CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

OPTİMA FAKTORİNG A.Ş.

FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT FOR THE PERIOD 1 JANUARY- 31 DECEMBER 2017

**CONVENIENCE TRANSLATION INTO ENGLISH
OF THE INDEPENDENT AUDITOR'S REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH, SEE NOTE 2**

To the General Assembly of Optima Faktoring A.Ş.:

A. Audit of Financial Statements

1. Opinion

We have audited the accompanying financial statements of Optima Faktoring A.Ş. ("the Company"), which comprise the statement of financial position as of 31 December 2017 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements and a summary of significant accounting policies and financial statement notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our independent 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.

pwc

Key aduit matter	How Our Audit Addressed the Key Audit Matter
Impairment of factoring receivables The Company's total factoring receivables are amounting to TL 217,398 thousand including the doubtful factoring receivables in the statement of financial position as of 31 December 2017. Explanations and notes related to the provision for impairment of factoring receivables are provided in accordance with the requirements of "BRSA Accounting and Reporting Legislation" are presented in Note 2.8.1, 3 and 6 in the accompanying financial statements as of 31 December 2017. We focused on this area during our audit; considering the size of factoring receivables and the provision for impairment of factoring receivables, and the importance of the classification of the factoring receivables in accordance with the related legislation and appropriately determination of the provision for impairment factoring receivables considering their classifications Timely and correctly identification of loss event and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for factoring receivables. Therefore, this area is considered as key audit matter.	Within our audit procedures, we assessed and tested the design and operating effectiveness of the relevant important controls applied by the Company with respect to identification of loss event and and estimation of impairment in line with the framework of the relevant legislation. Within our audit procedures, we tested a select sample of factoring receivables with the objective of identifying whether the loss event occurred and whether the provision for impairment was recognized in a timely manner and within the framework of the provisions of the relevant legislation. Furthermore, we tested the appropriateness of specific provision calculation provided for doubtfu receivables in accordance with the BRSA Accounting and Reporting Legislation.

4. Responsibilities of Management and those charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements 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 independent audit conducted in accordance with SIA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also 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 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. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Note 2 and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Didem Demer Kaya, SMMM
Partner

İstanbul, 2 May 2018

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

OPTİMA FAKTORİNG A.Ş.

CONTENTS **PAGE**

FINANCIAL POSITION STATEMENT **1-2**

OFF-BALANCE SHEET ITEMS **3**

STATEMENT OF PROFIT OR LOSS **4**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME **5**

STATEMENT OF CHANGES IN EQUITY **6**

STATEMENT OF CASH FLOWS **7**

STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD … **8**

NOTES TO FINANCIAL STATEMENTS **9-46**

1	THE ORGANISATION AND PRINCIPAL ACTIVITIES	9
2	BASIS OF PREPARATION OF FINANCIAL STATEMENTS	9-21
3	CRITICAL ACCOUNTING EVALUATIONS, ESTIMATES AND ASSUMPTIONS	22
4	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	22
5	CASH EQUIVALENTS AND BANKS	23
6	FACTORING RECEIVABLES	23-25
7	TRANSACTIONS AND BALANCES WITH RELATED PARTIES	26
8	TANGIBLE ASSETS	26-27
9	INTANGIBLE ASSETS	27
10	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	28
11	SECURITIES ISSUED	28
12	DEFERRED TAX ASSETS AND LIABILITIES	29
13	OTHER RECEIVABLES	30
14	BORROWINGS	30
15	OTHER PAYABLES	30
16	FACTORING PAYABLES	31
17	LEASE PAYABLES	31
18	TAX ASSETS AND LIABILITIES	31
19	EMPLOYMENT BENEFIT OBLIGATIONS	31-32
20	SHAREHOLDERS' EQUITY	33
21	PROFIT RESERVES	33
22	FOREIGN CURRENCY POSITION	33-34
23	PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	35
24	OPERATING INCOME	35
25	OPERATING EXPENSES	36
26	OTHER OPERATING INCOME	36
27	FINANCIAL EXPENSES	37
28	SPECIFIC PROVISIONS FOR DOUBTFUL RECEIVABLES	37
29	OTHER OPERATING EXPENSE	37
30	TAXES	37-38
31	EARNINGS PER SHARE	39
32	OTHER EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED IN ORDER TO PROVIDE FAIR AND UNDERSTANDABLE FINANCIAL STATEMENTS	39
33	ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS	39-46
34	SUBSEQUENT EVENTS	46

OPTİMA FAKTORİNG A.Ş.
FINANCIAL POSITION STATEMENT AT 31 DECEMBER 2017

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise indicated.)

	ASSETS	Note	Audited Current Period (31 December 2017)			Audited Prior Period (31 December 2016)		
			TRY	FC	Total	TRY	FC	Total
I.	**CASH AND CASH EQUIVALENTS AND CENTRAL BANK**	**5**	**1**	-	**1**	**1**	-	**1**
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH P/L (Net)**		**38**	-	**38**	**11**	-	**11**
2.1	Financial Assets Held for Trading		-	-	-	-	-	-
2.2	Financial Assets Designated at Fair Value through Profit or (Loss)		-	-	-	-	-	-
2.3	Derivative Financial Assets Held for Trading	**4**	38	-	38	11	-	11
III.	**BANKS**	**5**	**210**	-	**210**	**67**	-	**67**
IV.	**RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS**		-	-	-	-	-	-
V.	**AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)**		-	-	-	-	-	-
VI.	**FACTORING RECEIVABLES**	**6**	**209,002**	-	**209,002**	**157,112**	-	**157,112**
6.1	Discounted Factoring Receivables		209,002	-	209,002	157,112	-	157,112
6.1.1	Domestic		217,427	-	217,427	162,909	-	162,909
6.1.2	Foreign		-	-	-	-	-	-
6.1.3	Unearned Income (-)		(8,425)	-	(8,425)	(5,797)	-	(5,797)
6.2	Other Factoring Receivables		-	-	-	-	-	-
6.2.1	Domestic		-	-	-	-	-	-
6.2.2	Foreign		-	-	-	-	-	-
VII.	**FINANCE LOANS**		-	-	-	-	-	-
7.1	Consumer Loans		-	-	-	-	-	-
7.2	Credit Cards		-	-	-	-	-	-
7.3	Commercial Installment Loans		-	-	-	-	-	-
VIII.	**LEASING RECEIVABLES**		-	-	-	-	-	-
8.1	Receivables from Leasing Transactions		-	-	-	-	-	-
8.1.1	Financial Lease Receivables		-	-	-	-	-	-
8.1.2	Operational Lease Receivables		-	-	-	-	-	-
8.1.3	Unearned Income (-)		-	-	-	-	-	-
8.2	Financial Lease Investments		-	-	-	-	-	-
8.3	Advances Given for Leasing Transactions		-	-	-	-	-	-
IX.	**OTHER RECEIVABLES**	**13**	**1,079**	-	**1,079**	**1,193**	**3**	**1,196**
X.	**DOUBTFUL RECEIVABLES**		**611**	-	**661**	**1270**	-	**1270**
10.1	Doubtful Factoring Receivables		8,396	-	8,396	7,936	-	7,936
10.2	Doubtful Finance Loans		-	-	-	-	-	-
10.3	Doubtful Lease Receivables		-	-	-	-	-	-
10.4	Specific Provisions (-)		(7,785)	-	(7,785)	(6,666)	-	(6,666)
XI.	**HEDGING DERIVATIVE FINANCIAL ASSETS**		-	-	-	-	-	-
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	**HELD-TO-MATURITY SECURITIES (Net)**		-	-	-	-	-	-
XIII.	**SUBSIDIARIES (Net)**		-	-	-	-	-	-
XIV.	**INVESTMENTS IN ASSOCIATES (Net)**		-	-	-	-	-	-
XV.	**JOINT VENTURES (Net)**		-	-	-	-	-	-
XVI.	**TANGIBLE ASSETS (Net)**	**8**	**2,125**		**2,125**	**1,284**	-	**1,284**
XVII.	**INTANGIBLE ASSETS (Net)**	**9**	**23**	-	**23**	**3**	-	**3**
17.1	Goodwill			-		-	-	-
17.2	Other		23	-	23	3	-	3
XVIII.	**PREPAID TAXES**		**161**	-	**161**	**96**	-	**96**
XIX.	**CURRENT PERIOD TAX ASSET**		**12**	-	**12**	**15**	-	**15**
XX.	**DEFERRED TAX ASSET**	**12**	**479**	-	**479**	**147**	-	**147**
XXI.	**OTHER ASSETS**		**18**	-	**18**	**17**	-	**17**
	SUBTOTAL		**213,759**	-	**213,759**	**161,216**	**3**	**161,219**
XXII.	**ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)**	**10**	**60**	-	**61**	**61**	-	**61**
22.1	Held for resale		60	-	60	61	-	61
22.2	Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		**213,819**	-	**213,819**	**161,277**	**3**	**161,280**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

OPTİMA FAKTORİNG A.Ş.
FINANCIAL POSITION STATEMENT AT 31 DECEMBER 2017
(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise indicated.)

	LIABILITIES	Note	Audited Current Period (31 December 2017)			Audited Prior Period (31 December 2016)		
			TRY	FC	Total	TRY	FC	Total
I.	**DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING**	**4**	**1**	**-**	**1**	**-**	**-**	**-**
II.	**FUNDS BORROWED**	**14**	**106,126**	**-**	**106,126**	**95,266**	**-**	**95,266**
III.	**FACTORING PAYABLES**	**16**	**40,270**	**-**	**40,270**	**32,499**	**-**	**32,499**
IV.	**PAYABLES DUE TO LEASING OPERATIONS**	**17**	**179**	**117**	**296**	**-**	**196**	**196**
4.1	Financial Lease Payables		207	120	327	-	206	206
4.2	Operational Lease Payables		-	-	-	-	-	-
4.3	Other		-	-	-	-	-	-
4.4	Deferred Financial Lease Expenses (-)		(28)	(3)	(31)	-	(10)	(10)
V.	**ISSUED SECURITIES (Net)**		**31,626**	**-**	**31,626**	**-**	**-**	**-**
5.1	Bills		31,626	-	31,626	-	-	-
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	**OTHER PAYABLES**	**15**	**56**	**-**	**56**	**63**	**-**	**63**
VII.	**OTHER LIABILITIES**	**15**	**1,135**	**-**	**1,135**	**684**	**-**	**684**
VIII.	**HEDGING DERIVATIVE FINANCIAL LIABILITIES**		**-**	**-**	**-**	**-**	**-**	**-**
8.1	Fair Value Hedge		-	-	-	-	-	-
8.2	Cash Flow Hedge		-	-	-	-	-	-
8.3	Foreign Net Investment Hedge		-	-	-	-	-	-
IX.	**TAX LIABILITY**	**18**	**773**	**-**	**773**	**614**	**-**	**614**
X.	**PROVISIONS**	**19**	**773**	**-**	**773**	**335**	**-**	**335**
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserves for Employee Rights		773	-	773	335	-	335
10.3	Other Provisions		-	-	-	-	-	-
XI.	**DEFERRED INCOME**		**-**	**-**	**-**	**-**	**-**	**-**
XII.	**CURRENT PERIOD TAX LIABILITY**		**100**	**-**	**100**	**486**	**-**	**486**
XIII.	**DEFERRED TAX LIABILITY**		**-**	**-**	**-**	**-**	**-**	**-**
XIV.	**SUBORDINATED LOANS**		**-**	**-**	**-**	**-**	**-**	**-**
	SUB TOTAL		**181,039**	**117**	**181,156**	**129,947**	**196**	**130,143**
XV.	**PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
15.1	Held for Sale Purpose		-	-	-	-	-	-
15.2	Related to Discontinued Operations		-	-	-	-	-	-
XVI.	**SHAREHOLDERS' EQUITY**		**32,663**	**-**	**32,663**	**31,137**	**-**	**31,137**
16.1	Paid-in Capital	**20**	20,000	-	20,000	20,000	-	20,000
16.2	Capital Reserves		-	-	-	-	-	-
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other capital reserves		-	-	-	-	-	-
16.3	Other comprehensive income or losses not to be reclassified under profit or loss statement		(970)	-	(970)	(506)	-	(506)
16.4	Other comprehensive income or losses to be reclassified under profit or loss statement		-	-	-	-	-	-
16.5	Profit Reserves	**21**	6,567	-	6,567	6,111	-	6,111
16.5.1	Legal Reserves		6,358	-	6,358	5,902	-	5,902
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		-	-	-	-	-	-
16.5.4	Other Profit Reserves		209	-	209	209	-	209
16.6	Income or Loss		7,066	-	7,066	5,532	-	5,532
16.6.1	Prior Years' Income or Loss		1,166	-	1,166	637	-	637
16.6.2	Current Period Income or Loss		5,900	-	5,900	4,895	-	4,895
	TOTAL LIABILITIES		**213,702**	**117**	**213,819**	**161,084**	**196**	**161,280**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

