

**AK FAKTORİNG  
ANONİM ŞİRKETİ  
FINANCIAL STATEMENTS FOR THE YEAR ENDED  
DECEMBER 31, 2017  
AND INDEPENDENT AUDITOR'S REPORT**

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Independent Audit Report</b>	--
<b>Financial Statements</b>	<b>3 - 10</b>
Statement of Financial Position	3-4
Off-Balance Sheet Items	5
Statement of Profit and Loss	6
Other Comprehensive Income Statement	7
Statement of Changes in Equity	8
Cash Flow Statements	9
Statement of Dividend Distribution	10
<b>Notes on Financial Statement</b>	<b>11 - 60</b>

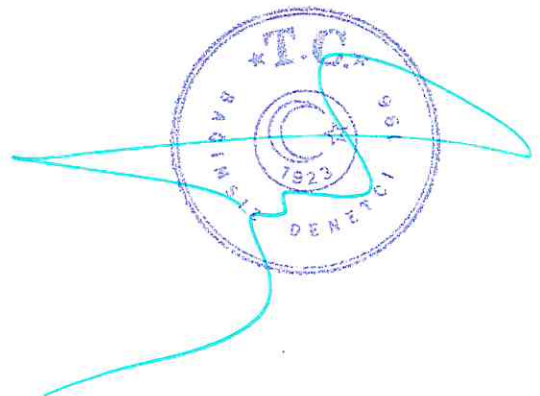
**INDEPENDENT AUDIT REPORT****Ak Faktoring Anonim Şirketi**  
**The Board of Directors:*****Opinion***

We have audited the accompanying financial statements of **Ak Faktoring Anonim Şirketi** ("the Company"), which comprise the statement of financial position as of December 31, 2017, includes the statements of profit or loss for the period ended on the same date, the statement of income and expense items accounted for under equity, the statement of cash flows, the statement of changes in equity, and a summary of significant accounting policies and other explanatory notes.

According to our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Ak Faktoring Anonim Şirketi (Company) as at December 31, 2017 and the results of its operations for the year then ended in accordance with explanations and notes issued by the Responsibility of The Board of Directors of the Company is creating internal control system and selection and implementation of the appropriate accounting policies in order to prepare the financial statements that are free from material misstatement in accordance with the Regulation on Accounting Applications and Financial Tables of Financial Leasing, Factoring and Financing Companies and Advice on the Uniform Chart of Accounts and Prospectus for the Financial Leasing, Factoring and Financing Companies published in the Official Newspaper No. 28861 dated 24 December 2013, Turkish Accounting Standards, Turkish Financial Reporting Standards, and other regulations published by BRSA(Banking Regulation and Supervision Agency).

***Basic for Opinion***

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



**Key Audit Matters**

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

**- Impairment of factoring receivables**

Accounting for the impairment of factoring receivables and the recognition of losses related to receivables, the importance of the accounts, the timing of the accounting is an important area of jurisdiction for management due to the complexity and subjectivity of determining credit standing for receivables not meeting the timelines specified in the BRSA Accounting and Financial Reporting Legislation. The risk is that the factoring receivables that are subject to impairment cannot be identified and the fair value reserve for the related receivables is not set aside. The provisions for factoring receivables in the financial statements are disclosed in Note 11 and 15.

**- How to deal with auditing**

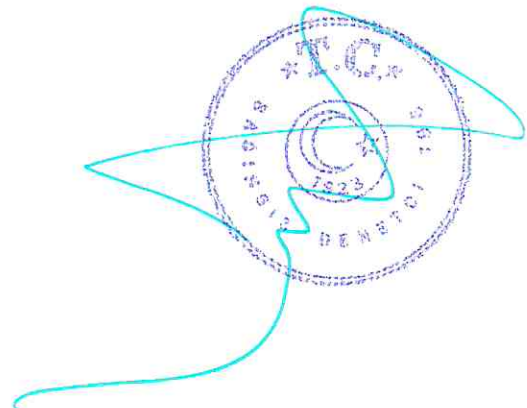
If the factoring receivables selected through sampling in the case of risk assessment are subject to impairment according to the BRSA Accounting and Financial Reporting Legislation and if they are impaired, the adequacy of the provision for the related receivables is assessed.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Responsibility of The Board of Directors of the Company is creating internal control system and selection and implementation of the appropriate accounting policies in order to prepare the financial statements that are free from material misstatement in accordance with the Regulation on Accounting Applications and Financial Tables of Financial Leasing, Factoring and Financing Companies and Advice on the Uniform Chart of Accounts and Prospectus for the Financial Leasing, Factoring and Financing Companies published in the Official Newspaper No. 28861 dated 24 December 2013, Turkish Accounting Standards, Turkish Financial Reporting Standards, and other regulations published by BRSA(Banking Regulation and Supervision Agency).

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.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

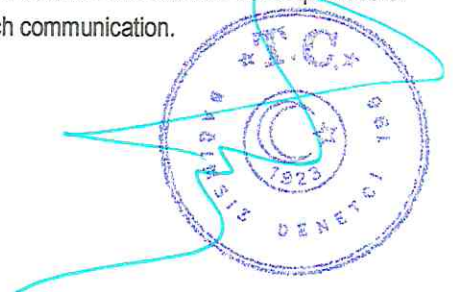
Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with IAS (of Turkey) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements. As part of an audit in accordance with IAS (of Turkey), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for 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 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws 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.



**Reports Arising from Other Regulatory Requirements**

1) In accordance with the fourth paragraph of Article 402 of the Turkish Commercial Code, no significant issue has arisen regarding whether the bookkeeping schedule of the Company for the period of January 01- December 31, 2017 does not conform to the provisions of the TCC and the financial statements of the Company's articles of incorporation.

2) In accordance with the fourth paragraph of Article 402 of the Turkish Commercial Code, the Board of Directors has made the required explanations within the scope of the audit and issued the requested documents.

The name of the engagement partner who supervised and concluded this audit is Özkan Cengiz.

February 19, 2018

HSY Danışmanlık ve Bağımsız Denetim A.Ş.

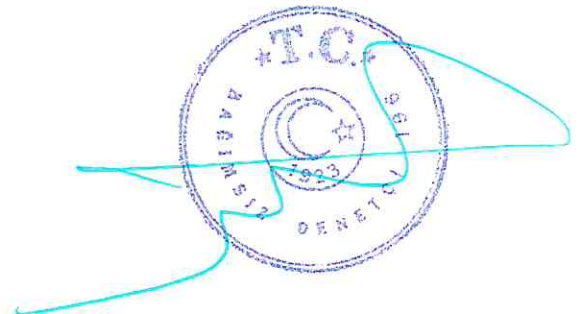
Member, Crowe Horwath International



Özkan Cengiz  
Partner, CPA  
İstanbul , Turkey

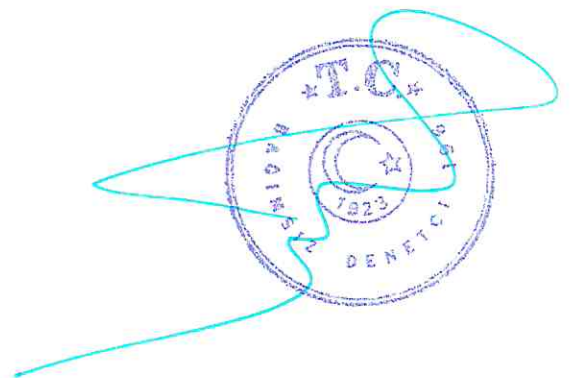
**AK FAKTORİNG ANONİM ŞİRKETİ**  
STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2017 AND DECEMBER 31, 2016

