acceleration in sales during the year, and in parallel with the measures, it was observed that the sales pressure was relieved to some extent especially when the Central Bank of the Republic of Turkey maintained its policy stand. BIST-100 index closed the year at 91,270 with a decrease by 20.9%.

The Central Bank of the Republic of Turkey preferred not to change the interest rate for repos auction with one week of maturity, being the policy interest rate, and kept it at 24% during its last meeting held on December 13. Not only the international developments but also the domestic developments in Turkey put a pressure on the borrowing costs, and the compound interest of the benchmark bond with a maturity of 2 years closed the year at 19.73%. USD was revalued by 39.5%, and Euro was revalued by 33.5% against Turkish Lira in reference to the end of the previous year.

IV. INDUSTRY OVERVIEW

Securities investment trusts are the capital markets companies, which are incorporated in the form of joint-stock companies or on registered capital basis in order to manage the blended portfolio of capital market instruments and gold and other precious metals that are traded on national and international exchanges or off-exchange organized markets.

The total net asset values were 480 million TL according to the portfolio asset statements of December 28, 2018 as last disclosed by the securities investment trusts for the relevant period.

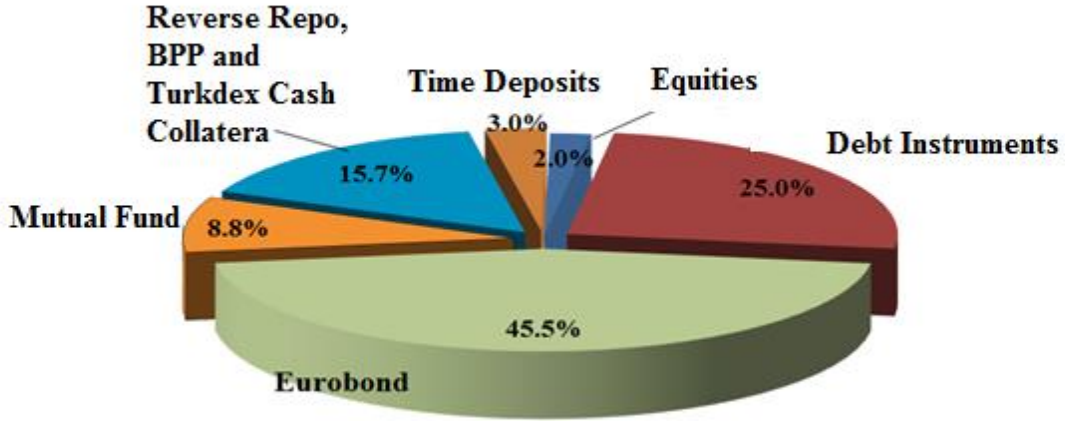
V. OPERATIONS AND FINANCIAL STANDING OF THE COMPANY

The portfolio of the Company is being managed professionally in accordance with the threshold values as identified and the investment strategy as determined by the Board of Directors, and in line with the principle of risk distribution by İş Portföy Yönetimi A.Ş. The average breakdown of the portfolio assets was as follows throughout the year; equities by 2%, debt securities by 25%, eurobond by 45.5%, mutual fund by 8.8%, time deposits by 3%, reverse repo, Exchange Money Market transactions and Turkdex cash collateral accounts by 15.7%. The Company's net assets value, the size of which amounted to TL 242,058,271 as of December 31, 2018, has accounted for 50.4% of the overall portfolio size of the industry.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

Average breakdown of portfolio assets throughout 2018;



The Company's portfolio contained long position Index-based Future Contracts by 0.7% and short position USD-based Futures Contracts by 36.3% as of December 31, 2018.

The threshold value and investment strategy applicable for the period between 01.01.2018 – 31.12.2018;

Absolute return target (threshold value) is still maintained instead of benchmarking in performance benchmarking of the portfolio management, and the net threshold value was determined as 13.50% for 2018. The return of the Company's portfolio was reported as 14.86%, exceeding the targetted threshold value return as of the end of the year. As per article 8/3 of the Communiqué, numbered VII-128.5, of the Capital Markets Board; in the event that the threshold value return, as determined at the beginning of the period, remains below the Turkish Lira reference interest rate (TRLIBOR) to arise at the end of the year, such rate is required to be used as the threshold value, and accordingly, the relative return between the portfolio return and such rate was reported as -5.62%.

Investment Strategy :

Eurobond by 0% to 100%

Private Sector Debt Instruments by 0% to 100%

Government Debt Securities by 0% to 50%

Equities by 0% to 30%

Reverse Repo by 0% to 30%

Takasbank (Settlement and Custody Bank) Exchange Money Market transactions by 0% to 20%

Precious Metals and the Capital Market Instruments with those underlyings by 0% to 20%

Mutual Fund by 0% to 20%

Foreign Stocks by 0% to 20%

Time Deposits by 0% to 10%

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

Volume of the transactions conducted throughout 2018, and the net profits;

	2018		2017	
	Transaction Volume (TL)	Net Profit/(Loss) (TL)	Transaction Volume (TL)	Net Profit/(Loss) (TL)
Equities	266,562,800	1,510,162	1,273,908,530	3,126,917
Debt Securities	76,865,189	456,065	82,158,868	213,204
Eurobonds (*)	211,830,386	8,640,913	183,493,354	(454,571)
Mutual Funds	268,643,015	1,578,409	44,992,131	110,626

(*) Trading volume of the Eurobonds amounts to USD 40,265,047 (2017: 48,647,460).

Major Financial Indicators;

	31.12.2018	31.12.2017	Variation
Asset Size (TL)	241,839,507	240,446,293	0.6%
Total Debts (TL)	809,112	697,967	15.9%
Paid-in Capital (TL)	160,599,284	160,599,284	-
Total Equity Capital (TL)	241,030,395	239,748,326	0.5%
Net Profit/(Loss) (TL)	31,365,756	25,182,077	24.6%
Proceeds (TL)	426,673,393	769,275,100	-44.5%
Market Value (TL)	146,145,348	154,175,313	-5.2%
Final Closing Price (TL) (*)	0.91	0.96	

(*) The price with closing price on 31.12.2017 being not adjusted.

Total Debts / Equity Capital	0.3%	0.3%
Profit / Total Assets	13%	10.5%
Equity Capital / Total Assets	99.7%	99.7%

In accordance with the resolution, which has been adopted at the shareholders' ordinary general assembly meeting for 2017, held on March 22, 2018, of our Company, cash dividends amounting to TL 30,032,066 corresponding to 18.7% of the issued capital have been distributed as of March 26, 2018 and the closing price (ISYAT), which was TL 1.05 before the distribution, was adjusted to be TL 0.86 as of the beginning of the day on March 26, 2018. When calculated using the adjusted prices after the dividend distribution has been reflected on it, ISYAT was appreciated by 15.2% as of the year-end, and the dividend yield was realized as 17.8%. The total assets of the Company as cleared of the impact of the dividends paid, as of December 31, 2018, have grown by 13% on year-over-year basis.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

VI. CONSIDERATIONS REGARDING RISKS, AND RISK MANAGEMENT SYSTEM :

The core business operation of the Company is portfolio management. Due to the fact that it deposits the entire of its resources to the monetary and capital market instruments as per its operations, the Company is exposed to market risk to such an extent that may fairly be considered significant. Market risk is the likelihood to suffer from losses due to such risks as the interest risk, equity risk, derivatives risk and exchange risk, which may emerge in connection with the changes in interest rates, exchange rates and equity prices as a consequence of the fluctuations in the financial markets. The Company values the securities thereof on the basis of current market values, and monitors the portfolio variations on daily basis, and outsources the regular calculation and reporting of the portfolio risk to Is Yatirim Menkul Degerler A.S. as a part of the risk management system established. The relevant reports are being assessed and reviewed by the Committee for Early Recognition of Risk, and also by the Board of Directors, and efforts are made for ensuring that the risk management system functions effectively.