OPTİMA FAKTORİNG A.Ş.
OFF BALANCE SHEET ITEMS AT 31 DECEMBER 2017

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise indicated.)

	OFF BALANCE SHEET COMMITMENTS	Note	Audited Current Period (31 December 2017) TRY	FC	Total	Audited Prior Period (31 December 2016) TRY	FC	Total
I.	**RECOURSE FACTORING TRANSACTIONS**		-	-	-	-	-	-
II.	**NON-RECOURSE FACTORING TRANSACTIONS**		**17,859**	-	**17,859**	**14,359**	-	**14,359**
III.	**GUARANTEES RECEIVED**	**23**	**9,306,210**	-	**9,306,210**	**7,000,375**	**1,369**	**7,001,744**
IV.	**GUARANTEES GIVEN**	**23**	-	-	-	-	-	-
V.	**COMMITMENTS**		**50**	-	**50**	**41**	-	**41**
5.1	Irrevocable Commitments		50	-	50	41	-	41
5.2	Revocable Commitments		-	-	-	-	-	-
5.2.1	Lease Commitments		-	-	-	-	-	-
5.2.1.1	Financial Lease Commitments		-	-	-	-	-	-
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**331**	**328**	**659**	**764**	**777**	**1,541**
6.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
6.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
6.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
6.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
6.2	Trading Transactions		331	328	659	764	777	1,541
6.2.1	Forward Buy/Sell Transactions		331	328	659	764	777	1,541
6.2.2	Swap Buy/Sell Transactions		-	-	-	-	-	-
6.2.3	Options Buy/Sell Transactions		-	-	-	-	-	-
6.2.4	Futures Buy/Sell Transactions		-	-	-	-	-	-
6.5.5	Other		-	-	-	-	-	-
VII.	**ITEMS HELD IN CUSTODY**	**23**	**225,827**	**2,380**	**228,207**	**173,213**	**3,968**	**177,181**
	TOTAL OFF BALANCE SHEET COMMITMENTS		**9,550,277**	**2,708**	**9,552,985**	**7,188,752**	**6,114**	**7,194,866**

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

OPTİMA FAKTORİNG A.Ş.
STATEMENT OF PROFIT OR LOSS FOR THE PERIOD 1 JANUARY- 31 DECEMBER 2017
(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise indicated.)

5.6	INCOME AND EXPENSE ITEMS	Note	Audited Current Period (31 December 2017)	Audited Prior Period (31 December 2016)
I.	**OPERATING INCOME**	**24**	**50,518**	**42,424**
	FACTORING INCOME		**50,518**	**42,424**
1.1	Interest received from Factoring Receivables		42,788	36,452
1.1.1	Discounted		42,788	36,452
1.1.2	Other		-	-
1.2	Fees and Commissions Received from Factoring Receivables		7,730	5,972
1.2.1	Discounted		7,329	5,607
1.2.2	Other		401	365
	FINANCIAL LOAN INCOME		-	-
1.3	Interest Received from Finance Loans		-	-
1.4	Fees and Commissions Received from Finance Loans		-	-
	LEASE INCOME		-	-
1.5	Financial Lease Income		-	-
1.6	Operational Lease Income		-	-
1.7	Fees and Commissions Received from Lease Transactions		-	-
II.	**FINANCING EXPENSES (-)**	**26**	**(27,941)**	**(20,551)**
2.1	Interest on Funds Borrowed		(19,781)	(15,671)
2.2	Interest on Factoring Payables		(6,331)	(4,868)
2.3	Financial Lease Expense		(48)	(12)
2.4	Interest on Securities Issued		(1,579)	-
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions		(202)	-
III.	**GROSS PROFIT/LOSS (I+II)**		**22,577**	**21,873**
IV.	**OPERATING EXPENSE (-)**	**24**	**(12,703)**	**(12,537)**
4.1	Personnel Expenses		(8,767)	(8,363)
4.2	Provision Expense for Employment Termination Benefits		(86)	-
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(3,850)	(4,174)
4.5	Other		-	-
V.	**GROSS OPERATING PROFIT/LOSS (III+IV)**		**9,874**	**9,336**
VI.	**OTHER OPERATING INCOME**	**25**	**1,044**	**1,822**
6.1	Interest Received from Banks		**31**	**21**
6.2	Interest Received from Reverse Repurchase Agreements		-	-
6.3	Interest Received from Marketable Securities Portfolio		77	33
6.3.1	Trading Financial Assets		77	33
6.3.2	Financial Assets at Fair Value through Profit or (Loss)		-	-
6.3.3	Available-for-sale Financial Assets		-	-
6.3.4	Held to Maturity Investments		-	-
6.4	Dividend Income		-	-
6.5	Trading Gains on Capital Markets Transactions		-	-
6.5.1	From Derivative Financial Transactions		-	-
6.5.2	Other		-	-
6.6	Foreign Exchange Gains		21	4
6.7	Other		915	1,764
VII.	**SPECIFIC PROVISIONS FOR FOLLOW-UP RECEIVABLES (-)**	**27**	**(3,658)**	**(4,829)**
VIII.	**OTHER OPERATING EXPENSES (-)**	**28**	**(56)**	**(5)**
8.1	Impairment of Marketable Securities		-	-
8.1.1	Impairment of Financial Assets at Fair Value through Profit or (Loss)		-	-
8.1.2	Impairment of Available-for-sale Financial Assets		-	-
8.1.3	Impairment of Held to Maturity Investments		-	-
8.2	Impairment of Fixed Assets		-	-
8.2.1	Impairment of Property and Equipment		-	-
8.2.2	Impairment of Non-current Assets Held for Resale and Discontinued Operations		-	-
8.2.3	Impairment of Goodwill		-	-
8.2.4	Impairment of Other Intangible Non-current Assets		-	-
8.2.5	Loss from impairment of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
8.3	Loss from Derivative Financial Transaction		-	-
8.4	Foreign Exchange Loss		(56)	(5)
8.5	Other		-	-
IX.	**NET OPERATING INCOME/EXPENSE (V+…+VIII)**		**7,204**	**6,324**
X.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		-	-
XI.	**NET MONETARY POSITION GAIN/LOSS**		-	-
XII.	**PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (IX+X+XI)**		**7,204**	**6,324**
XIII.	**TAXATION ON INCOME FROM CONTINUING OPERATIONS(-)**	**29**	**(1,304)**	**(1,429)**
13.1	Current Tax Provision		(1,520)	(960)
13.2	Deferred Tax Expense Effect (+)		216	-
13.3	Deferred Tax Income Effect (-)		-	(469)
XIV.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XII±XIII)**		**5,900**	**4,895**
XV.	**INCOME FROM DISCONTINUING OPERATIONS (-)**		-	-
15.1	Income from Assets Held for Resale		-	-
15.2	Income from Investment and Associates, Subsidiaries and Joint Ventures		-	-
15.3	Other income		-	-
XVI.	**EXPENSES FROM DISCONTINUING OPERATIONS (-)**		-	-
16.1	Expenses from Assets Held for Resale		-	-
16.2	Loss on Investment and Associates, Subsidiaries and Joint Ventures		-	-
16.3	Other Expenses		-	-
XVII.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUING OPERATIONS (XV-XVI)**		-	-
XVIII.	**TAXATION ON INCOME FROM DISCONTINUING OPERATIONS (±)**		-	-
18.1	Current Tax Provision		-	-
18.2	Deferred Tax Expense Effect (+)		-	-
18.3	Deferred Tax Income Effect (-)		-	-
XIX.	**NET PROFIT/LOSS FROM DISCOUNTINUED OPERATIONS (XVII±XVIII)**		-	-
XX.	**NET PROFIT/LOSSES (XIV+XIX)**		**5,900**	**4,895**
	EARNINGS PER SHARE	**30**	**0.2949**	**0.2448**
	Earnings Per Share From Continuing Operations		0.2949	0.2448
	Earnings Per Share From Discontinued Operations		-	-
	DILUTED EARNINGS PER SHARE	**30**	-	-
	Diluted earnings per share from continuing operations		-	-
	Diluted earnings per share from discontinued operations		-	-

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

OPTİMA FAKTORİNG A.Ş.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY- 31 DECEMBER 2017

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise indicated.)

		Note	Audited Current Period (31 December 2017)	Audited Prior Period (31 December 2016)
I.	**CURRENT PROFIT/LOSS**		**5,900**	**4,895**
II.	**OTHER COMPREHENSIVE INCOME**		**(464)**	**(183)**
2.1	**Items not to be reclassified under profit and loss**		**(464)**	**(183)**
2.1.1	Revaluation differences of tangible assets		-	-
2.1.2	Revaluation differences of intangible assets		-	-
2.1.3	Defined benefit plans remeasurement gains / losses	19	(580)	(229)
2.1.4	Other comprehensive income items not to be reclassified under profit and loss		-	-
2.1.5	Taxes on other comprehensive income not to be reclassified uder profit or loss		116	46
2.1.5.1	Income tax expense/ıncome		-	-
2.1.5.2	Deferred tax expense/ıncome		116	46
2.2	**Items to be reclassified under profit and loss**		-	-
2.2.1	Foreign exchange differences from foreign currency transactions		-	-
2.2.2	Revaluation differences of available-for-sale financial assets		-	-
2.2.3	Income/loss on cash flow hedge derivative financial assets		-	-
2.2.4	Income/loss from foreign investment hedge derivative financial assets		-	-
2.2.5	Other comprehensive income items to be reclassified under profit and loss		-	-
2.2.6	Taxes on other comprehensive income to be reclassified uder profit or loss		-	-
2.2.6.1	Income tax expense/ıncome		-	-
2.2.6.2	Deferred tax expense/ıncome		-	-
III.	**TOTAL COMPREHENSIVE INCOME/EXPENSE (I+II)**		**5,436**	**4,712**

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

OPTİMA FAKTORİNG A.Ş.
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017
(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise indicated.)