ASSETS	Notes	TURKISH LIRA (TRL)					
		Audited Current Period			Audited Prior Period		
		December 31, 2017			December 31, 2016		
		TRL	FC	Total	TRL	FC	Total
I. CASH AND CASH EQUIVALENTS AND THE CENTRAL BANK	6	5.532	--	5.532	7.699	--	7.699
II. FAIR VALUE DIFFERENCE REFLECTED TO PROFIT/LOSS (Net)	7	--	--	--	--	--	--
2.1 Financial Assets held for trading		--	--	--	--	--	--
2.2 Fair Value Difference FV Categorized as Profit/Loss Statement		--	--	--	--	--	--
2.3 Derivative Marketable Securities in the Trade Book		--	--	--	--	--	--
III. BANKS	8	576.526	33.100	609.626	680.652	11.662	692.314
IV. RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS	9	--	--	--	--	--	--
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	10	960.000	--	960.000	960.000	--	960.000
VI. FACTORING RECEIVABLES (Net)	11	414.595.122	--	414.595.122	405.888.506	--	405.888.506
6.1 Factoring Receivables at reduced rate		317.375.216	--	317.375.216	317.833.931	--	317.833.931
6.1.1 Domestic		336.611.326	--	336.611.326	337.820.587	--	337.820.587
6.1.2 Overseas		--	--	--	--	--	--
6.1.3 Unearned Income (-)		(19.236.110)	--	(19.236.110)	(19.986.656)	--	(19.986.656)
6.2 Other Factoring Receivables (Net)		97.219.906	--	97.219.906	88.054.576	--	88.054.576
6.2.1 Domestic		97.219.906	--	97.219.906	88.054.576	--	88.054.576
6.2.2 Overseas		--	--	--	--	--	--
VII. FINANCIAL CREDITS	12	--	--	--	--	--	--
7.1 Consumer Loans		--	--	--	--	--	--
7.2 Credit Cards		--	--	--	--	--	--
7.3 Instalment Commercial Credits		--	--	--	--	--	--
VIII. LEASING RECEIVABLES	13	--	--	--	--	--	--
8.1 Leasing Receivables		--	--	--	--	--	--
8.1.1 Financial Leasing Receivables		--	--	--	--	--	--
8.1.2 Receivables from Operating Leasing		--	--	--	--	--	--
8.1.3 Unearned Revenue (-)		--	--	--	--	--	--
8.2 Investments Leased		--	--	--	--	--	--
8.3 Advances Given for Lease		--	--	--	--	--	--
IX. OTHER RECEIVABLES	14	2.076.432	--	2.076.432	2.030.053	--	2.030.053
X. NON-PERFORMING RECEIVABLES	15	12.678.008	--	12.678.008	13.178.207	--	13.178.207
10.1 Non-Performing Factoring Receivables		32.919.922	--	32.919.922	21.856.679	--	21.856.679
10.2 Non-Performing Financial Credits		--	--	--	--	--	--
10.3 Non-Performing Leasing Receivables		--	--	--	--	--	--
10.4 Special Provision (-)		(20.241.914)	--	(20.241.914)	(8.678.472)	--	(8.678.472)
XI. DERIVATIVE FINANCIAL ASSETS FOR HELD FOR CASH FLOW HEDGES	16	--	--	--	--	--	--
11.1 Fair Value Hedge Risk		--	--	--	--	--	--
11.2 Cash Flow Hedge Risk		--	--	--	--	--	--
11.3 Foreign Operations Net Investment Risk Hedge		--	--	--	--	--	--
XII. INVESTMENT HELD UNTIL MATURITY (Net)	17	--	--	--	--	--	--
XIII. SUBSIDIARIES (Net)	18	--	--	--	--	--	--
XIV. AFFILIATES (Net)	19	--	--	--	--	--	--
XV. JOINT VENTURES (Net)	20	--	--	--	--	--	--
XVI. TANGIBLE ASSETS (Net)	21	361.622	--	361.622	442.041	--	442.041
XVII. INTANGIBLE ASSETS (Net)	22	472.547	--	472.547	214.985	--	214.985
17.1 Goodwill		--	--	--	--	--	--
17.2 Other		472.547	--	472.547	214.985	--	214.985
XVIII. PREPAID EXPENSES	23	7.803.401	--	7.803.401	4.644.876	--	4.644.876
IXX. CURRENT TAX ASSETS	24.a	--	--	--	--	--	--
XX. DEFERRED TAX ASSETS	24.b	355.947	--	355.947	133.180	--	133.180
XXI. OTHER ASSETS	25	--	--	--	--	--	--
SUBTOTAL		439.885.137	33.100	439.918.237	428.180.199	11.662	428.191.860
XVII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	26	--	--	--	--	--	--
18.1 Sale Purpose		--	--	--	--	--	--
18.2 Discontinued Operations Related		--	--	--	--	--	--
<b>TOTAL ASSETS</b>		<b>439.885.137</b>	<b>33.100</b>	<b>439.918.237</b>	<b>428.180.199</b>	<b>11.662</b>	<b>428.191.860</b>