VII. INTERNAL CONTROL ACTIVITIES :

For the purpose of ensuring that any and all operations and transactions of the Company are carried out orderly, effectively and efficiently in accordance with the regulations, the articles of association and the internal regulations, as well as ensuring the reliability and integrity of the order of the accounts, documentation and records, and also preventing and determining any errors, fraud and irregularities; an internal control system has been established in 2011, and service for such purpose has been started to be procured from Is Yatirim Menkul Degerler A.S. accordingly. Following establishment of the Supervisory Division within the organization of the Company on August 1, 2014, the internal control activities have been assumed by the said division as of the said date. Accordingly, the internal control activities are being carried out on regular basis, and the internal control reports, drawn up on monthly basis, are being submitted to the information of and review by the Board of Directors; and efforts are being made to ensure that the internal control system functions effectively. The Board of Directors didn't provide any negative finding or additional comment with respect to operation and effectiveness of the internal control system.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

VIII. COMMITTEES OF THE BOARD OF DIRECTORS :

The committees established by the Board of Directors and the members appointed to serve therein are provided within the second section of this report. All members of the Audit Committee as well as the chairpersons of the other committees are the independent members of the Board of Directors. The risk reports, drawn up as a part of the risk management system of the Company, are assessed by the Committee for Early Recognition of Risk, and in the cases where the risk level is detected to have risen, proper actions are taken to identify the measures to be taken, and the Board of Directors is informed on the matter. The Corporate Governance Committee, which also assumes the functions of the Nomination and Remuneration committees, is responsible to determine whether or not the Corporate Governance Principles are properly implemented, and to determine the potential conflicts of interest, which may arise out of any failure in such proper implementation, and in cases where it may deem so necessary, to take improvement actions and to inform the Board of Directors on the matter.

The Audit Committee constituted in 2003 is responsible for the accounting system, the public disclosure of financial information, as well as the appointment of the independent audit firm, and functioning, and effectivity of the internal control system, and also the observation of the independent audit processes. Accounting and internal control systems, independent auditing and financial reporting processes had been monitored throughout the year, and no negative findings had been established, and it was concluded that there had been duly acted. The Board of Directors had been informed thereof on quarterly basis.

Due care is taken for the efficient operation of the committees in accordance with the requirements of the operations of the Company and the functionality thereof. The committees convene for minimum four times a year, as required.

Financial benefits offered to the members of the Board of Directors and the senior executives:

The members of the Board of Directors of the Company are paid with the remuneration as approved by the Shareholders' General Assembly Meeting, on monthly basis. The total amount of the remuneration and the financial benefits paid to the members of the Board of Directors and also to the senior executives of the Company has been TL 1,234,875 during 2018.

IX. TRANSACTIONS WITH RELATED PARTIES/AFFILIATES :

The amounts of the transactions, entered into by and between our Company and the related parties/affiliates during 01.01.2018 - 31.12.2018, as well as the respective entities are provided herein below, and the detailed explanations of such transactions are given in the footnotes available under the financial statements.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

(TL)	
<i>Commissions and charges paid to the related parties within the accounting period</i>	
İş Yatırım Menkul Değerler A.Ş.	663,546
İş Portföy Yönetimi A.Ş.	1,282,948
T.İş Bankası A.Ş.	493,204
İş Merkezleri Yönetim ve İşletim A.Ş.	83,763
İşnet Elektronik Bilgi Üretim Dağıtım Tic. ve İletişim Hiz. A.Ş.	58,894
Softtech Yazılım Teknolojileri Araştırma Geliştirme ve Paz. Tic. A.Ş.	2,585
Anadolu Anonim Türk Sigorta Şirketi	7,691
Total	2,592,631

<i>Revenues obtained from the related parties within the accounting period</i>	
T.İş Bankası A.Ş. (time deposits interest yield)	439,323
Total	439,323

The conclusion of the Dependent Company Report for 2018, which was prepared pursuant to the provisions of Section 199 of the Turkish Commercial Code Nr. 6102, is provided as follows.

"The business transactions, executed by and between our Company and İş Yatırım Menkul Değerler A.Ş., its principal shareholder, as well as T. İş Bankası A.Ş., our ultimate shareholder, as well as the other group companies during the accounting year of 2018, the details of which are provided under the said report, are limited to the transactions necessitated by the business of the Company, and have been executed in strict compliance with the arm's length principle. There are no decisions, made against our Company, or any detrimental transactions between the controlling company or any of its affiliates and our Company, upon the instruction of the controlling company."

X. MATERIAL EVENTS THROUGHOUT THE PERIOD OF 01.01.2018 - 31.12.2018 :

Shareholders' Ordinary General Assembly and Distribution of Profit:

The shareholders' ordinary general assembly meeting for 2017 of the Company has been held on March 22, 2018 both physically and electronically. Further information on the meeting is provided under the heading "Shareholders' General Assembly Meetings" in section "Remarks on Corporate Governance Practices" hereunder.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

During the shareholders' ordinary general assembly meeting, the members of the board of directors have been elected as described under the second section of the report; and it has been resolved that the Company shall distribute cash dividends amounting to TL 30,032,066.- at the 18.7% of the issued capital, to be covered from the distributable profit of the Company obtained in 2017, and also from contingency reserves item; and such distribution has been completed on March 28, 2018 following its start on March 26, 2018.

Also, it has been resolved that Guney Bagimsiz Denetim ve Serbest Muhasebeci Mali Musavirlik A.S. shall be elected as the independent auditing firm for 2018; and that the authorization for the members of the Board of Directors shall be granted in respect of the transactions specified under Sections 395 and 396 of the Turkish Commercial Code; and also that the upper limit for the donations that would be granted during 2018 shall be determined as TL 125,000.-, and also that no donation has been granted during 2017.

Any and all resolutions, which were adopted during such shareholders' ordinary general assembly meeting, were fulfilled by the Company, and any and all explanations thereto were provided.

XI. PROFIT DISTRIBUTION POLICY :

As per the resolution, adopted at the meeting, dated 26.02.2014, of the Board of Directors, the Profit Distribution Policy has been revised as follows, and has been approved at the General Assembly meeting held on March 26, 2014. Accordingly, the principles for distribution of profits are given as follows.