	STATEMENT OF CHANGES IN EQUIY							Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement			Accumulated other comprehensive income or losses to be reclassified under profit or loss statement											
		Notes	Paid in Capital	Capital Reserves	Share Premiums	Share Cancellation Profits	Other Reserves	1	2	3	4	5	6	Profit Reserves	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Total Equity
	PRIOR PERIOD																					
	Audited (31 December 2016)																					
I.	**Period Opening Balance**		**20,000**	**-**	**-**	**-**	**-**	**-**	**(323)**	**-**	**-**	**-**	**-**	**5,815**	**5,606**	**-**	**-**	**209**	**3,167**	**-**	**3,167**	**28,659**
II.	**Changes in Accounting Policies according to TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies (I)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**New Balance (I+II)**		**20,000**	**-**	**-**	**-**	**-**	**-**	**(323)**	**-**	**-**	**-**	**-**	**5,815**	**5,606**	**-**	**-**	**209**	**3,167**	**-**	**3,167**	**28,659**
IV.	Total Comprehensive Income	18	-	-	-	-	-	-	(183)	-	-	-	-	-	-	-	-	-	-	-	-	**(183)**
V.	Increase in Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase From Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Adjustments in Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII	Bonds Convertible to Shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase / Decrease from Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Current Period Income or Loss**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,895	-	4,895	**4,895**
XII.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	-	**296**	**296**	-	-	-	**(2,530)**	**637**	**(3,167)**	**(2,235)**
12.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,235)	(2,235)	-	(2,235)
12.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	296	296	-	-	-	(296)	(296)	-	-
12.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,167	(3,167)	-
	Period End Balance (III+IV+…..+XI+XII)	**19**	**20,000**	**-**	**-**	**-**	**-**	**-**	**(506)**	**-**	**-**	**-**	**-**	**6,111**	**5,902**	**-**	**-**	**209**	**5,532**	**637**	**4,895**	**31,137**
	CURRENT PERIOD																					
	Audited (31 December 2017)																					
I.	**Period Opening Balance**		**20,000**	**-**	**-**	**-**	**-**	**-**	**(506)**	**-**	**-**	**-**	**-**	**6,111**	**5,902**	**-**	**-**	**209**	**5,532**	**637**	**4,895**	**31,137**
II.	**Changes in Accounting Policies according ot TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies (I)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**New Balance (I+II)**		**20,000**	**-**	**-**	**-**	**-**	**-**	**(506)**	**-**	**-**	**-**	**-**	**6,111**	**5,902**	**-**	**-**	**209**	**5,532**	**637**	**4,895**	**31,137**
IV.	Total Comprehensive Income	18	-	-	-	-	-	-	(464)	-	-	-	-	-	-	-	-	-	-	-	-	(464)
V.	Increase in Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Adjustments to Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII	Bonds Convertible to Shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	**Current Period Income or Loss**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**5,900**	-	**5,900**	**5,900**
XII.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	-	**456**	**456**	-	-	-	**(4,365)**	**529**	**(4,895)**	**(3,909)**
12.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,909)	(3,909)	-	(3,909)
12.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	456	456	-	-	-	(456)	(456)	-	-
12.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,895	(4,895)	-
	Period End Balance (III+IV+…..+XI+XII)	**19**	**20,000**	**-**	**-**	**-**	**-**	**-**	**(970)**	**-**	**-**	**-**	**-**	**6,567**	**6,358**	**-**	**-**	**209**	**7,067**	**1,166**	**5,900**	**32,663**

1. The accumulated revaluation increases/losses on property and equipment,
2. The accumulated remeasurement gains/losses on defined benefit plans,
3. Other (Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement),
4. Foreign currency translation differences,
5. The accumulated revaluation increases/losses on available for sale asset,
6. Other (Cash flow hedge gains/losses, accumulated other comprehensive income or losses to be reclassified under profit or loss statement)

OPTİMA FAKTORİNG A.Ş.
STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2017
(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise indicated.)

		Note	Audited Current Period (1 January - 31 December 2017)	Audited Prior Period (1 January - 31 December 2016)
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	Operating Profit before Changes in Operating Assets and Liabilities		10,318	1,424
1.1.1	Interests Received/ Leasing Income		42,788	28,019
1.1.2	Interests Paid/Leasing Expense		(27,893)	-
1.1.3	Leasing Expense		(48)	-
1.1.4	Dividend Received		-	-
1.1.5	Fees and Commissions Received		7,730	11,944
1.1.6	Other Income		-	1,783
1.1.7	Collections from Previously Written-off Doubtful Receivables	6	674	1,131
1.1.8	Payments to Personnel and Service Suppliers	24	(8,767)	(8,363)
1.1.9	Taxes Paid		(1,088)	(1,429)
1.1.10	Other		(3,078)	(31,661)
1.2	Changes in Operating Assets and Liabilities		36,602	952
1.2.1	Net (Increase)/Decrease in Factoring Receivables		(54,889)	53,850
1.2.2	Net (Increase)/Decrease in Finance Loans		-	-
1.2.3	Net (Increase)/Decrease in Lease Receivables		-	-
1.2.4	Net (Increase)/Decrease in Other Assets		(829)	356
1.2.5	Net Increase/(Decrease) in Factoring Payables		7,771	(8,415)
1.2.6	Net Increase/(Decrease) in Lease Payables		100	-
1.2.7	Net Increase/(Decrease) in Funds Borrowed		10,860	(44,784)
1.2.8	Net Increase/(Decrease) in Payables		-	-
1.2.9	Net Increase/(Decrease) in Other Liabilities		385	(55)
I.	**Net Cash Resulting from Operating Activities**		**(26,284)**	**2,376**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
2.1	Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment	8,9	(1,318)	(788)
2.4	Disposals of Property and Equipment		28	586
2.5	Purchase of Investments Available-for-sale		-	-
2.6	Sale of Investments Available-for-sale		-	-
2.7	Purchase of Investment Securities Held to Maturity		-	-
2.8	Sale of Investment Securities Held to Maturity		-	-
2.9	Other		-	-
II.	**Net Cash Used in Investing Activities**		**(1,290)**	**(202)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
3.1	Cash Obtained from Funds Borrowed and Securities Issued		31,626	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Issued Capital Instruments		-	-
3.4	Dividends Paid		(3,909)	(2,235)
3.5	Payments for Finance Leases		-	(140)
3.6	Other		-	-
III.	**Net Cash (Used in) Provided from Financing Activities**		**27,717**	**(2,375)**
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**-**	**-**
V.	**Net Increase/Decrease in Cash and Cash Equivalents**		**143**	**(201)**
VI.	**Cash and Cash Equivalents at the Beginning of the Period**		**68**	**269**
VII.	**Cash and Cash Equivalents at the End of the Period**	**5**	**211**	**68**

OPTİMA FAKTORİNG A.Ş.
STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2017

(Amounts expressed in thousands Turkish Lira ("TRY") unless otherwise indicated.)

		Current Period (31 December 2017)(**)	Prior Period (31 December 2016)(*)
I.	**DISTRIBUTION OF CURRENT PERIOD PROFIT(*)**		
1.1	CURRENT PERIOD PROFIT	7,204	6,324
1.2	TAX PAYABLE AND LEGAL LIABILITIES (-)	(1,520)	(960)
1.2.1	Corporate Tax (Income Tax)	(1,520)	(960)
1.2.2	Income Tax Deduction	-	-
1.2.3	Other Taxes and Liabilities (*)	-	-
A.	**NET PERIOD PROFIT (1.1 - 1.2)**	**5,684**	**5,364**
1.3	PRIOR YEARS' LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVE (-)	-	(246)
1.5	LEGALLY COMPELLED STATUTORY FUNDS HELD IN COMPANY(-)	-	-
B	**DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3-1.4-1.5)]**	**5,684**	**5,118**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	(2,706)
1.6.1	To Owners of Ordinary Shares	-	(2,706)
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	To Owners of Preferred Stocks(Preemptive Rights)	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit /loss Sharing Certificates	-	-
1.7	DIVIDEND TO PERSONNEL (-)	-	-
1.8	DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	(1,203)
1.9.1	To Owners of Ordinary Shares	-	(1,203)
1.9.2	To Owners of Preferred Stocks	-	-
1.9.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit /loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVE (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	-
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION FROM RESERVES**	-	-
2.1	DISTRIBUTED RESERVES	-	(190)
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	SHARE TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred Stocks	-	-
2.3.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Owners of the profit /loss Sharing Certificates	-	-
2.4	SHARE TO PERSONNEL (-)	-	-
2.5	SHARE TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE**	-	-
		-	-
3.1	TO OWNERS OF STOCKS (TRY)	0.2949	0.2448
3.2	TO OWNERS OF STOCKS (%)	29,49	24.48
3.3	TO OWNERS OF PREFERRED STOCKS (TRY)	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV.	**DIVIDEND PER SHARE**	-	-
4.1	TO OWNERS OF STOCKS (TRY)	-	0,0019
4.2	TO OWNERS OF STOCKS (%)	-	19,54
4.3	TO OWNERS OF PREFERRED STOCKS (TRY)	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
		-	-

(*) Deferred tax income is not subject to profit distribution.

(**) The General Assembly of the Company has not been made yet and only the distributable profit amount is stated in the profit distribution table.

1 - THE ORGANIZATION AND PRINCIPAL ACTIVITIES

Optima Faktoring A.Ş., ("the Company") was established on June 1996 in İstanbul, Turkey. The Company provides domestic factoring services to industrial and commercial enterprises. The registered office address of the Company is Sümer Sok. No:3 Ayazağa Tic. Mrk. B Blok Kat:11 Maslak/Sarıyer-İstanbul Turkey.

The main shareholder of the Company is AB Holding A.Ş.

The Company has 72 employees as of 31 December 2017 (31 December 2016: 62).

1.1. Dividend Payable

As of the date of the report, there is no dividend distribution decision taken by the Company.

According to the decision of the Ordinary General Assembly held on 17 March 2017, in consideration of distributing the profit share to the shareholders from the net profit of the previous year which is taken from the extraordinary reserves, the Company's 2016 annual profit and extraordinary reserves taken from the 2016 net profit, after the amounts to be allocated pursuant to the Turkish Commercial Code and the main contract have been allocated, the remaining profit of TRY 3,909 was distributed to shareholders on 30 May 2017 and 1 November 2017.