**AK FAKTORİNG ANONİM ŞİRKETİ**  
STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2017 AND DECEMBER 31, 2016

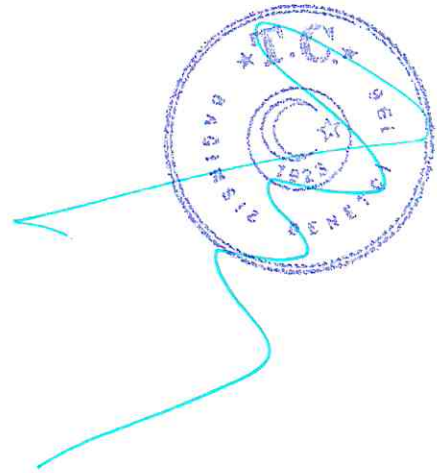
LIABILITIES		TURKISH LIRA (TRL)						
		Notes	Audited Current Period			Audited Prior Period		
			December 31, 2017			December 31, 2016		
			TRL	FC	Total	TRL	FC	Total
I.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	7	--	--	--	--	--	
II.	CREDITS RECEIVED	27	365.317.226	6.657.879	371.975.105	322.728.856	--	
III.	FACTORING PAYABLES	11	975.080	--	975.080	2.197.011	--	
IV.	LEASING PAYABLES	13	--	--	--	--	--	
4.1	Financial Leasing Payables		--	--	--	--	--	
4.2	Operating Lease Payables		--	--	--	--	--	
4.3	Other		--	--	--	--	--	
4.4	Deferred Financial Leasing Expenses (-)		--	--	--	--	--	
V.	SECURITIES ISSUED (Net)	28	--	--	--	40.606.377	--	
5.1	Bonds		--	--	--	40.606.377	--	
5.2	Assets Backed Securities		--	--	--	--	--	
5.3	Securities		--	--	--	--	--	
VI.	OTHER PAYABLES	14	514.967	--	514.967	285.556	--	
VII.	OTHER LIABILITIES	29	--	--	--	--	--	
7.1	Deposit		--	--	--	--	--	
7.2	Other Liabilities		--	--	--	--	--	
VIII.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR CASH FLOW HEDGES	16	--	--	--	--	--	
8.1	Fair Value Hedge Risk		--	--	--	--	--	
8.2	Cash Flow Hedge Risk		--	--	--	--	--	
8.3	Foreign Operations Net Investment Risk Hedge		--	--	--	--	--	
IX.	TAXES AND LIABILITIES PAYABLE	24.d	887.974	--	887.974	705.606	--	
X.	PROVISIONS FOR LIABILITIES AND EXPENSES	30	537.985	--	537.985	772.117	--	
10.1	Restricting Provision		--	--	--	--	--	
10.2	Provision for Employee Benefits		415.585	--	415.585	667.117	--	
10.3	Other Provisions		122.400	--	122.400	105.000	--	
XI.	DEFERRED INCOME	23	771.038	--	771.038	511.689	--	
XII.	CURRENT PERIOD TAX LIABILITIES	24.a	1.301.962	--	1.301.962	1.208.311	--	
XIII.	DEFERRED TAX LIABILITIES	24.b	--	--	--	--	--	
XIV.	SUBORDINATED LOANS	31	--	--	--	--	--	
	SUBTOTAL		370.306.232	6.657.879	376.964.111	369.015.522	--	
XV.	LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	26	--	--	--	--	--	
15.1	Sale Purpose		--	--	--	--	--	
15.2	Discontinued Operations Related		--	--	--	--	--	
XVI.	SHAREHOLDERS EQUITY	32	62.954.126	--	62.954.126	59.176.339	--	
	Shareholders' Equity of the Parent Company		62.954.126	--	62.954.126	59.176.339	--	
16.1	Paid-in Capital	32.1	25.500.000	--	25.500.000	25.500.000	--	
16.2	Capital Reserves	32.2	--	--	--	--	--	
16.2.1	Share Premium		--	--	--	--	--	
16.2.2	Profits on Share Cancellation		--	--	--	--	--	
16.2.3	Other Capital Reserves		--	--	--	--	--	
16.3	Other Accumulated Comprehensive Income or Expenses Non-Reclassifiable to Profit or Loss	32.3.a	--	--	--	--	--	
16.4	Other Accumulated Comprehensive Income or Expenses Reclassifiable to Profit or Loss	32.3.b	(52.371)	--	(52.371)	--	--	
16.5	Profit Reserves	32.4	26.176.338	--	26.176.338	21.409.256	--	
16.5.1	Legal Reserves		4.188.387	--	4.188.387	2.955.579	--	
16.5.2	Statutory Reserves		--	--	--	--	--	
16.5.3	Extraordinary Reserves		--	--	--	--	--	
16.5.4	Other Profit Reserves		21.987.951	--	21.987.951	18.453.677	--	
16.6	Profit or Loss		--	--	--	--	--	
16.6.1	Retained Profit or Loss	32.5	11.330.160	--	11.330.160	12.267.082	--	
16.6.2	Net Retained Profit or Loss for the Period		--	--	--	--	--	
	Shares Other Than Parent Company	32.6	11.330.160	--	11.330.160	12.267.082	--	
			--	--	--	--	--	
	<b>TOTAL LIABILITIES</b>		<b>433.260.358</b>	<b>6.657.879</b>	<b>439.918.237</b>	<b>428.191.860</b>	<b>--</b>	





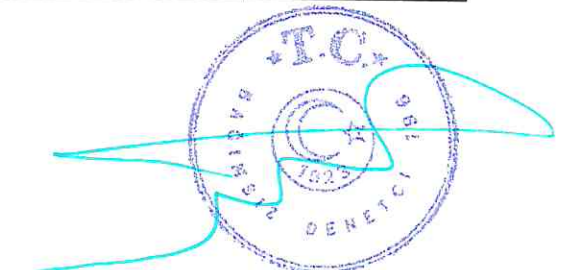
**AK FAKTORİNG ANONİM ŞİRKETİ**  
STATEMENT OF OFF-BALANCE SHEET ITEMS AS OF DECEMBER 31, 2017 AND DECEMBER 31, 2016

OFF-BALANCE SHEET ITEMS		TURKISH LIRA (TRL)					
		Audited Current Period			Audited Prior Period		
		December 31, 2017			December 31, 2016		
		TRL	FC	Total	TRL	FC	Total
I. RISK OF FACTORING OPERATIONS ASSUMED		2.505.405	--	2.505.405	4.329.254	--	4.329.254
II. RISK OF FACTORING OPERATIONS NOT ASSUMED		38.742.338	--	38.742.338	40.538.677	--	40.538.677
III. GUARANTEES RECEIVED	43.1.a	2.665.882.029	7.324.018	2.673.206.047	2.163.749.231	12.492.630	2.176.241.861
IV. GUARANTEES GIVEN	43.1.b	3.143.103	--	3.143.103	4.510.695	--	4.510.695
V. COMMITMENTS	44	--	--	--	--	--	--
5.1 Irrevocable Commitments		--	--	--	--	--	--
5.2 Revocable Commitments		--	--	--	--	--	--
5.2.1 Lease Commitments		--	--	--	--	--	--
5.2.1.1 Financial Leasing Commitments		--	--	--	--	--	--
5.2.1.2 Operating Lease Commitments		--	--	--	--	--	--
5.2.2 Other		--	--	--	--	--	--
5.3 Lending Commitments		--	--	--	--	--	--
5.4 Guarantees Issued in Favor of Customers		--	--	--	--	--	--
VI. DERIVATIVE FINANCIAL INSTRUMENTS		--	--	--	--	--	--
6.1 Derivative Financial Instruments for Cash Flow Hedges		--	--	--	--	--	--
6.1.1 Fair Value Hedge Risk Transactions		--	--	--	--	--	--
6.1.2 Cash Flow Hedge Risk Transactions		--	--	--	--	--	--
6.1.3 Foreign Operations Net Investment Risk Hedge Transactions		--	--	--	--	--	--
6.2 Trading Operations		--	--	--	--	--	--
6.2.1 Future Trading Transactions		--	--	--	--	--	--
6.2.2 Swap Trading Transactions		--	--	--	--	--	--
6.2.3 Exchange Option Transactions		--	--	--	--	--	--
6.2.4 Future Trading Transactions		--	--	--	--	--	--
6.2.5 Other		--	--	--	--	--	--
VII. CUSTODY ASSETS	43.2	476.482.496	30.863.295	507.345.791	431.524.944	33.761.110	465.286.053
<b>TOTAL STATEMENT OF OFF-BALANCE SHEET ITEMS</b>		<b>3.186.755.371</b>	<b>38.187.313</b>	<b>3.224.942.684</b>	<b>2.644.652.800</b>	<b>46.253.740</b>	<b>2.690.906.540</b>



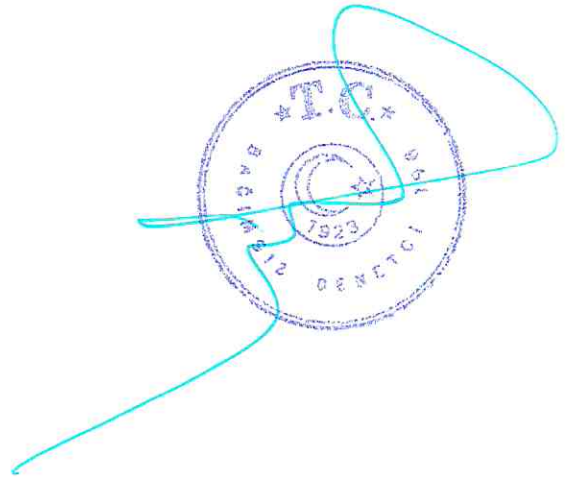
**AK FAKTORİNG ANONİM ŞİRKETİ**  
**PROFIT OR LOSS STATEMENT FOR THE PERIOD JANUARY 01-DECEMBER 31, 2017 AND JANUARY 01-DECEMBER 31, 2016**