- As per Article 33 of the Articles of Association, it is required that at least the 20% of the net distributable profits of the Company be distributed in cash as the first dividend.
- A profit distribution policy, based on proposal of distribution of the amount, which corresponds to either the 5% of the net assets value originated as of the end of the previous year, or the 30% of the net distributable profit for the current year, whichever is higher, in cash, to the General Assembly, has been adopted.
- The cash dividend distribution shall be performed no later than the end of the second month following the date of the shareholders' general assembly meeting during which the resolution for distribution of the profit has been adopted. The deposit share dividend distribution shall be performed following the statutory authorizations obtained for such purpose.
- Unless the cash dividend, determined for the shareholders by means of a resolution to be adopted at the shareholders' general assembly, is paid, no dividend shall be paid to the members of the board of directors and the employees of the Company.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

XII. OTHER CONSIDERATIONS AND REMARKS :

- The Company did not make any donations or aids throughout the accounting year of 2018.
- No claims or actions had been brought against our Company throughout the year.
- No administrative and/or judicial sanctions had been imposed on the Company and the members of the board of directors.
- No regulatory amendment, which might materially affect the business operations of the Company, was performed during the year.
- The Company is not engaged in any research and development activities, as required by the nature of its business operations.
- Since there is not any unfavorable situation with respect to the financial structure of the Company, it is not required to take any remedial action.
- Portfolio and Net Asset Value Statement; The detailed portfolio and net asset value statement, which is the latest released one for the respective year, of the Company, is given as follows;

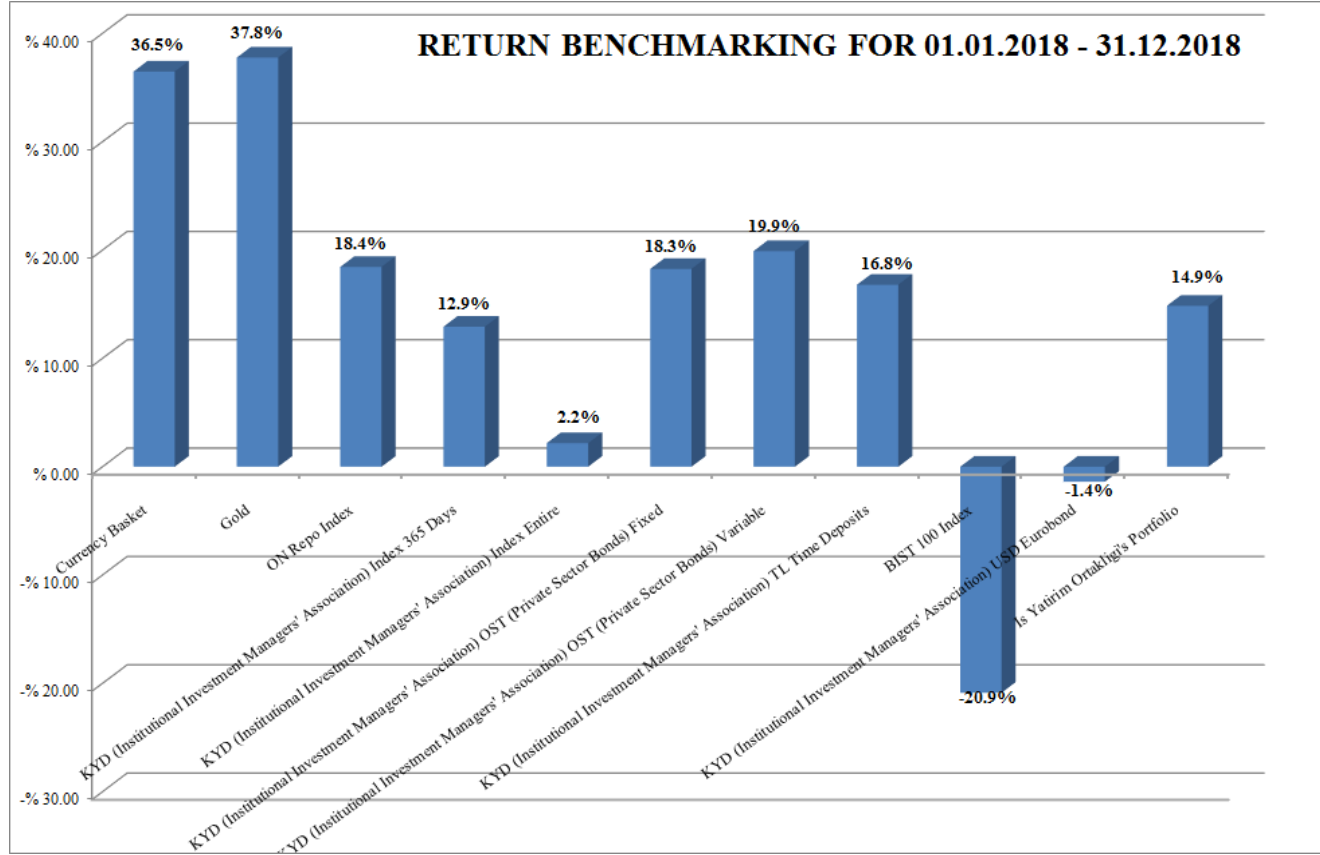
İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