1.2. Approval of Financial Statements

The financial statements of the Company were authorized for issuance by the Board of Directors' decision taken on 22 February 2017. The General Assembly has the authority to amend the approved financial statements.

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Financial reporting standards

The Company maintains its books of accounts and prepares its financial statements in accordance with "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies" issued in the Official Gazette numbered 28861 dated 24 December 2013 by the BRSA. The financial statements have been prepared in accordance with Turkish Accounting/Financial Reporting Standards ("TAS/TFRS") issued by "Oversight Accounting an Auditing Standards Authority" and in accordance with "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies" published by the BRSA on 13 December 2012 in the Official Gazette numbered 28496 and ("TAS/TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the interpretations and with the Communiqué: "The Procedures Regarding The Provisions to be Provided for the Loans of Leasing, Factoring and Consumer Finance Companies" issued by BRSA in the Official Gazette numbered 28861 dated 24 December 2013.

The financial statements have been prepared in TRY, under the historical cost convention as modified in accordance with inflation adjustments, except for the financial assets and liabilities which are carried at fair value.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The preparation of financial statements requires the use of certain critical accounting estimates by the Company's management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are based on management's best estimations and knowledge, actual results may differ from these estimate.

Additional paragraph for convenience translation into English

The financial reporting standards as described in this note differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows of the Company in accordance with the accounting principles generally accepted in such countries and IFRS.

2.2 Adjustment of Financial Statements in Hyperinflationary Periods

The Company's financial statements have been subject to inflation adjustments in accordance with "Turkish Accounting Standard for Financial Reporting in Hyperinflationary Economies" ("TAS 29") until 31 December 2004. According to a Circular issued by the BRSA on 28 April 2005, it is stated that the indications that require the application of inflation accounting have been left out and the application of inflation accounting has been terminated as of 1 January 2005.

2.3 Comparative financial information and restatement of prior year financial statements

In order to enable the determination of the financial position and performance trends, the Company's financial statements have been presented comparatively with the prior period. Reclassifications are made on comparative figures to conform to changes in presentation of the financial statements and major differences are explained.

2.4 Changes in accounting policies

Material changes in accounting policies are applied retrospectively and previous period financial statements are rearranged. There is no material change in Company's accounting policies in current year.

2.5 Changes and Errors in Accounting Estimates

The effect of a change in an accounting estimate is recognised prospectively in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. There has not been any significant change in the accounting estimates of the Company in the current year. In case of need, accounting errors are corrected retrospectively by restating the comparative amounts for the prior periods.

2.6 Amendments in standards and interpretations

New or Revised International Financial Reporting Standards and Applications of Amendments

The Company adopted the standards, amendments and interpretations, related to Company's activity, published by the Public Oversight Auditing and Accounting Standards Authority (POA) which are mandatory for accounting periods beginning on or after 1 January 2017.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- Amendments to IAS 7, 'Statement of cash flows'; on disclosure initiative effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments IAS 12, 'Income Taxes'; effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2017:

- IFRS 12, 'Disclosure of interests in other entities'; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

Standards and amendments that will be effective after 1 January 2018 reporting period

- IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- IFRS 15, 'Revenue from contracts with customers'; effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- Amendment to IFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

- Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial Instruments'; effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will: give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard IAS 39.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- Amendment to IAS 40, 'Investment property' relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

- Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions; effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

- Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

    - IFRS 1, 'First time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10,
    - IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

- IFRIC 22, 'Foreign currency transactions and advance consideration'; effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

- Amendment to IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

- Amendment to IAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

- IFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

- Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- IFRS 17, 'Insurance contracts'; effective from annual periods beginning on or after 1 January 2021. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

2.7. Early adoption of standards

The Company management believes that the application of the above standards and interpretations other than the implication of IFRS 9 will not have a material effect on the Company's financial statements in future periods.

The Company makes impairment provisions for factoring receivables in accordance with the "Regulation on Accounting Applications and Financial Statements of Financial Leasing, Factoring and Financing Companies" and in accordance with the provisions of other regulation on the amendment of the relevant regulation published by BRSA in official newspaper on 24 December 2013 and numbered 28861. The Company will continue to recognize the provision for impairment as it has been in the previous periods in accordance with the related legislation and will not apply the provisions of TFRS 9, which will be effective as of 1 January 2018, until the amendment of related legislation by BRSA.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.8. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are summarized below:

2.8.1. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term investments with a maturity of 3 months or less, which are readily convertible into cash and do not bear the risk of impairment, subject to a significant change in value. The book value of these assets is close to the fair value.

2.8.2. Financial Instruments

Financial assets and liabilities are included in the balance sheet of the Company in case the Company is a legal party to those financial instruments.

Financial assets

The financial assets other than the ones classified as financial assets at fair value through profit or loss and recorded on the fair value are recognized over the total amount of expenditures that can be directly linked to the call transaction. The related assets are quoted or unquoted on the trading date depending on the result of the trading of the financial assets based on a contract which stipulates that the investment instruments are delivered in line with the time set by the related market. The financial assets are classified into "financial assets at fair value through profit or loss" , "held-to-maturity investments", "available-for-sale financial assets" and loans and receivables". Classification is based on the quality and purpose of the financial assets and determined during the first recognition.

a. Financial assets at fair value through profit or loss

The main purpose of the Company's acquisition of a financial asset in the near future is to sell financial asset that is a part of a defined financial instrument portfolio that is managed jointly by the Company and that it is a financial asset that is not identified as an effective hedge against financial risk and in the case of a short-term profit to be realized, such financial assets are classified as financial assets at fair value through profit or loss. Gains or losses resulting from the valuation of financial assets at fair value through profit or loss at their fair value are recognized in profit or loss. Net gains or losses recognized in profit or loss include interest and / or dividends received from such financial assets

b. Impairment on financial assets

Financial assets other than financial assets at fair value through profit or loss are assessed for impairment whenever a financial asset or a group of financial assets is impaired at each balance sheet date. If there is objective evidence that one or more of the following events have occurred after the initial recognition of the financial asset and that the related impairment loss is attributable to an impairment on the estimated future cash flows that can be reliably estimated, the impairment loss and value a low loss occurs. The impairment loss for loans and receivables is the difference between the present value of the estimated future cash flows, discounted at the financial asset's original interest rate, and the carrying amount.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

For all financial assets except for trade receivables where the carrying amount is reduced through the use of a provision, the impairment is deducted from the carrying amount of the direct asset. In the event that commercial receivables can not be collected, this amount shall be deducted from the provision account. Changes in the provision account are recognized in profit or loss.

Except for equity instruments available for sale, if the impairment loss decreases in the following period and the impairment loss can be attributable to an event occurring after the impairment loss is recognized, the previously recognized impairment loss is cancelled in profit / loss as it will exceed the the amount of the amortized cost that would have been reached if the impairment of the investment had not been accounted for at the date the impairment.

The increase in the fair value of available-for-sale equity securities after impairment is accounted directly in equity.

Financial liabilities

The Company's financial liabilities and equity instruments are classified according to the definition of a contractual arrangement, a financial liability and a tool based on equity. The contract, which represents the right of remaining assets after deducting all debts of the Company, is a financial instrument based on equity.

Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities.

c. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recognized initially at fair value and are revalued at fair value at each balance sheet date. The change in fair value is recognized in the income statement. The net gain or loss recognized in the income statement also includes the amount of interest paid for that particular financial liability.

d. Other financial liabilities

Other financial liabilities are initially accounted for at fair value net of transaction costs.

Other financial liabilities are accounted for at amortized cost using effective interest method in the following periods together with interest expense calculated at effective interest rate.

The effective interest method is the calculation of the amortized cost of the financial liability and the way in which the relevant interest expense is distributed to the relevant period. Effective interest rate, which reduces the estimated cash payments to be made in the future over the expected life of the financial instrument or, where appropriate, for a shorter period of time, to the net present value of the related financial liability.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

e. Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts, are recognized at fair value in the financial statements and are remeasured at fair value in subsequent periods. Gains or losses on derivative financial instruments are reflected in the financial statements according to the classification of the derivative financial instruments. Although derivative financial instruments are used within the framework of risk management of the Company, the financial statements are initially measured at fair value, including the costs incurred at the time of purchase, and are subsequently remeasured at fair value in subsequent periods, as they are not subject to hedge accounting. The gains and losses arising from changes in the fair value of these instruments are attributed to the income statement as profit or loss.

2.8.3 Loans and Receivables

Factoring receivables and other receivables

Factoring receivables and other receivables are recognized at fair value at the date of initial recognition. Receivables other than discounting factoring receivables are stated at amortized cost using the effective interest method in the subsequent reporting periods. The Company management foresees that the discounted value is close to its fair value due to the consideration of the discount transaction during the initial registration of the discount factoring receivables

The factoring receivables provision exchange impairment is established based on a credit review of the receivables portfolio as a whole including all the non-performing factoring receivables in the portfolio of the Company. The Company has set this provision in accordance with the Communiqué of BRSA named "The Procedures Regarding the Provisions to Be Provided 16xchang Loans of Leasing, Factoring and Consumer Finance Companies" ("Provisions Communiqué") which was published in the Official Gazette dated 24 December 2013 and numbered 28861. According to the Provisions Communiqué, specific provisions are set in following proportions: minimum 20% for collateralized factoring receivables which related collections are not received after 90 to 180 days past due, minimum 50% for collateralized factoring receivables which related collections are not received after 180 to 360 days past due and 100% for collateralized factoring receivables which related collections are not received after 1 year past due.

Factoring receivables whose receivables are overdue less than 360 days are classified under doubtful receivables and factoring receivables that are overdue more than 360 days are classified doubtful receivables.

Receivables that cannot be recovered are written off and charged against the provision for impaired factoring receivables. These receivables are written off after all the necessary legal procedures have been completed and the amount of the loss is finally determined. Recoveries of amounts previously provided for the treated as a reduction of the charge for provision for impaired factoring receivables for the period.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.8.4. Fixed Assets

Property and equipment

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

Cost amounts of property, plant and equipment are amortized on a straight-line basis over their estimated useful lives. Estimated useful lives of the related assets are given below.

	Useful lives
Motor vehicles	5
Furniture and fixtures	5
Leasehold improvements	5 years or shorter than rental period

Estimated useful life, residual value and depreciation method are reviewed annually for the probable effects of changes in estimates for accounted for on a prospective basis if there is a change in estimates.

Amounts spent for repair, maintenance and repair of tangible assets are recorded as expense. The gain or loss arising from the disposal of tangible fixed assets or the removal of a tangible fixed asset from service is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in the income statement.

Intangible assets

Purchased intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. These assets are amortized on a straight-line basis over their expected useful lives. Expected useful life and amortization method are reviewed annually and the changes in estimates are accounted for on a prospective basis to determine the possible effects of the changes in estimates.

Purchased computer software is activated at the time of purchase and at the costs incurred until purchase is ready without purchasing. Such costs are amortized over their useful lives (5 years).