INCOME AND EXPENSE ITEMS	Notes	TURKISH LIRA (TRL)	
		Audited	Audited
		Current Period	Prior Period
		January 01 - December 31, 2017	January 01 - December 31, 2016
<b>I. OPERATING INCOME</b>			
<b>    FACTORING INCOME</b>	33	92.295.242	91.795.863
1.1 Interests Received from Factoring Receivables		92.295.242	91.795.863
1.1.1 Reduced		89.653.789	90.647.536
1.1.2 Other		72.271.815	69.483.526
1.2 Fees and Commissions Received from Factoring Receivables		17.381.974	21.164.010
1.2.1 Reduced		2.641.453	1.148.327
1.2.2 Other		2.632.286	1.032.723
		9.167	115.604
<b>    INCOME FROM FINANCING LOANS</b>	34	..	..
1.3 Interest Income from Financial Loans		..	..
1.4 Commission Income from Financial Loans		..	..
<b>    LEASING INCOME</b>	35	..	..
1.1 Financial Leasing Income		..	..
1.2 Operational Leasing Income		..	..
1.2 Fees and Commission Income on Leasing Operations		..	..
<b>II. FINANCING EXPENSES (-)</b>	36	(58.310.321)	(56.296.770)
2.1 Interest Paid for Loans Used		(51.113.499)	(44.900.373)
2.2 Interest Paid for Liabilities from Factoring Transactions		..	..
2.3 Financial Leasing Expenses		..	..
2.4 Interest Given for Issued Securities		..	..
2.5 Other Interest Expenses		(4.051.103)	(8.226.557)
2.6 Fees and Commissions Paid		(98.000)	(14.856)
2.6 Fees and Commissions Paid		(3.047.719)	(3.154.985)
<b>III. GROSS PROFIT AND LOSS (I+II)</b>		33.984.921	35.499.093
<b>IV. OPERATING EXPENSES (-)</b>	37	(9.562.466)	(9.497.957)
4.1 Staff Expenses		(6.055.184)	(5.979.953)
4.2 Expenses of Provisions for Termination Indemnities		(42.230)	(244.628)
4.3 Research and Development Expenses		..	..
4.4 General Operating Expenses		..	..
4.5 Other		(3.306.455)	(3.044.264)
<b>V. GROSS OPERATING PROFIT AND LOSS (I+II)</b>		(158.597)	(229.113)
<b>VI. OTHER OPERATING INCOME</b>	38	24.422.455	26.001.135
6.1 Interest Received from Banks		2.346.797	7.865.641
6.2 Interest Received from Reserve Repurchase Agreements		24.593	58.306
6.3 Interest Received from Securities		..	..
6.3.1 Marketable Securities in the Trade Book		594	..
6.3.2 Fair Value Difference FV Categorized as Profit / Loss Statement		..	..
6.3.3 Financial Assets Ready to Sale		..	..
6.3.4 Investments to be Held Until Maturity		..	..
6.4 Dividend Income		594	..
6.5 Profit from Capital Market Transactions		..	..
6.5.1 Derivative Financial Instruments Transactions		..	..
6.5.2 Other		..	..
6.6 Foreign Exchange Gains		..	..
6.7 Other		1.642.313	4.037.666
6.7 Other		679.297	3.769.669
<b>VII. SPECIAL PROVISIONS FOR NON-PERFORMING RECEIVABLES (-)</b>	39	(1.833.884)	(14.991.536)
<b>VIII. OTHER OPERATING INCOME (-)</b>	40	(779.390)	(3.510.782)
8.1 Impairment Losses on Securities		..	..
8.1.1 Fair Value Difference FV Impairment Loss Categorized as Profit / Loss Statement		..	..
8.1.2 Financial Assets Ready to Sale		..	..
8.1.3 Investments to be Held Until Maturity		..	..
8.2 Impairment Loss of Fixed Assets		..	..
8.2.1 Impairment Loss of Tangible Fixed Assets		..	..
8.2.2 Impairment Loss of Assets Held for Sale and Fixed Assets Related to Discontinued Operations		..	..
8.2.3 Special Assessment Impairment Loss		..	..
8.2.4 Impairment Loss of Other Intangible Fixed Assets		..	..
8.2.5 Impairment Loss of Subsidiaries, Affiliates and Joint Venture		..	..
8.3 Loss on Derivative Financial Transactions		..	..
8.4 Foreign Exchange Losses		..	..
8.5 Other		(779.390)	(3.510.782)
<b>IX. NET OPERATING INCOME AND EXPENSES (V+...+VIII)</b>		..	..
<b>X. INCOME RESULTED FROM MERGES</b>		14.155.978	15.364.457
<b>XI. PROFIT/LOSS ON NET MONETARY POSITION</b>		..	..
<b>XII. PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX (IX+X+XI)</b>		..	..
<b>XIII. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)</b>		14.155.978	15.364.457
13.1 Current Tax Provisions		(2.825.818)	(3.097.375)
13.2 Deferred Tax Cost Effectiveness (-)	24.c	(3.048.586)	(3.158.292)
13.3 Deferred Tax Income Effectiveness (+)	24.b	..	..
<b>XIV. NET PROFIT AND LOSS SUSTAINED ACTIVITIES (NET) (XV±XVI)</b>	24.b	222.768	60.917
<b>XV. INCOME FROM DISCONTINUED OPERATIONS</b>		11.330.160	12.267.082
15.1 Income from Assets Held for Sale		..	..
15.2 Profit on Sale of Associates, Subsidiaries and Jointly Controlled Entities		..	..
15.3 Other Income from Discontinued Operations		..	..
<b>XVI. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		..	..
16.1 Expense on Assets Held for Sale		..	..
16.2 Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		..	..
16.3 Other Expenses from Discontinued Operations		..	..
<b>XVII. PRE TAX PROFIT AND LOSS ON DISCONTINUED ACTIVITIES (XV-XVI)</b>		..	..
<b>XVIII. TAX PROVISIONS FROM DISCONTINUED OPERATIONS (±)</b>		..	..
18.1 Current Tax Provisions		..	..
18.2 Deferred Tax Cost Effectiveness (-)		..	..
18.3 Deferred Tax Income Effectiveness (+)		..	..
<b>XIX. PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XVII±XVIII)</b>		..	..
<b>XX. MINORITY SHARES</b>		..	..
<b>XX. NET PROFIT / LOSS (XIV+XIX)</b>		..	..
<b>EARNINGS PER SHARE</b>	41	11.330.160	12.267.082
Earnings Per Share from Continued Operations (Complete TRL)		0,60	0,65
Earnings Per Share from Discontinued Operations (Complete TRL)		0,60	0,65
<b>DILUTED EARNINGS PER SHARE</b>		..	..
Earnings Per Share from Continued Operations (Complete TRL)		0,60	0,65
Earnings Per Share from Discontinued Operations (Complete TRL)		0,60	0,65