İŞ YATIRIM ORTAKLIĞI A.Ş.			28/12/2018									
PORTFOLIO VALUE TABLE												
Type of Securities	Issuer	Maturity	Asset Description	Nominal Value	Interest Repaym ent Number	Unit Purchase Price	Daily Unit Value	Total Value	Total Value %	Portfolio Value %		
I) EQUITY				749,999.84				1,522,501.69	100.00%	0.63%		
Intermediary Institutions (Brokerage Houses)				0.05				0.10	0.00%	0.00%		
İSMEEN				Is Yatirim Menkul Degerler A.S	0.05	2.45	2.05	0.10	0.00%	0.00%		
Banks				0.00				0.00	0.00%	0.00%		
TSKB				TSKB	0.00	1.44	0.77	0.00	0.00%	0.00%		
Financial Leasing and Factoring				0.79				3.62	0.00%	0.00%		
İSFİN				Is Genel Finansal Kiralama A.	0.79	1.38	4.58	3.62	0.00%	0.00%		
Holdings and Investments Trusts				749,999.00				1,522,497.97	100.00%	0.63%		
İSGSY				Is Girisim Sermayesi Y.O.	749,999.00	1.730	2.030	1,522,497.97	100.00%	0.63%		
II) REAL ESTATE CERTIFICATES				10,000.00				398,500.00	100.00%	0.16%		
PMVR3				10,000.00		34.820	39.850	398,500.00	100.00	0.16%		
III) DEBT SECURITIES				41,270,000.00				41,369,341.11	100.00%	17.06%		
Corporate Bond	AKFEN HOLDING	06/01/2020	TRSAKFH12015	4,000,000.00	4	105.316	104.16	4,166,427.20	10.07%	1.72%		
Corporate Bond	ALTERNATIF BANK	09/01/2019	TRFALNF11929	720,000.00	0	95.705	99.375	715,498.78	1.73%	0.29%		
Corporate Bond	CREDITWEST FAKTORING	10/05/2019	TRFTPCF51911	950,000.00	4	100.000	103.050	978,973.48	2.37%	0.40%		
Corporate Bond	CELİK MOTOR	08/01/2019	TRFCLKM11919	580,000.00	0	90.263	99.506	577,136.89	1.40%	0.24%		
Corporate Bond	DEVA HOLDİNG	04/05/2021	TRSDDEVAS2119	2,490,000.00	4	100.000	101.925	2,537,921.30	6.13%	1.05%		
Corporate Bond	DOĞUS HOLDİNG	01/03/2019	TRSDOGH1910	790,000.00	4	101.101	94.625	747,541.13	1.81%	0.31%		
Corporate Bond	FİBA BANKA	30/01/2019	TRFFIBA11912	800,000.00	0	94.252	97.908	783,263.68	1.89%	0.32%		
Corporate Bond	FİBA BANKA	06/02/2019	TRFFIBA21911	1,000,000.00	0	94.682	97.564	975,643.90	2.36%	0.40%		
Corporate Bond	GARANTİ FAKTORİNG A.S.	21/01/2019	TRFGFRA11912	2,150,000.00	0	95.251	98.676	2,121,530.78	5.13%	0.87%		
Corporate Bond	GARANTİ FAKTORİNG A.S.	23/01/2019	TRFGFRA11920	1,190,000.00	0	95.738	98.523	1,172,427.39	2.83%	0.48%		
Corporate Bond	GARANTİ FİLO	25/03/2019	TRSGFYH31914	910,000.00	4	99.762	99.907	909,158.07	2.20%	0.37%		
Corporate Bond	GARANTİ FİNANSAL KİRALAMA	02/04/2019	TRSGRPF41911	900,000.00	4	103.090	106.044	954,394.56	2.31%	0.39%		
Corporate Bond	GOZDE GİRİŞİM SERMAYESİ YAT	24/05/2019	TRSGZDF51918	500,000.00	4	101.847	101.271	506,355.30	1.22%	0.21%		
Corporate Bond	HALKBANK	22/10/2027	TRSTHALE2716	1,000,000.00	12	100.716	101.064	1,010,635.60	2.44%	0.42%		
Corporate Bond	İS FAKTORİNG A.S.	22/01/2019	TRFISFA11924	1,210,000.00	0	96.053	98.534	1,192,264.79	2.88%	0.49%		
Corporate Bond	İS FİNANSAL KİRALAMA A.S.	12/03/2019	TRFISFN31917	990,000.00	0	92.055	95.883	949,240.22	2.29%	0.39%		
Corporate Bond	İS GAYRİMENKUL YATIRIM ORT.	25/11/2019	TRSISGYK1917	1,000,000.00	4	100.000	103.003	1,030,032.00	2.49%	0.42%		
Corporate Bond	İS YATIRIM MENKUL DEĞERLER	17/01/2019	TRFISMD11940	2,000,000.00	0	96.191	98.887	1,977,745.60	4.78%	0.82%		
Corporate Bond	İS YATIRIM MENKUL DEĞERLER	24/01/2019	TRFISMD11973	2,000,000.00	0	96.265	98.464	1,969,270.20	4.76%	0.81%		
Corporate Bond	İS YATIRIM MENKUL DEĞERLER	24/01/2019	TRFISMD11965	2,000,000.00	0	96.083	98.569	1,971,388.60	4.77%	0.81%		
Corporate Bond	KOC FİNANSMAN	16/07/2019	TRSKCTF71913	1,500,000.00	2	100.933	102.821	1,542,308.10	3.73%	0.64%		
Corporate Bond	NETLOG LOJİSTİK	13/02/2019	TRSNLOG21912	500,000.00	4	102.558	103.089	515,445.85	1.25%	0.21%		
Corporate Bond	ORFİN FİNANSMAN	15/03/2019	TRSORFN31910	1,500,000.00	0	86.675	95.898	1,438,463.55	3.48%	0.59%		
Corporate Bond	QNB FİNANSBANK	01/02/2019	TRFFNBK21928	1,250,000.00	0	94.990	98.093	1,226,160.13	2.96%	0.51%		
Corporate Bond	QNB FİNANSBANK	08/02/2019	TRFFNBK21936	500,000.00	0	95.200	97.539	487,696.60	1.18%	0.20%		
Corporate Bond	RONESAN HOLDİNG	19/02/2020	TRSRNSH22023	500,000.00	4	100.000	102.829	514,145.10	1.24%	0.21%		
Corporate Bond	SARTEN AMBALAJ	11/10/2019	TRSSRTNE1912	1,680,000.00	4	103.231	106.161	1,783,499.76	4.31%	0.74%		
Corporate Bond	TEB	24/01/2019	TRFTEBK11911	2,000,000.00	0	95.487	98.596	1,971,921.20	4.77%	0.81%		
Corporate Bond	TEB FİNANSMAN	01/03/2019	TRSTBTF31910	800,000.00	0	86.361	95.434	763,471.12	1.85%	0.31%		
Corporate Bond	VAKİFBANK	06/09/2027	TRSVKFB92719	600,000.00	4	100.477	99.825	598,952.22	1.45%	0.25%		
Corporate Bond	YDA İNŞAAT	16/03/2022	TRSYDAT32212	2,500,000.00	4	100.138	99.987	2,499,667.50	6.04%	1.03%		
Corporate Bond	ZİRAAT FİNANSAL KİRALAMA	14/02/2019	TRSZFKL21916	760,000.00	4	102.459	102.732	780,760.54	1.89%	0.32%		
Corporate Bonds Total				41,270,000.00				41,369,341.11	100.00%	17.06%		
IV) FOREIGN CURRENCY SECURITIES				18,589,000.00				94,977,278.30	100.00%	39.16%		
Eurobond	AKBANK	24/01/2020	XS1111101314	1,600,000.00	2	101.935	100.209	8,434,999.71	8.88%	3.48%		
Eurobond	GARANTİ BANKASI	20/04/2021	USM8931TAA71	3,500,000.00	2	106.959	100.733	18,548,128.70	19.53%	7.65%		
Eurobond	İS BANKASI	30/04/2020	XS11121459074	500,000.00	2	101.849	98.100	2,580,472.92	2.72%	1.06%		
Eurobond	İS BANKASI	21/04/2022	XS1508390090	900,000.00	2	102.844	91.697	4,341,660.31	4.57%	1.79%		
Eurobond	T İHRACAT KREDİ BANKASI	08/02/2021	XS1345632811	300,000.00	2	105.193	98.884	1,560,660.89	1.64%	0.64%		
Eurobond	T İHRACAT KREDİ BANKASI	23/09/2021	XS1028943089	300,000.00	2	102.498	96.251	1,519,107.67	1.60%	0.63%		
Eurobond	TSKB	30/10/2019	XS1117601796	3,300,000.00	2	102.386	99.525	17,278,587.34	18.19%	7.12%		
Eurobond	VAKİFBANK	30/01/2023	XS1760780731	3,200,000.00	2	99.150	90.443	15,225,951.83	16.03%	6.28%		
Eurobond	YAPI KREDİ BANKASI	22/10/2019	XS1028938915	2,589,000.00	2	102.581	99.822	13,596,236.97	14.32%	5.61%		
Eurobond	YAPI KREDİ BANKASI	24/02/2022	XS1571399754	1,000,000.00	2	101.040	96.226	5,062,330.28	5.33%	2.09%		
Eurobond	ZİRAAT BANKASI	03/05/2022	XS1605397394	1,400,000.00	2	101.323	92.721	6,829,141.69	7.19%	2.82%		
V) OTHERS				74,919,699.61				87,743,423.60	100.00%	36.18%		
BPP		31/12/2018		1,850,000.00			101.853	1,884,273.15	2.15%	0.78%		
BPP		31/12/2018		2,371,000.00			102.064	2,419,933.54	2.76%	1.00%		
BPP		31/12/2018		480,000.00			100.192	480,923.18	0.55%	0.20%		
BPP		02/01/2019		7,400,000.00			100.643	7,447,613.25	8.49%	3.07%		
BPP		02/01/2019		3,000,000.00			100.711	3,021,323.23	3.44%	1.25%		
BPP		02/01/2019		1,000,000.00			100.711	1,007,107.74	1.15%	0.42%		
BPP		02/01/2019		70,000.00			100.709	70,496.49	0.08%	0.03%		
BPP		03/01/2019		4,000,000.00			100.387	4,015,469.99	4.58%	1.66%		
BPP		03/01/2019		410,000.00			100.388	411,592.40	0.47%	0.17%		
BPP		09/01/2019		3,060,000.00			101.722	3,112,701.86	3.55%	1.28%		
BPP		14/01/2019		4,762,000.00			101.325	4,825,113.97	5.50%	1.99%		
BPP		15/01/2019		401,000.00			101.325	406,312.98	0.46%	0.17%		
BPP		15/01/2019		1,997,000.00			101.325	2,023,458.88	2.31%	0.83%		
BPP		17/01/2019		1,425,000.00			101.861	1,451,523.36	1.65%	0.60%		
BPP		17/01/2019		1,315,000.00			101.861	1,339,475.96	1.53%	0.55%		
BPP Total				33,541,000.00				33,917,319.98	38.66%	13.98%		
R. Repo		31/12/2018		1,695,250.00			88.657	1,502,952.74	1.71%	0.62%		
R. Repo		31/12/2018		9,606,390.00			88.657	8,516,732.19	9.71%	3.51%		
R. Repo		31/12/2018		10,171,475.00			88.657	9,017,716.44	10.28%	3.72%		
R. Repo		31/12/2018		538,105.00			93.1016	500,984.25	0.57%	0.21%		
Total R. Repo				22,011,220.00				19,538,386.62	22.27%	8.06%		
Participation Certificates			TI1	46,687.00			223.51869	10,435,417.27	11.89%	4.30%		
Participation Certificates			ISZ	5,000,000.00			1.19828	5,991,380.00	6.83%	2.47%		
Participation Certificates			TIIV	437,457.00			8.60414	3,763,940.83	4.29%	1.55%		
Participation Certificates Total				5,484,144.00				20,190,738.10	23.01%	8.32%		
Time Deposits		09/01/2019		2,620,164.38			102.1186	2,675,674.36	3.05%	1.10%		
Time Deposits		09/01/2019		1,500,000.00			102.1410	1,532,115.61	1.75%	0.63%		
Time Deposits		16/01/2019		2,052,500.00			101.2171	2,077,480.07	2.37%	0.86%		
Time Deposits		16/01/2019		5,142,684.93			101.2171	5,205,274.22	5.93%	2.15%		
Time Deposits		16/01/2019		1,023,972.60			101.2171	1,036,434.91	1.18%	0.43%		
Time Deposits		16/01/2019		1,544,013.70			101.6831	1,570,000.73	1.79%	0.65%		
Time Deposits Total				13,883,335.61				14,096,979.90	16.07%	5.81%		
VI) FUTURES CONTRACTS												
TURKDEX LONG POSITION		31/12/2018	F_USD0301218	140.00				1,587,250.00	100.00%	0.65%		
TURKDEX SHORT POSITION		31/12/2018	F_USDTRY1218	140.00			113.3750	1,587,250.00	100.00%	0.65%		
TURKDEX SHORT POSITION		30/04/2019	F_USDTRY0419	14,900.00			5.6233	737,058.00	0.84%	0.30%		
TURKDEX SHORT POSITION		31/12/2019	F_USDTRY1219	515.00			6.3694	83,787,170.00	95.42%	34.55%		
VII) TURKDEX CASH COLLATERAL				16,533,453.80				3,280,241.00	3.74%	1.35%		
TURKDEX Cash Collateral				16,533,453.80				16,533,453.80	100.00%	6.82%		
TURKDEX Cash Collaterals Total				16,533,453.80				16,533,453.80	100.00%	6.82%		
TOTAL PORTFOLIO VALUE (I+II+III+IV+V+VI+VII)								242,544,498.51				
CASH AND CASH EQUIVALENTS (+)								25,108.03				
- Banks								25,108.03				
AMOUNTS RECEIVABLE (+)								117,405.92				
- Receivables from Clearing								0				
- Other Receivables								117,405.92				
OTHER ASSETS (+)								7,738.71				
LIABILITIES (-)								606,948.20				
- Liabilities/Payables to Clearing								0				
- Other Liabilities/Payables								606,948.20				