Assets from leasing operations

Leases where a significant part of the risks and rewards of ownership are retained by the lessee are classified as finance leases, while other leases are classified as operating leases.

Assets held under finance leases are capitalized using the fair value of the asset at the date of the lease or the present value of the minimum lease payments. The obligation against the lessor is shown as a financial lease obligation in the balance sheet. Finance lease payments are settled as a principal payment, which provides for a reduction in the funding obligation and the financial lease obligation, thereby allowing the borrower to calculate interest on a fixed basis over the remaining principal. Financial expenses are recorded in the income statement, except for the capitalized part of the finance expense under the general borrowing policy detailed above.

Payments made under operating leases (incentives received or to be incurred in order to realize lease rentals are recorded in the income statement on a straight-line basis over the lease period) are recorded in the profit or loss table on a straight-line basis over the lease period.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Impairment of assets

For assets subject to repayment, the impairment test is applied if it is not possible to recover the carrying amount. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the fair value obtained after deducting the sales costs or the greater of the value in use. For the purpose of assessing the depreciation, assets are grouped at the lowest level where there are separately identifiable cash flows (cash-generating units). Non-financial assets subject to impairment are reviewed at each reporting date for possible reversal of impairment.

2.8.5. Borrowing costs

All borrowing costs are recorded in the income statement in the period in which they are incurred.

2.8.6. Effects of changes in currency

Financial statements of the Company have been presented using the currency (functional currency) of the economic environment in which the Company operates. The financial position and the results of operations of the Company have been presented in the Turkish Lira ("TRY").

As of 31 December 2017 and 31 December 2016, exchange rates of the foreign currencies used by the Company are as follows:

	31 December 2017	**31 December 2016**
USD	3.7719	3,5192
EURO	4,5155	3.7099

The transactions recognized in a foreign currency (non-TRY currencies) in the legal records of the Company are converted into TRY using the exchange rate on the date of transaction. The foreign exchange monetary assets and debt included in the balance sheet have been converted into Turkish Lira using the prevalent exchange rates on the balance sheet date. Non-monetary items in the foreign currency measured at fair value are converted using the exchange rates on the date when the fair value is set. Non-monetary items in the foreign exchange denominated in historical costs cannot be reconverted. Foreign exchange profits and losses arising from the conversion of the monetary items and the collection and redemption of the foreign exchange transactions are given in the statement of income.

2.8.7. Revenue

Factoring services income consists of interest income which has been collected from cash payments to customers. A certain percentage of total amount of invoices which comes from factoring transactions has created factoring commission income. Commission income and other income and expenses are accounted for on an accrual basis.

The interest income from financial assets have been accrued on the period which principal amount of the financial asset for the expected life of the financial asset the estimated future cash flows to the carrying value of the asset in question on effective interest rate.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.8.8. Earnings per share

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period.

Companies in Turkey raise their capital with "bonus share" which is distributed from retained earnings and revaluation funds. This type of "bonus share" distributions are evaluated as all the issued shares in the period in financial tables on earnings per share calculation. Accordingly, weighted average number of shares used in this calculation have been found by calculating retrospective effects of share distribution.(Note 30)

2.8.9. Subsequent events

Even if the events after the balance sheet date arise after any announcement of financial statements or public disclosure of other selected financial information, they cover all the events between the balance sheet date and the date of authorization for the release of the balance sheet.

In case that any event required to be adjusted occurs after the balance sheet date, the Company adjusts the amounts listed in the financial statements in line with the new position (Note 33).

2.8.10. Allowances, Contingent Liabilities and Contingent Assets

In the event that there is a current liability arising from the past events, it is possible to fulfill the liability and the liability amount can be reliably estimated, allowance (provision) is allocated in the financial statement.

The amount allocated as allowance is calculated through estimating the expenditure to be made to fulfill the liability as of the balance sheet date, considering the risks and uncertainties about the liability.

In the event that the allowance is calculated using the required estimated cash flows to meet the current liability, the book value of the stated allowance is equal to the current value of the related cash flows.

In the event that all or a part of the economic benefits required to pay the allowance is expected to be met by third parties, the amount receivable is recognized as asset in case that the collection of the related amount is almost certain and measured reliably.

2.8.11. Segment reporting

Since the Company operates in Turkey and only in the factoring area, it does not report its financial information per section.

2.8.12. Taxation on income

Income tax expense represents the sum of current tax and deferred tax expense.

Current Tax

Current year tax liability is calculated on the part of the period profit subject to taxation. The taxable profit differs from the profit stated in the income statement because it excludes income or expense items that can be taxable or deductible in other years and items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates enacted or substantively enacted by the balance sheet date (Note 29).

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Deferred tax

Deferred tax liability or asset are determined calculating the temporary differences between the amounts of assets and liabilities given in the financial statements and the amounts taken into consideration in the legal tax basis based on the tax rates of the legalized or partially legalized tax effects in accordance with the balance sheet method. While deferred tax liabilities are calculated for all the taxable temporary differences, deferred tax liabilities arising from deductible temporary differences are calculated, it is highly possible to benefit from these differences to make taxable profit in the future. The deferred tax liabilities or assets related to the temporary timing differences that do not affect both the trade and financial profit or loss and arise from the inclusion of the assets other than goodwill or business combination are not calculated.

Deferred tax liabilities are recognized for all taxable temporary differences that are attributable to investments in joint ventures and associates and joint ventures, except where the Company is able to control the reversal of temporary differences and the probability of such reversal in the near future is low. Deferred tax assets resulting from taxable temporary differences associated with such investments and shares are calculated on the condition that it is highly probable that future taxable profit will be available against which the deductible tax profit can be utilized and that it is probable that these differences will reverse in the future.

Carrying value of the deferred tax asset is reviewed as of each balance sheet date. To the extent that it is not possible to make financial profits that would allow acquiring benefits by some or the entire deferred tax asset, the quoted value of the deferred tax is reduced.

Deferred tax assets or liabilities are calculated over the tax rates (tax adjustments) expected to be valid in the period when the assets are recognized or the liabilities are fulfilled and legalized as of the balance sheet date or substantially legalized. In calculating the deferred tax assets or liabilities, the tax results of the methods that the Company estimates to recover the book value of its assets or fulfill its liabilities as of the balance sheet date are considered.

The deferred tax assets or liabilities are set off in the event that there is a legal right on offsetting the current tax assets with the current tax liabilities or the related assets or liabilities are associated with the income tax collected by the same tax authorities or the Company is intended to pay the current tax assets and liabilities on a net basis.

The current taxes and the deferred taxes of the related period other than the ones associated with the items (in this case, the related deferred tax is recognized directly in equity) directly recognized as receivables or debt in equity and arising from the initial recognition of the business combinations are recognized as income or expenditure in the statement of income. The tax effect is taken into account in the business mergers, goodwill calculation or when the excess cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary is taken into account (Note 11).

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.8.13. Employment termination benefits

Employment termination benefits provisions

Obligations related to employee termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") and are classified under "reserve for employee benefits" account in the balance sheet.

Under the Turkish Labour Law, the Company is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Company provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Company arising from the retirement of employees and reflects this provision amount in the financial statements.(Note 18)

Actuarial gains and losses arising from changes in the actuarial assumptions or differences between the actuarial assumptions and the realizations in the calculation of the Group's obligation under the TAS 19, which is updated with the Communiqué published in the Official Gazette dated March 12, 2013 and numbered 28585 Losses should be accounted for under "Other comprehensive income" under "Profit or loss and other comprehensive income" in the annual reporting periods beginning on or after January 1, 2013. The Group has accounted for actuarial gains and losses arising from the reporting periods beginning on or after 1 January 2013 under "Other comprehensive income" and the related accumulated gains and losses are recognized in the "Financial position" account under "Equity" in the "Other comprehensive income or expense accruals that will not be reclassified to profit or loss" account.

The employment termination liability recognized in the balance sheet is calculated based on the net current value of the liability amount expected to arise in the future due to the retirement of all the employees and shown in the financial statements.

Bonus payments

The Company records the bonus payments as liability and expense which are calculated based on a method that takes in to consideration the shareholders profit after certain post adjustments. The company also makes provisions in cases of an existing contractual obligation or a liability from past implementations.

2.8.14. Cash Flow Statement

In the cash flow statement, the cash flows related to the turnover are reported in a form that is based on the underlying investment and financing activities.

Cash flows from operating activities represent the cash flows from the Company's factoring operations.

Cash flows related to investment activities represent the cash flows the Company uses in its investment activities (fixed investments and financial investments).

Cash flows related to financing activities represent the resources the Company uses in its financing activities and the repayments of those resources.

2.8.15. Shareholders' equity and dividends

The ordinary shares are classified as share capital. The dividends distributed over the ordinary shares are recognized in the period when they are declared. The necessary expenses that incur directly from the increase in share capital, are recognized under total paid-in capital.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

3 - CRITICAL ACCOUNTING EVALUATIONS, ESTIMATES AND ASSUMPTIONS

The Company prepares its financial statements based on the going concern principal.

Preparing the financial statements requires making assumptions and estimates that affect the amounts of assets and liabilities reported as of the balance sheet date or amounts of contingent assets and liabilities declared and the income and expenditure amounts reported in the related period. These estimates are based on the best opinions and knowledge of the management and the actual results may be different from these estimates.

Important evaluations, estimates and assumptions that may have effects on the financial statements and may cause significant changes in the carrying amount of the assets and liabilities within the next year are as follows:

Allowance for impairment of factoring receivables

The assumptions and methods used to be able to estimate the time and amount of the cash flows to arise from factoring receivables in the future are frequently reviewed in order to reduce the difference between the impairment estimates on the factoring receivables and the actual losses.

Recognition of deferred tax asset

Deferred tax assets can be recorded as much as the said tax benefit is probable. Amount of taxable profits and possible tax benefits in the future is based on medium term business plan and expectations prepared by the company. The business plan is based on rational expectations of the company under current circumstances.

The Company maintains its books of account and prepares them in accordance with Turkish Accounting/Financial Reporting Standards ("TAS/TFRS") and the interpretations and with the Communiqué: "Regulation on Principles for establishment and operations of Financial Leasing, Factoring and Financing Companies" issued by BRSA in the Official Gazette numbered 28861 dated 24 December 2013. The company recognizes deferred tax asset based on doubtful factoring receivables provisions and forsees that these provisions will be deducted as a corporate tax excemption and the Company will take advantage of the deferred tax assets in the following periods.

4 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Trading Derivative Financial Instruments

		Fair Vale	
31 December 2017	**Nominal Value**	**Assets**	**Liabilities**
Futures	659	38	1
Total	**659**	**38**	**1**

		Fair Value	
31 December 2016	**Nominal Value**	**Assets**	**Liabilities**
Futures	1,541	11	-
Total	**1,541**	**11**	**-**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

5 - CASH, CASH EQUIVALENTS AND BANKS

	2017	2016
Cash	1	1
Banks		
- Demand deposits	*210*	*67*
Total	**211**	**68**

The Company has no time deposits as of 31 December 2017 and 31 December 2016.