**AK FAKTORİNG ANONİM ŞİRKETİ**  
OTHER COMPREHENSIVE INCOME STATEMENTS FOR THE PERIOD ENDED JANUARY 01 - DECEMBER 31 2017 AND 2016

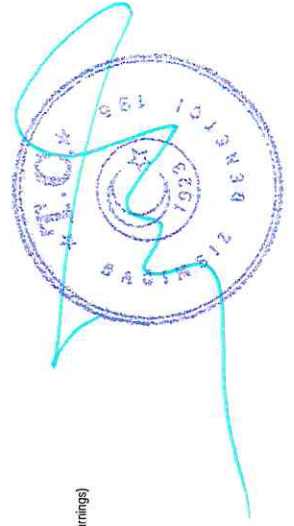
	Notes	TURKISH LIRA (TRL)	
		Audited Current Period	Audited Current Period
		January 01 – December 31, 2017	January 01 – December 31, 2016
<b>CURRENT PERIOD PROFIT/LOSS</b>	41	11.330.160	12.267.082
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Other accumulated comprehensive income or expenses non-re-classifiable to profit or loss</b>	32.3.b	(52.371)	--
Revaluation increase / decrease of fixed tangible assets		--	--
Revaluation increase / decrease of fixed intangible assets		--	--
Defined Benefit Plans Re-Measurement Gains / Losses		(52.371)	--
Shares not to be classified as profit/loss from other comprehensive income of investments valued by equity method		--	--
Other comprehensive income elements not to be classified as other profit or loss		--	--
<b>Other accumulated comprehensive income or expenses classifiable to profit or loss</b>		--	--
Foreign currency exchange difference		--	--
Revaluation and/or classification earnings/losses of financial assets ready for sale		--	--
Cash Flow Hedge Earnings / Losses		--	--
Investment hedge earnings/losses related to foreign operations		--	--
Shares to be classified as profit/loss from other comprehensive income of investments valued by equity method		--	--
Other comprehensive income elements to be classified as other profit or loss		--	--
Taxes regarding other comprehensive income to be reclassified as profit/loss		--	--
Tax income /loss of the period		--	--
Deferred tax income /loss		--	--
<b>OTHER COMPREHENSIVE INCOME</b>		(52.371)	--
<b>TOTAL COMPREHENSIVE INCOME</b>		11.277.789	12.267.082
<b>Distribution of the Total Comprehensive Income</b>			
Minority Interest		--	--
Parent Company Shares		11.277.789	12.267.082



AK FAKTORING ANONİM ŞİRKETİ  
STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED JANUARY 01 - DECEMBER 31, 2017 AND 2016

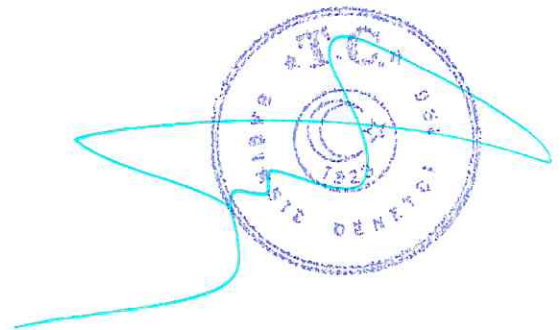
CHANGES IN EQUITY	Notes	Paid in Capital	Other accumulated comprehensive income or expenses non-re-classifiable to profit or loss						Current Period Profit/Loss	Shares other than parent company	Total Equity
			1	2	3	4	5	6			
<b>PRIOR PERIOD</b>											
January 01 - December 31, 2016											
I. Balance at the Beginning of the Period		25.500.000									51.909.253
II. Correction Made According to TAS 8											
2.1 Error Correction Influence											
2.2 Accounting Policy Correction Effect											
III. New Balance	32	25.500.000									51.909.254
IV. Total Comprehensive Income											
V. Increase in Capital Realized in Cash											
VI. Increase in Capital from Internal Resources											
VII. Paid-in Capital Inflation Adjustment											
VIII. Convertible Bonds											
IX. Subordinated Loans											
X. Increase /decrease due to other changes											
XI. Net Profit or Loss for The Period											
XII. Profit Distribution											
12.1 Distributed Dividend											
12.2 Amount Transfer to Reserves											
12.3 Other											
Balance at the End of Period (III+IV+.....+XI+XII+XIII)		25.500.000									59.176.339
<b>CURRENT PERIOD</b>											
January 01 - December 31, 2017											
I. Balance at the Beginning of the Period		25.500.000									59.176.339
II. Correction Made According to TAS 8											
2.1 Error Correction Influence											
2.2 Accounting Policy Correction Effect											
III. New Balance	32	25.500.000									59.176.339
IV. Total Comprehensive Income											
V. Increase in Capital Realized in Cash											
VI. Increase in Capital from Internal Resources											
VII. Paid-in Capital Inflation Adjustment											
VIII. Convertible Bonds											
IX. Subordinated Loans											
X. Increase /decrease due to other changes											
XI. Net Profit or Loss for The Period											
XII. Profit Distribution											
12.1 Distributed Dividend											
12.2 Amount Transfer to Reserves											
12.3 Other											
Balance at the End of Period (III+IV+.....+XI+XII+XIII)		25.500.000									62.954.126

1. Fixed assets accumulated revaluation increase/decrease
2. Defined benefit plans accumulated re-measurement earnings/losses
3. Other (accumulated amounts of other comprehensive earning elements not to be classified as profit or loss and shares not to be classified as profit/loss from other comprehensive earnings)
4. Foreign currency exchange difference
5. Accumulated revaluation and/or classification earnings/losses of financial assets ready for sale
6. Other (cash flow hedge earnings/losses, accumulated amounts of other comprehensive earning elements to be classified as profit or loss and shares to be classified as profit/loss from other comprehensive earnings)