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018



REMARKS ON CORPORATE GOVERNANCE PRACTICES IN 2018

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Is Yatirim Ortakligi A.S., which has adopted the principles of transparency, equality, responsibility and accountability, complies with all of the Corporate Governance Principles required to be implemented in accordance with the Corporate Governance Communiqué, numbered II-17.2, promulgated by the Capital Markets Board, and almost the entire of the non-compulsory principles prescribed under the said communiqué. The few number of principles not implemented, which constitute exception, do not lead to any conflict of interest.

As per the resolution, dated 10.01.2019 and numbered 2/49, of the Capital Markets Board; Corporate Governance Compliance Report numbered II-17.1 shall be drawn up using the templates for Corporate Compliance Report (URF) and Corporate Governance Information Form (KYBF) on the Public Disclosure Platform (KAP). Such reports are accessible on www.kap.org.tr/tr/sirket-bilgileri/ozet/989-is-yatirim-ortakligi-a-s.

Explanatory information about the reports, to be drawn up using the templates, is provided herein below.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

PART II - SHAREHOLDERS

2.1 Investors Relations Department

A separate Investors Relations Department has not been established within the organization of the Company; and it has been resolved that the functions of the said department, as set out under Article 11 of the Corporate Governance Communique, shall be carried out by F.Nilufer Basarir Kutluturk, who serves under the job title of Manager reporting to Yesim Tukenmez, the General Manager of the Company, and who holds the Capital Market Activities Advanced Level License, in the capacity of Executive and in substitution of Muazzez Demircan, who has been serving in the capacity of Specialist within the organization of the Company. The Report Regarding the Investors Relations Activities has been submitted to the Board of Directors on December 21, 2018. The Investors Relations activities include correspondences between the investors and the trust, ensuring retention of the records of other information and documentation as on sound, secure and up-to-date basis, responding the written or verbal inquiries of the shareholders with respect to the trust as long as the contents thereof do not constitute trade secrets, holding of the shareholders' general assembly meetings in compliance with the applicable regulations and the articles of association, and the activities in relation to compliance with the corporate governance principles. A small number of requests for information received from our investors by telephone and e-mail throughout the year had been answered in accordance with the regulations. No written requests for information had been received by our Company in 2018.