As of 31 December 2017 and 31 December 2016, there is no blockage on the bank deposits.

6 - FACTORING RECEIVABLES

The details of the factoring receivables as of 31 December 2017 and 31 December 2016 are as followings:

	2017	2016
Factoring receivables	217,427	162,909
Unearned interest income	(8,425)	(5,797)
Doubtful factoring receivables (*)	8,396	7,936
Factoring receivables, gross	**217,398**	**165,048**
Provision for doubtful receivables	(7,785)	(6,666)
Factoring receivables	**209,613**	**158,382**

(*) The amounts are classified within the factoring receivables in the balance sheet.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

6 - FACTORING RECEIVABLES (Continued)

The change in the provision for doubtful factoring receivables as of 31 December 2017 and 2016 is as follows:

	2017	**2016**
Beginning of the period - 1 January	**6,666**	**9,054**
Provision (Note 27)	3,658	4,829
Collections (Note 25)	(674)	(1,131)
Disposals (*)	(1,865)	(6,086)
End of the period - 31 December	**7,785**	**6,666**

(*) As of 31 December 2017, the amount that is sold to Asset Management Company due to the sale of the unrecoverable amount to Sumer Asset Management Company is TRY 1,865.

As of 31 December 2017, factoring receivables amounting to TRY 843 (31 December 2016: TRY 688) is past due and the overdue period is less than 90 days and the Company's management does not anticipate a change in the collection quality of these receivables and accordingly it is assessed as collectible. The aging of the last part of these receivables and the installments that have not yet arrived in the valley are as follows:

	2017	**2016**
Up to 30 days	248	269
30 days to 60 days	256	124
61 days to 90 days	339	295
Over due part	**843**	**688**
Not over due part	**619**	**29**
Total	**1,462**	**717**

The Company has not received any collateral for factoring receivables that are not past due and not impaired.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

6 - FACTORING RECEIVABLES (Continued)

The sectoral breakdown of net factoring receivables as of 31 December 2017 and 2016 is as follows:

	2017		2016	
	TRY (*)	**Ratio %**	**TRY (*)**	**Ratio %**
Construction	115,578	52,95	84,104	51.41
Metal industry and processed material production	23,481	10,76	11,685	7.14
Electrical and optical appliances industry	10,603	4,86	11,632	7.11
Machinery and equipment industry	10,026	4,59	6,784	4.15
Transport, storage and communication	9,091	4,17	10,956	6.70
Other non-metallic minerals industry	6,600	3,02	4,811	2.94
Food, beverage and tobacco industry	7,218	3,31	3,735	2.28
Rubber and plastic products industry	6,530	2,99	3,307	2.02
Chemical and chemical products	4,404	2,02	1,236	0.76
Textile and textile products industry	3,811	1,75	3,011	1.84
Manufacturing industries not elsewhere classified	2,765	1,27	1,636	1.00
Nuclear fuel, petroleum coal products industry	2,666	1,22	9,618	5,88
Wholesale and retail trade engine service	2,481	1,14	1,200	0.73
Hotels and restaurants (Tourism)	2,447	1,12	552	0.34
Agriculture, animal husbandry, forestry	2,218	1,02	1,856	1.13
Real estate commission leasing and business activities	1,509	0,69	2,525	1.54
Wood and wood products industry	1,936	0,89	1,581	0.97
Electric gas and water sources	1,318	0,60	836	0.51
Transport vehicles industry	895	0,41	884	0.54
Other social and personal services	895	0,41	264	0.16
Paper raw materials and paper products printing industry	606	0,28	707	0.43
Taking out non-energy producing mines	328	0,15	446	0.27
Health and social services	292	0,13	74	0.05
Financial intermediation	376	0,17	15	0.01
Energy product mining	176	0,08	-	0.00
Leather and leather products industry	16	0,01	132	0.08
	218,266	**100.00**	**163,587**	**100.00**

(*) The related factoring receivables also include BITT and unearned income totals.

The Company's doubtful factoring receivables aging as follows:

	2017	**2016**
Up to 90 days	446	636
Between 90 - 180 days		-
Between 180 - 360 days	203	1,507
Over 360 days	7,747	5,793
Total	**8,396**	**7,936**

As of the balance sheet date, there is mortgage guarantee amounting to TRY 770 for the following factoring receivables (31 December 2016: None)

In 2017, a protocol was established for the portion of TRY 410 (31 December 2016: TRY 926) of factoring receivables in follow-up and TRY 168 of these receivables were collected at the date of balance sheet (31 December 2016: TRY 371).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	2017	2016
Other expenses to related parties		
AB Holding A.Ş. (*)	320	299
Dividend paid to related parties		
AB Holding A.Ş.	3,849	2,201
Other Partners	51	34
Total	**4,220**	**2,235**
Given securities:		
AB Holding A.Ş.	-	-
Payments made to members of the board and key management personnel: (**)		
Fees and other short-term benefits (***)	1,379	1,442

(*) It consists of the rent expense of the company.

(**) The senior management of the company consists of the general manager, assistant general managers and members of the board of directors.

(***) The amount consists of other expense items as well as wages.

8 - TANGIBLE ASSETS

	1 January 2017	Additions	Disposals	31 December 2017
Cost:				
Furniture and fixtures	2,560	376	(28)	2,908
Vehicles	1,077	892	-	1,969
Leasehold improvements	207	2	-	209
	3,844	**1,270**	**(28)**	**5,086**
Accumulated depreciation:				
Furniture and fixtures	(2,080)	(170)	6	(2,244)
Vehicles	(350)	(210)	-	(560)
Leasehold improvements	(130)	(27)	-	(157)
	(2,560)	**(407)**	**6**	**(2,961)**
Net book value	**1,284**	**863**	**(22)**	**2,125**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

8 - TANGIBLE ASSETS (Continued)

	1 January 2016	Additions	Disposals	31 December 2016
Cost:				
Furniture and fixtures	2,295	315	(50)	2,560
Vehicles	1,013	471	(407)	1,077
Leasehold improvements	202	5	-	207
	3,510	**791**	**(457)**	**3,844**
Accumulated depreciation:				
Furniture and fixtures	(1,960)	(126)	6	(2,080)
Vehicles	(387)	(161)	198	(350)
Leasehold improvements	(103)	(27)	-	(130)
	(2,450)	**(314)**	**204**	**(2,560)**
Net book value	**1,060**	**477**	**(253)**	**1,284**

9 - INTANGIBLE ASSETS

	1 January 2017	Additions	Disposals	31 December 2017
Cost:				
Rights	375	48	-	423
Accumulated amortization:				
Rights	(372)	(28)	-	(400)
Net book value	**3**	**20**	**-**	**23**

	1 January 2016	Additions	Disposals	31 December 2016
Cost:				
Rights	375	-	-	375
Accumulated amortization:				
Rights	(370)	(2)	-	(372)
Net book value	**5**	**(2)**	**-**	**3**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

10 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)

The movement schedule of assets held-for-sale for the years ended 31 December 2017 and 2016 is as follows:

	1 January 2017	Additions	Disposals	31 December 2017
Plant	12	-	-	12
Buildings	49	-	-	49
	60	**-**	**-**	**60**

	1 January 2016	Additions	Disposals	31 December 2016
Plant	-	12	-	12
Buildings	49	-	-	49
	49	**12**	**-**	**61**

11 - SECURITIES ISSUED

Securities issued:

	31 December 2017	31 December 2016
Bonds (*)	31,626	-
Total	**31,626**	**-**

(*) The Company has issued discounted bonds with a nominal value of TRY 12,000 on 10 August 2017 and a nominal value of TRY 6,000 on 29 August 2017 and a nominal value of TRY 6,000 on 18 October 2017. The issuance maturities are 17 January 2018, 5 February 2018 and 11 April 2018, respectively. The annual simple interest rates of these bonds are 15.40%, 15.40% and 15.75% respectively.

Besides the discounted bond issuance, on 25 December 2017, a bond issue has been made with a nominal value of TRY 8,000. The maturities are 5 February 2018, 19 March 2018, 30 April 2018 and 11 June 2018 for the variable interest rated coupon bonds. The interest rates are 16.46 % and 16.28 % respectively for the related coupon payments.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

12 - DEFERRED TAX ASSETS AND LIABILITIES

The Company calculates deferred income tax assets and liabilities considering the effects of temporary differences arising as a result of different assessments between the Reporting Standards and the Tax Procedural Code in the unconsolidated statement of financial position table.

IAS 12 "Income Taxes Related to Turkey Accounting Standards" ("IAS 12") in accordance with the carrying value of deferred tax assets, are reviewed at each balance sheet date. The deferred tax asset is reduced to the extent that it is unlikely that it will be possible to derive taxable profits to enable a portion or all of the deferred tax asset to be recovered.

The deferred tax is computed using the enacted tax rates that are valid as of the balance sheet date in accordance with the tax legislation in force. According to the Law, which was approved in the Grand National Assembly on 28 November 2017 and published in the Official Gazette dated 5 December 2017, the rate of Corporate Tax for the years 2018, 2019 and 2020 was increased from 20% to 22%. According to this legislation, deferred tax assets and liabilities will be calculated at a tax rate of 22% for the periods in which the assets are realized or liabilities are fulfilled, 2021 and the tax rate for the following periods.

The tax rate used in the calculation of deferred tax assets and liabilities is 20% (31 December 2016: 20%).

	Cumulative Temporary Differences		**Deferred Tax Assets / (liabilities)**	
	2017	**2016**	**2017**	**2016**
Factoring asset receivable impairment	645	-	129	-
Unearned factoring income	977	684	195	137
Provision for employee termination benefit	773	335	155	66
Deferred tax assets	**2,395**	**1,019**	**479**	**203**
Provision of factoring Asset impairment	-	(282)	-	(56)
Deferred tax liabilities	**-**	**(282)**	**-**	**(56)**
Deferred tax assets, (net)	**2,395**	**737**	**479**	**147**

Deferred tax asset movements:	**2017**	**2016**
1 January, opening balance	147	571
Current year deferred tax expense / income (Not 29)	216	(469)
Deferred tax income recognised in equity	116	46
31 December, closing balance	**479**	**147**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

13 - OTHER RECEIVABLES

	2017	2016
Receivables from litigation and court expenses	88	56
Job advances	69	-
Other (*)	922	1,140
	1,079	**1,196**

(*) TRY 838 of the related balance is the customer's BITT amount of discount factoring receivables (31 December 2016: TRY 679 is the customer BITT amount of the factoring receivables).

14 - BORROWINGS

	2017	2016
Financial Liabilities:		
Borrowings	103,222	92,626
Rediscount of interest and expenses	2,904	2,640
Total Financial Liabilities	**106,126**	**95,266**

	2017			2016		
	Effective interest rate (%)	**Original currency**	**TRY**	**Effective interest rate (%)**	**Original currency**	**TRY**
Domestic banks						
Fixed rate borrowings:						
-TRY	16,64	106,126	106,126	14,60	95,266	95,266
		106,126	**106,126**		**95,266**	**95,266**

As of 31 December 2017, the weighted average interest rate for the borrowings amounting to TRY 106,126 (31 December 2016: TRY 95,266) is 16.64% and the maturity interval is shorter than 1 year (31 December 2016: The interest rate is 14.60 % and the maturity interval is shorter than 1 year).