**AK FAKTORİNG ANONİM ŞİRKETİ**  
STATEMENT OF CASH FLOW FOR THE PERIOD ENDED JANUARY 01 - DECEMBER 31, 2017 AND 2016

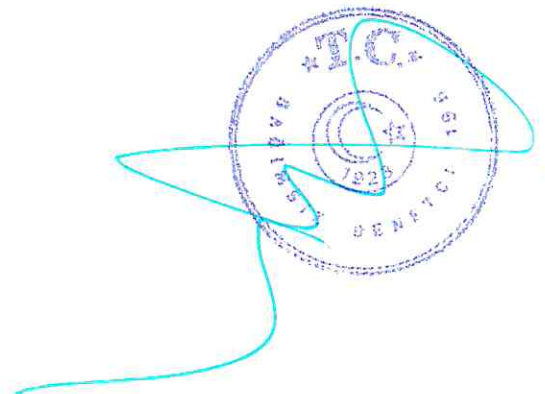
	Notes	TURKISH LIRA (TRL)	
		Audited	Audited
		Current Period	Prior Period
		January 01 - December 31, 2017	January 01 - December 31, 2016
<b>A. CASH FLOWS OF MAIN OPERATIONS</b>			
1.1 Operating profit on assets and liabilities subject of main operation prior to change		24.947.263	29.814.756
1.1.1 Interests Received / Leasing Earnings	33	89.678.976	91.564.566
1.1.2 Interest Paid	27, 36	(55.164.602)	(53.438.653)
1.1.3 Rental Expenses		--	--
1.1.4 Dividend Receipt		--	--
1.1.5 Fees and Commissions Received	33	2.641.453	1.148.327
1.1.6 Other earnings acquired	38, 40	(1.603.499)	1.141.567
1.1.7 Collections from receivable on follow up accounted as loss	15	470.937	6.276
1.1.8 Cash payments to staff and service providers	37	(9.333.048)	(8.657.347)
1.1.9 Taxes Paid	24	(1.742.954)	(1.949.980)
1.1.10 Other		--	--
1.2 Changes in Operating Assets and Liabilities		(25.770.909)	(46.870.635)
1.2.1 Net (Increase) / Decrease in Factoring Receivables	11	(21.609.961)	(40.568.327)
1.2.2 Net (Increase) / Decrease in Financial Loans		--	--
1.2.4 Net (Increase) / Decrease in Rental Receivables		--	--
1.2.6 Net (Increase) / Decrease in Other Assets	14, 23, 25	(3.382.047)	(2.695.211)
1.2.6 Net (Increase) / Decrease in Factoring Payables	11	(1.221.931)	1.494.752
1.2.7 Net (Increase) / Decrease in Receivables Loans		--	--
1.2.8 Net (Increase) / Decrease in Matured Debt	14, 24.d	411.780	(5.164.992)
1.2.9 Net (Increase) / Decrease in Other Liabilities	29, 31	31.250	63.143
<b>I. Net Cash Provided from / (Used in) Operating Activities</b>		<b>(823.645)</b>	<b>(17.055.880)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
2.1 Investments in Associates, Subsidiaries and Joint Ventures		--	--
2.2 Disposal of Subsidiaries, Associates and Joint Ventures		--	--
2.3 Securities and Properties Purchased	21, 22	(414.296)	(349.891)
2.4 Securities and Properties Sold	21, 22	13.216	--
2.5 Available-for-Sale Financial Assets		--	--
2.6 Held-for-Sale Financial Assets		--	--
2.7 Investments to be Held Until Maturity		--	--
2.8 Investments Held to Sales		--	--
2.9 Other Cash Flows Related to Investment Activities	7	--	--
<b>II. Net Cash Used in Investing Activities</b>		<b>(401.081)</b>	<b>(349.891)</b>
<b>C. CASH FLOWS RELATED TO FINANCIAL ACTIVITIES</b>			
3.1 Cash provided by credits and securities issued	27, 28	8.639.872	22.708.279
3.2 Cash Outflows from Loans and Marketable Securities Issued		--	--
3.3 Issued Equity Instruments		--	--
3.4 Dividend Payments		(7.500.000)	(5.000.000)
3.5 Financial Leasing Payments		--	--
3.6 Other Cash Flows Related to Financing Activities		--	--
<b>III. Net Cash Used in Financing Activities</b>		<b>1.139.872</b>	<b>17.708.279</b>
<b>IV. Currency Exchange Rate Difference's Influence on Cash and Cash Equivalent Assets</b>		<b>--</b>	<b>--</b>
<b>V. Net Increase / (Decrease) in Cash and Cash Equivalents</b>		<b>(84.854)</b>	<b>302.508</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	6, 8	<b>700.013</b>	<b>397.505</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	6, 8	<b>615.158</b>	<b>700.013</b>



**AK FAKTORİNG ANONİM ŞİRKETİ**  
STATEMENT OF DIVIDEND DISTRIBUTION FOR THE PERIOD ENDED JANUARY 01 - DECEMBER 31, 2017 AND 2016

	TURKISH LIRA (TRL)	
	Audited	Audited
	Current Period	Prior Period
	January 01 - December 31, 2017	January 01 - December 31, 2016
<b>I. DISTRIBUTION OF THE PERIOD PROFIT</b>		
1.1 PERIOD PROFIT	14.155.979	15.364.457
1.2 PAYABLE TAXES AND LEGAL LIABILITIES (-)	(3.048.586)	(3.158.290)
1.2.1 Income Tax	(3.048.586)	(3.158.290)
1.2.2 Income Tax Deduction	-	-
1.2.3 Other Taxes and Legal Liabilities	-	-
<b>A. NET PERIOD PROFIT (1.1-1.2)</b>	<b>11.107.393</b>	<b>12.206.167</b>
1.3 PREVIOUS PERIOD LOSS (-)	-	-
1.4 PRIMARY RESERVE (-)	555.370	610.308
1.5 BANKING AND SAVING COMPULSORY LEGAL FUNDS (-)	(222.768)	(60.917)
<b>B. DISTRIBUTABLE NET PERIOD PROFIT [(A)-(1.3+1.4+1.5)]</b>	<b>10.552.023</b>	<b>11.656.775</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	1.275.000
1.6.1 Shareholders	-	1.275.000
1.6.2 Privileged Shareholders	-	-
1.6.3 Participating Shares	-	-
1.6.4 Participation Bonds	-	-
1.6.5 Profit and Loss Sharing Certificate Owners	-	-
1.7 DIVIDEND TO EMPLOYEE (-)	-	-
1.8 DIVIDEND TO THE BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	6.225.000
1.9.1 Shares Shareholders	-	6.225.000
1.9.2 Privileged Shareholders	-	-
1.9.3 Participating Shares	-	-
1.9.4 Participation Bonds	-	-
1.9.5 Profit and Loss Sharing Certificate Owners	-	-
1.10 SECOND LEGAL RESERVES (-)	-	622.500
1.11 STATUARY RESERVES (-)	-	-
1.12 GENERAL RESERVES	-	3.534.275
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. RESERVES DISTRIBUTION</b>		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 SHARE TO PARTNERS (-)	-	-
2.3.1 Shareholders	-	-
2.3.2 Privileged Shareholders	-	-
2.3.3 Participating Shares	-	-
2.3.4 Participation Bonds	-	-
2.3.5 Profit and Loss Sharing Certificate Owners	-	-
2.4 SHARE TO EMPLOYEE (-)	-	-
2.5 SHARE TO THE BOARD OF DIRECTORS (-)	-	-
<b>III. PROFIT PER SHARE</b>		
3.1 SHAREHOLDERS	-	-
3.2 SHAREHOLDERS (%)	-	-
3.3 PRIVILEGED SHAREHOLDERS	-	-
3.4 PRIVILEGED SHAREHOLDERS (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 SHAREHOLDERS	-	-
4.2 SHAREHOLDERS (%)	-	-
4.3 PRIVILEGED SHAREHOLDERS	-	-
4.4 PRIVILEGED SHAREHOLDERS (%)	-	-

For the period 2017, the calculation was not continued after net period profit since the general assembly was not held.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 1. ORGANIZATION AND NATURE OF OPERATIONS

Ak Faktoring Anonim Şirketi was established with the title of "Ak Faktoring Hizmetleri Ticaret Anonim Şirketi" on September 18, 1992. The title of the company has been decided to change by unanimous vote as "Ak Faktoring Anonim Şirketi" at the Extraordinary General Meeting of the Company held on October 12, 2012. The decision was announced in the Trade Registry Gazette numbered 8183 on October 31, 2012 and the company's title was registered as "Ak Faktoring Anonim Şirketi".

The company operates at address which is "Büyükdere Cad. Özsezen İş Merkezi C Blok No: 126 Kat: 9 Esentepe, Şişli / İstanbul". The main activity of the Company is to provide factoring services to industrial and commercial companies. The Company continues their factoring activities in one geographical region (Turkey).