2.2 Exercise of the Right to Information by the Shareholders

Any event, which may affect the exercise of any shareholding rights, is disclosed through the Public Disclosure Platform and the website of the Company. Any inquiry received from shareholders is endeavored to be responded swiftly. Even though the Articles of Association of the Company does not contain any provisions regarding the appointment of a private auditor; the shareholders may file a request for the appointment of a private auditor at the shareholders' meeting under the applicable regulations. Any requests for the appointment of a private auditor have not been filed at the shareholders' general assembly meeting held in 2018.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

2.3 Shareholders' General Assembly Meetings

The ordinary general assembly meeting for 2017 of the Company was physically and electronically held in Istanbul, where the Company is based, on March 22, 2018. The wordings of the announcements have covered the details about the agenda and the date of the meetings as well as the meeting venues, the principles for attendance in respect of the meetings, and the forms of the powers of attorney, and the information document including the details about the total voting rights and the preferred shares has been published on the Public Disclosure Platform, as well as the website of the Company. The minimum quorum of 25% was applied for the meeting as per the applicable regulations, and the shareholders attended the meeting by 44.75% while the entire of the preferred shareholders attended the same. No press member attended the meeting, and as for the stakeholders, the representative of the independent audit firm attended.

The announcement for the meeting was intended to be received by the maximum number of shareholders, and the announcement was released through the Public Disclosure Platform, the electronic general assembly system of the Central Registry Agency, the website of the Company, and the Trade Registry Gazette, at least 3 weeks in advance of the date of the meeting. The financial statements, the annual report, the independent auditing report, and the profit distribution statement have been published electronically, and also have been made available at the principal office of the Company before the meeting. None of the shareholders exercised the right to inquiry, request to add an item to the agenda during the meeting; and the full wording of the minutes of the meeting and the list of attendees were released to the public through the electronic general assembly system of the Central Registry Agency, Public Disclosure Platform, as well as the website of the Company and was, further, made available to the shareholders for information at the principal office.

The information regarding the donations and aids made throughout 2017 was addressed as an individual agenda item during the shareholders' ordinary general assembly meeting, and is provided within the annual report. The Company did not make any donations or aids throughout the accounting year of 2018.

During the year, there was not any matter which was submitted to the discretion of the shareholders' general assembly due to the fact that the vote of independent members were sought under the regulations and that they cast dissentive votes therefor.

There had not been performed any material transaction by shareholders, holding the managerial control, members of the board of directors, the executives with administrative responsibilities, and the spouses, and the kinsmen and relatives by marriage up to second degree of such persons, which may cause any conflicts of interest for our Company, and also no transaction as a kind of business that falls into the field of business of our Company has been performed on behalf of themselves or others, or there had not been entered into another affiliate engaging in businesses of the same kind as an unlimited partner.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

2.4 Voting Rights and Minority Rights

Utmost efforts shall be made in order for enabling the most convenient and simple fashion of exercise of their voting rights to the shareholders. The shares of the Company are categorized into Group A and Group B shares pursuant to the Articles of Association approved by the Capital Markets Board. Each share held entitles the holder thereof to 1 (one) vote at the shareholders' general assembly meeting; however, only in the case of the election of the members of the Board of Directors, each Group A share entitles the holder thereof to 1,000,000 (one million) votes and each Group B share entitles the holder thereof to 1 (one) vote. The Company does not have any controlled subsidiaries for the purpose of its operations. There is no minority description under our articles of association, other than the description for minority as specified under the Capital Market regulations. The minority shareholders did not nominate any candidates for the Board of Directors at the shareholders' general assembly meeting held.

2.5 Right to Dividends

In accordance with the Profit Distribution Policy, which has been revised on February 26, 2014 as per the regulations, of the Company; a profit distribution policy, based on proposal of distribution of the amount, which corresponds to either the 5% of the net assets value originated as of the end of the previous year, or the 30% of our net distributable profits for the current year, whichever is higher, in cash and no later than the end of the second month following the date of the shareholders' general assembly meeting during which the resolution for distribution of profit has been adopted, to the Shareholders' General Assembly, has been adopted.

Profit Distribution Policy has been approved at the shareholders' ordinary general assembly meeting, held on March 26, 2014, and has been released to the public through the Public Disclosure Platform and the website of the Company; and has also been included in the annual reports. There are no preferential status granted in respect of participation to the profit under the articles of association. No dividend is paid to the members of the Board of Directors and the employees on the basis of founder's shares, and the dividend payments are being performed within the periods prescribed under the policy thereto.

During the Shareholders' Ordinary General Assembly Meeting, held on March 22, 2018, it has been resolved that the Company shall distribute cash dividends amounting to TL 30,032,066.- at the 18.7% of the issued capital, to be covered from the distributable profit of the Company obtained in 2017, and also from contingency reserves item; and such distribution has been completed on March 28, 2018 following its start on March 26, 2018.

2.6 Transfer of Shares

The Articles of Association of the Company does not include any provisions that restrict the transfer of shares. Share transfers are subject to the provisions of the Turkish Commercial Code and the Capital Markets regulations.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1 Corporate Website and Its Contents

The corporate website address of the Company, as registered to the Istanbul Trade Registry Office is "www.isyatort.com.tr" Any and all matters provided under the relevant section of the Corporate Governance Principles (since the Company does not have information forms in place for collection of stocks and powers of attorney through calls, such matters are not available on the website) are available on the website of the Company, and a great majority of the relevant matters are available also in English. Utmost attention is being paid for keeping and maintaining the website up-to-date on continuous basis.

3.2 Annual Report

The annual reports of the Company entirely include the Corporate Governance Principles as well as any other information prescribed under the applicable regulations, and the interim annual reports include the details regarding the variations and events, which may have taken place between the end of the previous accounting year and the date of issue of the interim annual report, as contemplated by the Capital Market Regulations.

PART IV - STAKEHOLDERS

4.1 Disclosure to Stakeholders

Any registered information of the Company, which is not of trade secret nature, is communicated to the shareholders and the stakeholders with respect to the principle of equality, and any material events related to the operations and the management of the Company are disclosed to the public in the form of material disclosures, portfolio value statements are published weekly, and the said information is also made available on the website of the Company.

The stakeholders may, at their discretion, communicate their opinions or any matters, they may consider to be in breach of the applicable regulations or the code of ethics, to the Company, and the Corporate Governance Committee or the Audit Committee is informed about any such matters through the Executive In Charge of Investors Relations or such other executives. Any such communication was not received throughout the year 2018.