15 - OTHER PAYABLES

	31 December 2017	31 December 2016
Payables to outsource services	56	63
Total	**56**	**63**

	31 December 2017	31 December 2016
Commissions received in advance	1,135	684
Total	**1,135**	**684**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

16 - FACTORING PAYABLES

	31 December 2017	31 December 2016
Payables to factoring companies (*)	40,245	32,464
Payables to factoring clients	25	35
Total	**40,270**	**32,499**

(*) Debts to factoring companies arise from the transfer of bills received from customers to other factoring companies.

17 - LEASE PAYABLES

	31 December 2017	31 December 2016
Lease payables	327	206
Minus: Cost of deferred lease payables	(31)	(10)
	296	**196**

18 - TAX ASSETS AND LIABILITIES

	31 December 2017	31 December 2016
BITT Payables	253	166
Income tax payables	183	193
Social security payables	331	250
Other taxes	6	5
Total	**773**	**614**

19 - EMPLOYMENT BENEFIT OBLIGATIONS

	31 December 2017	31 December 2016
Provision of employment termination benefits	773	335
Total	**773**	**335**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

19 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Provision of employment termination benefits

According to the Turkish Labor Law, the Company is required to pay a minimum of 25 years of service (20 years for women) and retirement (58 years for women and 60 years for men) to pay the severance pay for the personnel who is called to the army or deceased. After the legislative amendment on 23 May 2002, some transition process items relating to the previous service period before retirement were removed.

The principal assumptions are to increase the maximum liability for each year of service, effective from 1 January 2006, in line with inflation. Thus, the discount rate applied represents the expected rate of actual inflation. As of 31 December 2017, retirement pay liability is revised semi-annually and the Company's liability for retirement pay liability is calculated as TRY 5,001.76 full amount effective from 1 January 2017 (1 January 2016: 4,426.16 TRY as of 31 December 2016 for the calculation of retirement pay liability) is calculated over the termination indemnity ceiling.

The liability for termination benefits is not legally subject to any funding and there are no funding requirements.

Turkey Financial Reporting Standards in order to estimate the company's severance foresees the development of actuarial valuations. Accordingly, the following assumptions were used to calculate the total liability.

The Communiqué requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2017	**2016**
Discount rate (%)	4,67	4.21
Expected wage increase (%)	7,00	7,00
Estimated rate of severance pay entitlement (%)	88,85	89,37

The movement of the reserve for employment termination benefits between 1 January - 31 December 2017 and 1 January - 31 December 2016 is presented below:

	2017	**2016**
Opening balance, 1 January	**335**	**409**
Service cost	48	48
Interest cost	39	40
Payments during the year	(229)	(391)
Actuarial loss	580	229
End of the period, 31 December	**773**	**335**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

20 - SHAREHOLDERS' EQUITY

	2017		2016	
Shareholders	**Share %**	**Amount**	**Share %**	**Amount**
AB Holding A.Ş.	98	19,693	98	19,693
Murat Başer	1	245	1	245
Mediha Başer	1	31	1	31
Neslihan Bayraktaroğlu	1	31	1	31
Hasan Başer	1	-	1	-
Total	**100**	**20,000**	**100**	**20,000**

The paid-in capital of the Company as of 31 December 2017 is TRY 20,000 (31 December 2016: TRY 20,000). As of 31 December 2017 and 2016, the paid-in share capital consists of 20,000,000 shares each having a nominal value of TRY 1 (31 December 2016: 20,000,000 shares). The Company does not have preferred shares.

21 - PROFIT RESERVES

	2017	2016
Legal reserves	6,358	5,902
Other profit reserves	209	209
Total	**6,567**	**6,111**

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other utilization unless they exceed 50% of paid-in share capital.

22 - FOREIGN CURRENCY POSITION

The Company is exposed to currency risk due to the exchange rate used in the translation of foreign currency denominated assets and liabilities into Turkish Lira. The Company has net foreign currency short position due to foreign currency denominated banks. In this framework, the Company monitors its foreign exchange risk through the analysis of foreign exchange position positions.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

22 - FOREIGN CURRENCY POSITION (Continued)

As of 31 December 2017, details of assets and liabilities denominated in foreign currencies are as follows : (31 December 2016 : None).

	Original currency		
31 December 2017	**Euro**	**US Dollar**	**TRY**
Other receivables	-	-	-
Total Foreign Currency Assets	**-**	-	**-**
Leasing payables	(26)	-	(117)
Total Foreign Currency Liabilities	**(26)**	-	**(117)**
Net financial statement position	**(26)**	-	**(117)**

	Original currency		
31 December 2016	**Euro**	**US Dollar**	**TRY**
Other receivables	1	-	3
Total Foreign Currency Assets	**1**	-	**3**
Leasing payables	(53)	-	(196)
Total Foreign Currency Liabilities	**(53)**	-	**(196)**
Net financial statement position	**(52)**	-	**(193)**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

23 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Off-balance sheet commitments:

Collateral informations:	**2017**	**2016**
Received collateral bill (*)	9,306,210	7,001,744
Given guarantee letters (**)	1,857	1,891
Total	**9,308,067**	**7,003,635**

(*) TRY 4,065,738 of related amount consist of guarantees, TRY 5,229,673 of related amount consists of collateral bills, TRY 6,070 of related amount consists of mortgages and TRY 4,729 of related amounts consists of checks and notes receivables (31 December 2016: TRY 3,134,482 guarantees ,TRY 3.849.742 collaterals, TRY 12,120 mortgages and TRY 5,400 checks and notes receivables).

(**) As of 31 December 2017, a letter of guarantee amounting TRY 1,857 has been given to the courts for the cases filed. (31 December 2016: TRY 1,891).

As of 31 December 2017, the Company does not have any guarantees on the behalf of A.B Holding A.Ş.

As of 31 December 2017, the Company has an unused credit limit amounting to TRY 150,335 (31 December 2016: TRY 143,335) that meets all necessary conditions.

Items held in custody:

	2017	**2016**
Cheques for collection	228,207	177,181
Total	**228,207**	**177,181**

24 - OPERATING INCOME

	2017	**2016**
Factoring interest income	42,788	36,452
Factoring commission income	7,329	5,607
Factoring cost income	401	365
	50,518	**42,424**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

25 - OPERATING EXPENSES

Operating expenses for the periods ended 31 December 2017and 2016 are as follows:

	2017	2016
Personnel expenses	8,767	8,363
General operating expenses	3,414	3,869
Depreciation and amortisation expense (Note 8, 9)	436	305
Employee termination benefit provisions	86	-
	12,703	**12,537**

The operating expenses for the periods ended 31 December 2017 and 2016 are as follows:

	2017	2016
Personnel expenses	8,767	8,363
Transportation expenses	660	677
Rent expenses	581	604
Depreciation and amortisation expense	436	305
Non deductible expenses	395	176
Consulting expenses	368	219
Communication expenses	368	422
Maintenance expenses	251	147
Office expenses	130	138
Accomodation and travel expenses	125	79
Taxes and fees	122	183
Provision expense for employment termination benefits	86	-
Insurance expenses	46	30
Other expenses	368	1,194
Total	**12,703**	**12,537**

26 - OTHER OPERATING INCOME

	2017	2016
Collections from doubtful receivables	674	1,131
Fixed asset sales profit	-	129
Derivative transactions gain	77	33
Interest income on deposit	31	21
Foreign exchange gain	21	4
Other	241	504
	1,044	**1,822**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

27 - FINANCIAL EXPENSES

	2017	2016
Interest expense on borrowings	19,781	15,671
Interest expense on factoring payables	6,331	4,868
Financial leasing expenses	48	12
Interest expense on securities issued	1,579	-
Wages and commissions expenses	202	-
	27,941	**20,551**

28 - SPECIFIC PROVISIONS FOR DOUBTFUL RECEIVABLES

	2017	2016
Specific provision expense	3,658	4,829
	3,658	**4,829**

29 - OTHER OPERATING EXPENSE

	2017	2016
Foreign exchange losses	56	5
	56	**5**

30 - TAXES

Institutional tax rate is applied to the tax base of the commercial income of corporations as a result of adding expenses which are not accepted as deductible according to the tax legislation and deduction of exemptions and deductions in tax laws. No further tax is paid if the profit is not distributed. As at 31 December 2017, the corporate tax rate is 20% (31 December 2016: 20%). In addition, the rate of corporation tax, which is currently applied as 20% with Article 91 of "Law on the Amendment of Certain Tax Laws and Some Other Laws" numbered 7061 and published in the Official Gazette dated 5 December 2017 and numbered 30261, and 22% to be applied to earnings generated during the 2020 accounting period. A provisional tax declaration of 22% for the same years shall apply.

In accordance with the decision of the Council of Ministers numbered 2006/10731 published in the Official Gazette No. 26237 dated 23 July 2006, some of the withholding rates included in the 15th and 30th articles of the Tax Act No. 5520 have been redefined. In this context, the withholding tax rate applied to 10% over a business or generating income through the permanent representatives and the resident institutions with dividend payments other than those made to companies resident in Turkey in Turkey has increased to 15%. The withholding rates in the related Double Taxation Treaties are also taken into account in the application of the withholding rates for non-resident corporations and real persons.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

30 - TAXES (Continued)

The rate of corporate tax that will be accrued over the taxable corporate income is calculated on the basis of addition of expenditures which can not be deducted from the tax base which is expense in the determination of commercial income and deduction of non-taxable gains, non-taxable income and other reductions (if there is any past year losses and preferred investment discounts).

Losses can be carried forward for a maximum period of 5 years to be deducted from the taxable profit to be generated in future years. However, losses can not be deducted retrospectively from profits from previous years.

There is no clear and definitive agreement on tax assessment procedures in Turkey. Companies are preparing tax declarations between April 1-25 of the year following the close of accounting period (between 1-25 of the fourth month following the closing of the period if they have a special accounting period). These statements and the accounting records on which they are based may be reviewed and amended by the Tax Office within 5 years.

Income Withholding Tax

In addition to corporation tax, income withholding tax shall be additionally calculated on profit shares except dividends paid to full-fledged taxpayer corporations that acquire dividends in case of distribution and include these dividends in corporate income and distribute to branches in Turkey of foreign companies. Income withholding tax was applied as 10% in all companies between 24 April 2003 and 22 July 2006. This rate has been applied as 15% since 22 July 2006 with the decision of the Council of Ministers No. 2006/10731. Dividends that are not distributed and added to the capital are not subject to withholding tax.