4.2 Stakeholders' Participation to Management

The Company is represented and engaged by the Board of Directors under the Articles of Association and applicable regulations, and the members of the Board of Directors are elected by the shareholders at the shareholders' general assembly meetings. Even though they are not directly represented at the Board of Directors, the stakeholders may communicate their opinions and considerations about any matters to the Company, and such opinions and considerations are taken into account by the Board of Directors during the course of adoption of the resolutions. In such cases, where any matter that may lead to significant consequences for the stakeholders is to be adopted; due care is paid for communication and exchange of opinions with the concerned stakeholders.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

4.3 Human Resources Policy

The Company operates through a staff of 6 members. The establishment of an individual unit for the human resources and the appointment of a separate official to maintain the relations with the staff members were not considered necessary due to the few number of employees and the low diversity of staff members. Recruitment and the personal rights of the staff members are maintained in accordance with the laws governing the labor relations, the resolutions of the board of directors, the internal regulations as well as the code of ethics; and the employees of the Company are informed about the rules in relation to the relevant matters, job descriptions, as well as the business and functioning thereof. Any staff complaints were not received throughout the year 2018.

4.4 Code of Ethics and Social Responsibility

The code of ethics established in order for the maintenance of the Company's operations in integrity, effectively and rationally is set forth within the annual reports and the corporate website of the Company. The Company did not implement or was not involved in any social responsibility projects throughout the year 2018.

PART V - BOARD OF DIRECTORS

5.1 Organization and Composition of the Board of Directors

The members of our Board of Directors have been elected at the shareholders' ordinary general assembly meeting, held on March 22, 2018, to hold office until the next shareholders' ordinary general assembly meeting, and have not been assigned with any executive duties within the organization of our Company. The resumes of and the duties assigned to the members of the Board of Directors are provided in section two hereunder.

There are no internal regulations in place that prohibit the members of the Board of Directors to serve outside the organization of the Company. The members of the Board of Directors were authorized at the ordinary shareholders' meeting held in 2018 to perform the business and transactions, which may fall to the scope of operations of the Company, either for their own behalves or on behalf of other in accordance with the Turkish Commercial Code.

Our Company has two independent Members of the Board of Directors. The Corporate Governance Committee, which has assumed also the functions of the Nomination Committee, has submitted four candidates for the independent Members of the Board of Directors through its report, dated March 8, 2018, to the Board of Directors; and it was resolved, by means of the resolution, dated March 9, 2018 and March 20, 2018, of the Board of Directors, to nominate the candidates during the shareholders' general assembly meeting. During the shareholders' ordinary general assembly meeting, two of such candidates were elected to serve as the independent member of the board of directors. The independent members satisfy all of the criteria prescribed for the independence as required by the regulations; and no circumstance, which would cause such members forfeit their such status, has occurred during the year.

A copy of the statements of independency as submitted by Prof. Dr. Mrs. Şule Işınsu Özmen and Mr. İbrahim Kurban to us in 2018 is given below:

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

STATEMENT OF INDEPENDENCY

İS YATIRIM ORTAKLIĞI A.Ş.
BOARD OF DIRECTORS,

As I have been nominated for the position of the independent member of the board of directors at the ordinary general assembly meeting of Is Yatirim Ortakligi A.S.(the “**Company**”) to be held on March 22, 2018:-

- No employment-related relationship in respect of any managerial position, whereby any substantive duties and responsibilities may be assumed, has been established between the Company and any affiliates, who either hold the control of or have any significant influence on the management of the Company, or any shareholders who hold the control of the management of the Company, or have a significant influence on the Company, or any legal persons, who hold the control of the management of such shareholders, and myself, my spouse and any of my relatives by blood and by marriage up to the second degree, within the last five years; and also that I have not held more than 5% of the capital or the voting rights or the privileged shares of the Company, either collectively or individually, or any commercial relationship which is of substantial nature has not been established; and also that;
- During the last five years, particularly in respect of the companies which have carried out auditing, rating and consulting activities for the Company; I have not been a shareholder holding 5% or more of the shares of, or any employee serving at any managerial positions whereby any substantial duties and responsibilities may be assumed, or a member of the board of directors of any such company, from which the Company has procured any services or products or to which the Company has sold any services or products to a material extent in accordance with the agreements executed for such purpose; and also that;
- I enjoy the professional educational background, knowledge and experience to properly and duly fulfill my duties as an independent member of the board of directors, and also that;
- I shall not work for any public agency and entity on full-time basis throughout my term of office as an independent member of the board of directors, excluding the position of being a faculty member at the universities, should I be elected so, and also that;
- I am considered as resident in the territory of the Republic of Turkey for the purposes of the Income Tax Law, and also that;
- I am strongly bound by ethical standards, and enjoy the professional reputation and experience to positively contribute to the operations of the Company, maintain my impartiality in any potential case of conflict of interest amongst the shareholders of the Company, and to make decisions freely with due consideration of the rights and benefits of the stakeholders, and also that;
- I will be able to allocate time for the affairs of the Company to such an extent that I would be able to fully perform and carry out the duties and tasks which I have assumed, and to follow up the functioning of the activities and operations of the Company, and also that;
- I have not held the office of a member of the board of directors at the board of directors of the Company for a period longer than six years within the last decade, and also that;
- I have not held office as an independent member of the board of directors of more than three of the companies which hold the control of management of the Company or the shareholders who hold the control of management of the same, and at more than five of the listed companies in total; and also that;

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

- I have not been registered and announced for the legal person which has been elected as a member of the board of directors.

Yours faithfully,

5.2 Principles of Operation of the Board of Directors

The Board of Directors convenes at least once a month but, in any case, as frequently as the business of the Company may require to address the agenda to be determined, upon the call/invitation of the chairman or the deputy chairman in accordance with the provisions of the articles of association of the Company. The date and the agenda of the meeting of the board of directors are determined by the chairman; however the date of the meeting may also be determined by the resolution of the board of directors. The agenda so determined may be subsequently revised upon a resolution on the matter of the Board of Directors. Each member of the board of directors may request, in writing, from the chairman, or the deputy chairman, in the absence of the first, to call the board of directors for meeting. The chairman or the deputy chairman shall take pains to fulfill such request forwarded by any such member of the board of directors, for a Board meeting to be held, depending on the need thereto, as well as any opportunities for such purposes. Each member is entitled to one vote, which should be cast as an affirmative or a dissenting vote. Any member, who casts a dissenting vote shall state the grounds for such dissenting vote and shall sign under the resolution, whereby the opposing opinions are recorded.

The board of directors convenes upon attendance of the majority of the total number of the board members and resolves with simple majority of the members present at the meetings. In case of equality of votes, discussion of the respective item on the agenda shall be adjourned to the next meeting. In case of a further equality of votes at such meeting, then the proposal shall be deemed to have been rejected. The members of the board of directors may attend the board meetings by means of electronic means in accordance with the regulations. Since the matters in respect of manner of holding the meetings of the Board of Directors, and also the fashion of the voting are described in details under the articles of association; establishment of a written internal regulation has been regarded unnecessary.

The Board of Directors has adopted 22 resolutions during 2018, and there are no material transactions or related party transactions not approved by the independent members. Pains are taken to ensure full attendance of all members, and the resolutions are adopted unanimously.

Under the scope of the liability insurance policy including Türkiye İş Bankası A.Ş. and the Affiliates thereof (Türkiye İş Bankası Group) as the Insured; the Member of the Board of Directors and Executives of our Company have been caused to be insured up to 75 mio USD per any one claim and on an annual aggregate basis in respect of any damage and/or loss they may lead the Company to suffer due to their negligence during the course of performance of their duties.

5.3 Number, Organization and Independent Status of Committees of the Board of Directors

The committees established to meet the operational needs of the Company in accordance with the Corporate Governance Principles as well as the members, activities and governing procedures

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

thereof are provided as follows. The members of the Board of Directors, who serve within the committees, do not hold executive positions.

AUDIT COMMITTEE

Ibrahim Kurban : Chairman
Prof. Dr. Şule Işınsu Özmen : Member

CORPORATE GOVERNANCE COMMITTEE

Ibrahim Kurban : Chairman
Volkan Kublay : Member
F.Nilüfer Başarır Kutlutürk (*) : Member

(*) Director in charge of the investor relations

COMMITTEE FOR EARLY RECOGNITION OF RISK

Prof. Dr. Şule Işınsu Özmen : Chairman
Volkan Kublay : Member

The chairperson and the member of the Audit Committee and the chairpersons of the other committees are independent members of the board of directors pursuant to the Corporate Governance Communique. The Audit Committee, which is responsible for the accounting system, public disclosure of the financial data, appointment of the independent audit firm and observation of the independent auditing activities as well as the effectiveness of the internal control system, convenes at least four times a year. The Corporate Governance Committee, which is responsible for monitoring that whether the corporate governance principles are being implemented or not, and also for monitoring of the investor relations and ensuring effectiveness of the same, and which carries out the functions of the Nomination Committee and the Remuneration Committee, and which consists of two members of the board of directors and the executive in charge of the investor relations, convenes when and if so required, but at least four times a year. The Committee for Early Recognition of Risk, which is responsible for carrying out the activities for monitoring, assessment and prevention of the risks, convenes when and if so required, but at least four times a year; and carries out its assessments and reviews in accordance with the status, breakdown/distribution of the portfolio of the Company, as well as the risk reports.

The Company has 2 independent members of the board of directors; the requirement contemplated by the applicable regulation for each committee to include an independent member of the board of directors, and the fact that the responsibilities of the member of the board of directors in charge of internal control, appointed pursuant to the Communique, Serial: III, No: 48.5, of the Capital Markets Board, and those of the relevant Committees should be of similar nature, and also that such matters are associated and constitute an integrity, lead to the situation that a single member of the board of directors holds a seat at multiple committees.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

5.4 Risk Management and Internal Control Mechanism

The Company has risk management and internal control systems available, and makes efforts to cause them to operate efficiently. A Supervisory Division has been established in 2014 for the purpose of carrying out the audits for compliance with the regulations and the policies within the organization of the Company and also fulfilling the supervision and inspection functions in respect of any and all activities and operations of the Company, in particular functioning of the internal control system and the risk management system; and the Auditor/Inspector, holding office at the said Division, has also assumed the duties and responsibilities of the internal control personnel outsourced until then.

Accordingly, the internal control activities are being carried out on regular basis within the Company, and the internal control reports are being drawn up on monthly basis, and submitted to, and assessed by the Board of Directors. In respect of the risk management system, the service for the risk calculations is being procured from Is Yatirim Menkul Degerler A.S.; and the risk reports, drawn up on weekly basis, are being submitted to the Board of Directors. The relevant reports are being assessed both by the Committee for Early Recognition of Risk, and the Board of Directors.

5.5 Strategic Goals of the Company

The mission and the vision of our Company have been approved by the Board of Directors, and made publicly available on our website.

Our Mission is to have the portfolio of our Company professionally managed effectively, coherently, and rationally in line with the risk distribution principle in accordance with the applicable regulations and the articles of association, and also to provide a regular dividend income/yield to the shareholders by years in accordance with our Dividend Distribution Policy.

Our Vision is to update the investment strategy in accordance with the changing market conditions so as to keep the risk at an optimum level, and to provide a regular dividend distribution for the shareholders, and accordingly, to become a preferred collective investment company.

In this sense, the investment strategy and the benchmark/threshold value in relation to the portfolio are determined; and the market expectations and the opinions regarding the portfolio distribution of the portfolio managers are obtained; and the matter is resolved by the Board of Directors. The decision made on the matter is, then, disclosed to the public and made available on the website of the Company. The Board of Directors reviews the periodic reporting submitted to it, as well as the operations of the Company on regular basis, and monitors the performance of the Company.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

5.6 Financial Rights

The Remuneration Policy, which includes the principles of remuneration for the Members of the Board of Directors as well as any and all executives and staff members of the Company, has been in force as of 21.03.2012, and disclosed to the public through the Public Disclosure Platform as well as the website of the Company, and was also submitted to the shareholders for information as an individual agenda item at the ordinary shareholders' meeting held on 02.04.2012. The Corporate Governance Committee monitors and supervises the remuneration practices of the Company in accordance with the applicable policy, and submits the analysis and considerations thereof to the Board of Directors, where necessary.

The Company may not grant any benefits or loans to its shareholders, members of the board of directors, staff members or any third persons, from its assets, other than the payments required to be performed as per its activities and operations, such as the attendance fee, remuneration and dividends required under the regulations and its articles of association. There are no debts, sureties or guarantees granted to the members of the board of directors and/or the staff members. The remuneration and/or other benefits provided to the members of the Board of Directors and the senior executives are disclosed to the public within the financial statements and the annual report of the Company.

İŞ YATIRIM ORTAKLIĞI A.Ş.

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE PERIOD BETWEEN 01.01.2018 - 31.12.2018

CODE OF ETHICS

Is Yatirim Ortakligi A.S., the scope of operations of which consists of portfolio management, aims to ensure the effective and rational management of its portfolio and thus regular, stable and high return for the investors thereof. The staff members of the Company shall observe the following code of ethics in accomplishment of the said purpose.

IS YATIRIM ORTAKLIGI A.S. shall;

- comply with any legal and statutory restrictions and regulations, which may be governing thereon due to the nature and operations thereof.
- maintain its operations in accordance with the principles of equality, transparency, accountability and responsibility.
- ensure the professional and reliable management of its portfolio in accordance with the principles of risk distribution.
- respect and protect the rights of the related stakeholders thereof, and ensure such stakeholders to be informed as necessary about the Company's standing.
- take any measure to prevent conflicts of interest.
- make its best efforts to ensure that the data prepared, disclosed to public and submitted to the regulatory authorities by the Company are accurate, complete and legible and are disclosed timely.
- treat equally to each employee of the Company with others and provide each employee with a fair and safe working environment.
- preserve the personal dignity and protect the legally recognized rights of its employees.

The EMPLOYEES shall;

- act in compliance with the applicable laws and the internal corporate regulations.
- internalize and protect the name and the reputation of Is Yatirim Ortakligi A.S.
- act moderately and carefully in their relations with each other as well as the subordinates and supervisors thereof.
- avoid any relations, which may lead to gaining of benefits and/or conflict of interests.
- constantly make efforts to enhance their professional knowledge and experience and improve their personal skills.
- be aware of their obligation to keep any information, which may be of secrecy for the Company, confidential.
- act sensitively for proper utilization of the property assets and resources of the Company.
- be obliged to report any case or event in breach of the code of ethics to the management.