Current year tax expenses of the Company for the years ended 31 December 2017 and 2016 are as follows:

	2017	**2016**
Corporate tax provision	(1,520)	(960)
Deferred tax expense/(income) (Note 11)	216	(469)
	(1,304)	**(1,429)**
Current period tax provision	1,520	960
Prepaid corporate tax (-)	(1,420)	(474)
	100	**486**
Profit before tax	**7,204**	**6,324**
Theoretical tax expense with 20% tax rate	(1,441)	(1,265)
Non-deductible expenses and other additions	(79)	(223)
Other deductions and exemptions	216	59
Current year tax expense	**(1,304)**	**(1,429)**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

31 - EARNINGS PER SHARE

Earnings per share disclosed in the income statement is calculated by dividing net profit for the period to weighted average number of shares.

In Turkey, companies may increase their capital by distributing shares ("Bonus Shares") to existing shareholders in proportion to their share of accumulated profits. When earnings / (loss) per share is calculated, these bonus shares are considered as issued shares. Therefore, the weighted average of the weighted average number of shares used in the calculation of earnings / (loss) per share is obtained by applying the retrospective application of the issuance of shares. There is no difference between basic and diluted earnings per share for any period.

	2017	**2016**
Current period net profit	5,900	4,895
Weighted average number of shares	20,000,000	20,000,000
Profit per share	**0,2949**	**0.2448**

32 - OTHER EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED IN ORDER TO PROVIDE FAIR AND UNDERSTANDABLE FINANCIAL STATEMENTS

None. (31 December 2016: None).

33 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS

Capital Risk Management

In capital management, the company aims to increase its profit by using the balance of debt and equity most efficiently while trying to maintain the continuity of its activities.

The purpose of the Company's capital management; To ensure the continuity of the Company as a revenue generating business, to ensure the benefit of shareholders and corporate partners, and at the same time to ensure the continuity of the most efficient capital structure in order to reduce the cost of capital.

The capital and funding structure of the Company consists of debt including loans, cash and cash equivalents and equity items, including issued capital, reserves and retained earnings.

As of 31 December 2017, the ratio of shareholders' equity to total liabilities is 18% (31 December 2016: 24%).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

33 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

As of 31 December 2017 and 2016, the ratio of shareholders' equity to net liabilities is as follows:

	2017	2016
Total liabilities	181,158	130,143
Minus: Cash and cash equivalents	(211)	(68)
Net liabilities	180,947	130,075
Total shareholders' equity	32,663	31,137
Shareholders' equity/net liabilities ratio	**%18**	**%24**

Significant accounting policies

Significant accounting policies related to the Company's financial instruments are disclosed in Note 2 "Accounting Policies".

Financial Risk Factors

The Company is exposed to market risk (currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk due to its activities. The Company's risk management program is generally focused on the uncertainty in the financial markets and the minimization of potential adverse effects on the Company's financial performance. The Company uses derivative products time to hedge against various financial risks at times.

Currency Risk

Transactions in foreign currency cause the exchange risk to occur. The Company regularly checks the exchange rate risk arising from the cash flows of its operations and financing agreements. The Company conducts foreign currency denominated checks and foreign currency denominated transactions in order to hedge against exchange risk.

As of 31 December 2017, the Company's foreign currency denominated monetary assets and liabilities are stated in Note 22 (31 December 2016: None).

Foreign currency sensitivity

The table below shows the sensitivity of the Company to the 10% increase and decrease in exchange rates. The 10% rate is used during the reporting of the foreign exchange risk within the Company to senior management, which means that the rate management is expecting a change in exchange rates. Sensitivity analysis only covers monetary items at the end of the year in terms of open foreign currencies and shows the effect of 10% exchange rate change in the end of the year. Positive value refers to the increase in profit / loss and other equity items. (31 December 2016: Not available).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

33 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

	31 December 2017			
	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
10% change of the US Dollar against TRY				
1-Net USD asset/liability	-	-	-	-
2-Hedged portion of TRY against USD (-)	-	-	-	-
3-Net effect of US Dollar(1+2)	-	-	-	-
10% change of the Euro against TRY				
1 - Net Euro asset/liability	(12)	12	(12)	12
2- Hedged portion of TRY against Euro (-)	-	-	-	-
3- Net effect of Euro (1+2)	**(12)**	**12**	**(12)**	**12**
TOTAL (3)	**(12)**	**12**	**(12)**	**12**

	31 December 2016			
	Profit / (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
10% change of the US Dollar against TRY				
1-Net USD asset/liability	-	-	-	-
2-Hedged portion of TRY against USD (-)	-	-	-	-
3-Net effect of US Dollar(1+2)	-	-	-	-
10% change of the Euro against TRY				
1 - Net Euro asset/liability	(19)	19	(19)	19
2- Hedged portion of TRY against Euro (-)	-	-	-	-
3- Net effect of Euro (1+2)	**(19)**	**19**	**(19)**	**19**
TOTAL(3)	**(19)**	**19**	**(19)**	**19**

Interest rate risk management

As of the reporting date, the Company does not have variable rate financial assets and liabilities. However, if the Company borrows at fixed and variable interest rates, the Company may be exposed to interest rate risk. The risk to be incurred in this case is controlled by the Company, with an appropriate distribution between fixed and variable rate debts.

In the analysis of liabilities with variable interest rates, the assumption is made that the amounts at the end of the period are present throughout the year. The Company's management measures interest rate sensitivity of the Company according to a 5% fluctuation in interest rates.

As the Company does not have variable interest rate financial assets and liabilities at the reporting date (31 December 2016: None), if there is a 5% decrease / increase in interest rates, the net profit of the Company due to asset and liability balance will not change (31 December 2016: will not change) .

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

33 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

Fixed rate financial instruments	**2017**	**2016**
Assets		
Factoring receivables	209,002	157,112
Liabilities		
Borrowings	106,126	95,266
Factoring payables	40,270	32,499
Lease payables	296	196

Credit Risk Management

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. The Group aims to reduce exposed credit risks by entering into contracts with the counterparties having high credibility and by obtaining sufficient collateral against the loans provided. The credit risks the company is exposed to and the credit ratings of its customers are monitored continuously. The credit risk is controlled by the limits determined for the customers and reviewed and approved annually by the risk management board.

In addition, the sector and the geographical position of customers, where they operate and other factors that may affect their operations are considered in the evaluation process of loans. Management has a credit evaluation policy to manage and minimize the credit risk. Credit risk is aimed to be controlled by the limits set by the Board of Directors.

The gross amounts of the financial assets presented in the accompanying financial statements without deduction of impairment allowances represent the maximum credit risk of the Company before the securities received are included.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

33 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

	Factoring Receivables		
2017	**Related Parties**	**Other Parties**	**Due From banks**
Maximum amount of credit risk exposed as of reporting date (*)	-	209,613	210
- Maximum credit risk secured guarantees etc.	-	-	-
A. Net book value of financial assets either not due or not impaired	-	207,130	210
- Secured by collateral etc.	-	-	-
B. Book value of financial assets with renegotiated conditions otherwise would be classified as past due or impaired	-	410	-
C. Net book value of assets past due but not impaired	-	1,462	-
- Secured by collateral etc.	-	-	-
D. Net book value of assets impaired	-	611	-
- Past due (gross book value)	-	8,396	-
- Impairment amount (-)	-	(7,785)	-
- Net value secured by guarantees etc	-	-	-
- Past due (gross book value)	-	-	-
- Impairment amount (-)	-	-	-
- Net value secured by guarantees etc	-	-	-
E. Off-balance items exposed to credit risk	-	-	-

(*) When the amount is determined, factors that increase credit reliability, such as collateral received, are not considered.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

33 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

	Factoring Receivables		
2016	**Related Parties**	**Other Parties**	**Due From banks**
Maximum amount of credit risk exposed as of reporting date (*)	-	158,382	67
- Maximum credit risk secured guarantees etc.	-	-	-
A. Net book value of financial assets either not due or not impaired	-	156,562	67
- Secured by collateral etc.	-	-	-
B. Book value of financial assets with renegotiated conditions otherwise would be classified as past due or impaired	-	-	-
C. Net book value of assets past due but not impaired	-	550	-
- Secured by collateral etc.	-	-	-
D. Net book value of assets impaired	-	1,270	-
- Past due (gross book value)	-	7,936	-
- Impairment amount (-)	-	(6,666)	-
- Net value secured by guarantees etc	-	-	-
- Past due (gross book value)	-	-	-
- Impairment amount (-)	-	-	-
- Net value secured by guarantees etc	-	-	-
E. Off-balance items exposed to credit risk	-	-	-

(*) When the amount is determined, factors that increase credit reliability, such as collateral received, are not considered.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

33 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

Liquidty risk management

The main responsibility for liquidity risk management belongs to the board of directors. Financial affairs created an appropriate liquidity risk management for short, medium and long term funding and liquidity requirements of the Company's management. The Company manages the liquidity risk estimation and monitoring of actual cash flows on a regular basis and ensures that sufficient funds and borrowing reserves are maintained by matching the maturities of financial assets and liabilities.

The following table shows the maturity distribution of the Company's non-derivative financial liabilities. The following tables are prepared based on the earliest date on which the Company's obligations are not discounted and payable. Interests to be paid over these obligations are included in the table below.

2017

Contractual Maturities	Book Value	Contractual Total cash outflow (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 months (III)	More than 5 years(IV)
Non-derivative financial liabilities						
Borrowings	106,126	106,126	56,773	48,637	716	-
Factoring payables	40,270	40,270	34,124	6,146	-	-
Total Liabilities	**146,396**	**146,396**	**90,897**	**54,783**	**716**	**-**

2016

Contractual Maturities	Book Value	Contractual Total cash outflow (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 months (III)	More than 5 years(IV)
Non-derivative financial liabilities						
Borrowings	95,266	95,266	42,905	51,945	416	-
Factoring payables	32,499	32,499	23,763	8,736	-	-
Total Liabilities	**127,765**	**127,765**	**66,668**	**60,681**	**416**	**-**

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The fair value is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicators of the amounts the Company could realise in a current market exchange.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

33 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

The fair value of financial instruments is calculated on the basis of reliable information available from financial markets in Turkey. Fair values of other financial instruments are determined using assumptions that involve discounting the future cash flows by current interest rates or taking into account the current market value of another financial instrument with similar characteristics.

The fair values of current financial assets and short term borrowings are considered to approximate their respective carrying values due to their short term nature and the insignificant discount effect.

The carrying value of factoring receivables including the provision for doubtful receivables is also considered to approximate the fair value due to their short-term nature.

Classification of fair value measurement

Fair values of financial assets and liabilities are determined as follows:

- Level 1: Financial assets and liabilities are valued at the stock exchange price in an active market for exactly the same assets and liabilities.
- Level 2: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the stock market price of the relevant asset or liability mentioned in Level 1
- Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

The fair value classifications of financial assets and liabilities measured at their fair values are as follows:

	Fair value level as of reporting date			
31 December 2017	**1. Level**	**2. Level**	**3. Level**	**Total**
Financial instruments				
Trading Derivative Financial Assets	-	38	-	38
Trading Derivative Financial Liabilities	-	1	-	1

As of 31 December 2017, the Company has financial asset amounting to TRY 38 measured at its fair value and financial liability amounting TRY 1. (31 December 2016 : TRY 11)

34 - SUBSEQUENT EVENTS

None. (31 December 2016: None).

………………