The shareholding structure of the company is as follows:

	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Altın Has Holding A.Ş.	% 100,00	25.499.700	% 100,00	25.499.625
İnan Altınbaş	> 1	75	> 1	75
Hüseyin Altınbaş	> 1	75	> 1	75
Abdülhamit Yurt	--	--	> 1	75
Atilla Keskin	> 1	75	> 1	75
Vedat Bayat	> 1	75	> 1	75
	<b>% 100,00</b>	<b>25.500.000</b>	<b>% 100,00</b>	<b>25.500.000</b>

As of December 31, 2017, the number of employees is 47. (December 31, 2016 - 53).

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

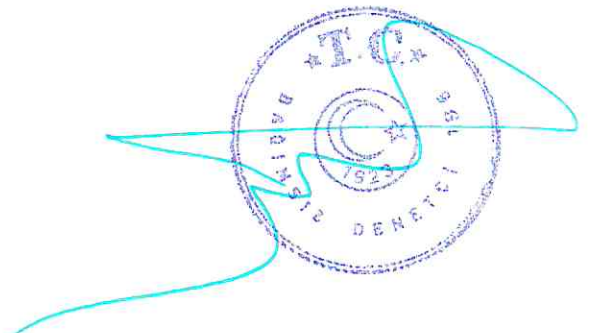
##### 2.1. Basis of Presentation

##### 2.1.1. Applied Accounting Standards

The Company's activities are accounted for in accordance with the Turkish Accounting Standards within the scope of the Communiqué on the Uniform Chart of Accounts and Explanatory Notes which will be applied to Financial Leasing, Factoring and Financing Companies which is published in the Official Gazette dated December 24, 2013 and numbered 28861.

In accounting for activities, provisions of the regulations have been applied about prepared on the basis of "Financial Leasing, Factoring and Financing Companies Law" which is published in the Official Gazette dated December 13, 2012, numbered 28496 and Accounting Practices and Financial Tables of Financial Leasing, Factoring, and Financing Companies which is published in Official Gazette dated December 24, 2013 and numbered 28861.

The Annex 1 of the Law No. 2499 was cancelled by the Decree No. 660 which is entered into force and to be published in the Official Gazette on November 2, 2011. And Public Oversight, Accounting and Auditing Standards Institution ("Institution") was established. In preparation of the financial statements, Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS / TFRS") and related annex and interpretations ("TAS / TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("KGK") have been taken a basis.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

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

### 2.1. Basis of Presentation (Cont'd)

#### 2.1.2. Functional and Reporting Currency

The functional currency of the Company is the Turkish Lira (TL) and the reporting currency is also Turkish Lira (TL).

#### 2.1.3. Adjustment of Financial Statements in Hyperinflationary Periods

The Company's financial statements have been subject to inflation adjustments in accordance with "Turkish Accounting Standard related to Financial Reporting in Hyperinflationary Economies" ("TAS 29") until December 31, 2004. The indicators that require inflation accounting application is stated to have been removed with general instruction issued by the Banking Regulation and Supervision Agency ("BRSA") dated April 28, 2005. And the application of inflation accounting has been terminated as of January 1, 2005.

#### 2.1.4. Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a basis, or realize the asset and settle the liability simultaneously.

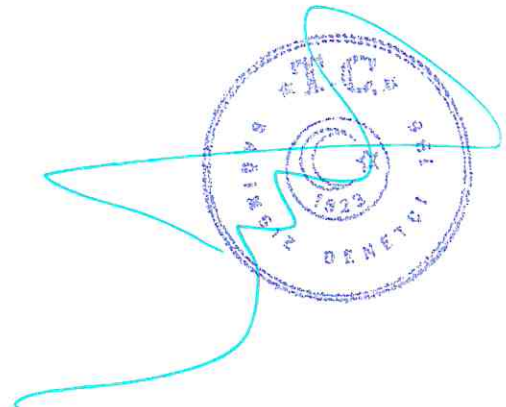
## 2.2. Changes in Accounting Policies

Significant changes in accounting policies and identified significant accounting errors are applied, retrospectively and the prior period financial statements are restated. The Company has applied their accounting policies consistent with the previous financial year.

## 2.3. Changes in the Accounting Estimates and Errors

If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods. They are recognized both in the period where the change is applied and future periods prospectively. Correction of error are considered by retrospectively and the prior period financial statements are restated.

The preparation of financial statements in accordance with the Reporting Standards requires that management is to apply policies, to make decisions affected by reported amounts of assets, liabilities, income and expenses to make estimates and assumptions. Actual results may differ from these estimates. The estimates and the assumptions underlying estimates are constantly being reviewed. The updates to the accounting estimates are based on the period which is made the updates and on subsequent periods affected by these updates.





## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

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

### 2.4. Comparative Information and Adjustment Financial Statements of Previous Period

The current period financial statements and footnotes are presented comparatively with the prior period financial statements and footnotes. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when it is necessary.

The accounting principles are applied by the Company and showed consistency with accounting principles applied in previous periods.

The estimates and the assumptions underlying estimates are constantly being reviewed. The updates to the accounting estimates are based on the period which is made the updates and on subsequent periods affected by these updates.

### 2.5 New and Revised Turkish Accounting Standards

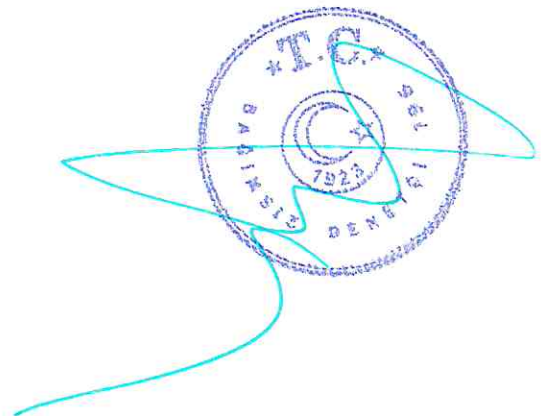
#### a) Amendments to TAS affecting amounts reported and/or disclosures in the financial statements

None.

#### b) The new standards amendments and interpretations which are effective as at 2017 are as follows:

In December 2017, POA issued amendments to TAS 7 'Statement of Cash Flows'. The amendments are intended to clarify TAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods.

In December 2017, POA issued amendments to TAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Company applies this relief, it shall disclose that fact. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.



AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Cont'd)

2.5 New and Revised Turkish Accounting Standards (Cont'd)

b) The new standards amendments and interpretations which are effective as at 2017 are as follows

Annual Improvements to TFRS's - 2014-2016 Cycle

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

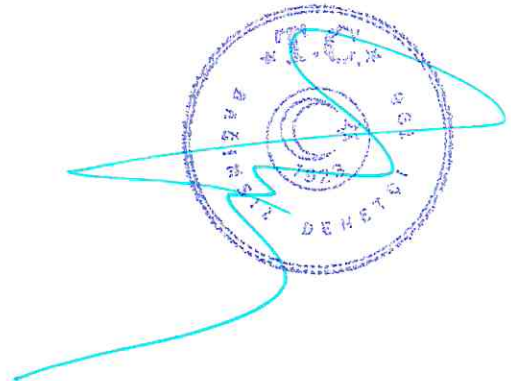
- TFRS 1 "First-time Application of International Financial Reporting Standards": This amendment removes certain TFRS 7 disclosures, IAS 19 transitional provisions and short-term exceptions to TFRS 10 Investment Enterprises. The amendment will be effective for annual periods beginning on or after January 01, 2018.

- TFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with TFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

- TAS 28 "Investments in Associates and Joint Ventures": This amendment clarifies that investments in associates and joint ventures are accounted for in accordance with TFRS 9 Financial Instruments if investments in associates or joint ventures are held indirectly or directly through an enterprise or similar enterprise it is clear that the ability to choose to measure the fair value difference in profit or loss reflected is valid at the time of initial recognition of each subsidiary or joint venture. The amendment will apply to annual periods beginning on or after January 01, 2018. Early application is allowed.

b) Standards issued but not yet effective and not early adopted

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



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

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

##### 2.5 New and Revised Turkish Accounting Standards (Cont'd)

###### c) Standards issued but not yet effective and not early adopted (Cont'd)

###### **TFRS 9 Financial Instruments (Version 2017)**

TFRS 9 Financial Instruments Standard issued by the POA in January 2017 amends the existing guidance in TAS 39 Financial Instruments: Recognition and Measurement. This version includes updated applications for the classification and measurement of financial instruments, including new forward-looking credit impairment models for the calculation of impairment in financial assets and for new general hedge accounting requirements, including guidance issued in earlier versions. In the new version of TFRS 9, applications related to the accounting and off-balance sheet of financial instruments included in TAS 39 are also carried to the new standard. The TFRS 9 standard is effective for annual periods beginning on or after January 01, 2018 and early application is permitted. The Company accounts for its factoring receivables in accordance with the Regulation published by the BRSA. Therefore, the application of TFRS 9 depends on the arrangements that the BRSA will take in the related direction.

###### **TFRS 15 Revenue from Contracts with Customers**

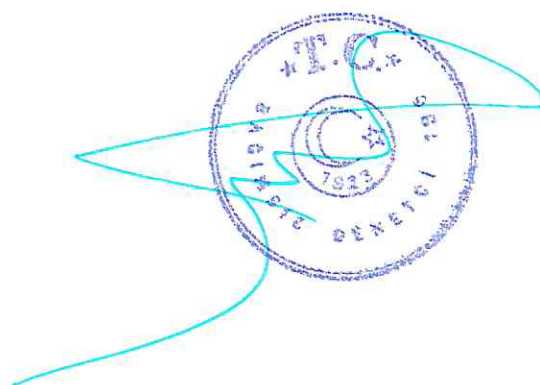
The new revenue standard released by the POA in September 2016 introduces a new control based model for contracts with customers by changing the guidance in existing TFRS's. This new standard introduces new guidance in accounting for the separation and classification of goods and services that are included in the contract when accounting for revenue, and estimates that revenue is measured at fair value rather than fair value. TFRS 15 is effective for annual periods beginning on or after January 01, 2018 and is permitted for early application. The Company assesses the possible effects of the adoption of TFRS 15 on its financial statements.

###### **TFRS 4 Insurance Contracts (Amendments);**

In December 2017, POA issued amendments to TFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

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

The interpretation issued by POA on December 2017 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds. The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company



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

**2.5 New and Revised Turkish Accounting Standards (Cont'd)**

**c) Standards issued but not yet effective and not early adopted (Cont'd)**

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

In December 2017, POA issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments b. share-based payment transactions with a net settlement feature for withholding tax obligations; and c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**Amendments to IAS 28 Investments in Associates and Joint Ventures (Amendments)**

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

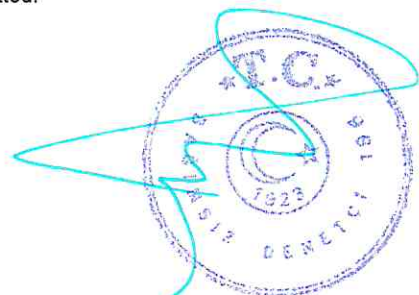
IFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method.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

The amendments are effective for annual periods beginning on or after 1 January 2019, with early application permitted. The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

**IAS 40 Investment Property: Transfers of Investment Property (Amendments)**

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

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture-Amendments. In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.



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

**2.5 New and Revised Turkish Accounting Standards (Cont'd)**

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

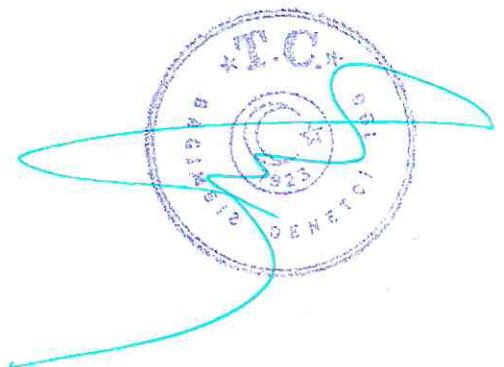
The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the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

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

The IASB has made amendments to IFRS 2 Share-based Payments to increase consistency in accounting for share-based payments and to eliminate certain uncertainties. With this change; the classification of share-based payments made by netting withholding tax and the accounting for changes in share-based payments that have been converted into cash, which are paid in cash as a vehicle based on equity. In this way, the same approach used to measure stock-based payments based on equity was adopted in the measurement of cash-based share-based payments. Share-based payments, net of withholding tax, will be recognized as payments made by giving financial instruments based on equity if certain conditions are met. This amendment is effective for annual periods beginning on or after January 01, 2018 and early application is permitted. The Company assesses the possible effects of the adoption of IFRS 2 on its financial statements.

**IFRIC 22 - Foreign Currency Transactions and Advance Consideration**

On December 8, 2016, IFRIC 22 was issued to remove doubts about the date on which the IASB will consider foreign currency denominated monetary amounts given or received. This Interpretation applies to assets or liabilities that are accounted for by the entities as prepaid expenses in the non-monetary item or as income received as advances. The date of transaction will be the date of initial recognition of an asset relating to prepayment or an obligation related to deferred income in determining the date on which the exchange rate is to be used. If there is more than one advance given in advance or in advance, a separate transaction date must be specified for each advance amount. Early application of IFRIC 22 is permitted, with reporting periods beginning after January 01, 2018. The Company assesses the possible impact of the implementation of IFRIC 22 on the financial statements.



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

**2.5 New and Revised Turkish Accounting Standards (Cont'd)**

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

**IFRS 16 Leases**

The new IFRS 16 Leasing Transactions Standard was issued by the IASB on January 13 2016, These standard leases are subject to amendments to the existing IAS 17 Leases, IFRS Comment 4 Determination of whether a settlement includes lease and IAS 15 Operating Leases - Incentives standards and interpretations, and to amendments to IAS 40 Property of Investment Property, in which the recognition of such leases is entered. IFRS 16 removes the dual accounting model for leaseholders from the existing practice of leasing transactions in the balance sheet and the operating lease transactions are shown off balance sheet. Instead, a single balance sheet-based accounting model is presented similar to existing leasing accounting. Recognition for leaseholders continues to be similar to existing practices. The amendment will be effective for annual periods beginning on or after January 01, 2019 and early application is permitted for entities applying the IFRS 15 Customer Contracts Revenue standard. The Company assesses the possible effects of the implementation of IFRS 16 on the financial statements.

**IFRIC 23 Uncertainty over Income Tax Treatments**

On June 17, 2017, the IASB issued an Interpretation of Uncertainty Regarding the Operations of IFRIC 23 Revenue Taxes in order to determine how the uncertainties related to the calculation of income taxes would be reflected in the financial statements. There may be uncertainties as to how tax regulations will be applied to a particular transaction or situation, or whether the tax authority will accept tax transactions from a company. IAS 12 "Income Taxes" provides guidance on how to account for current and deferred tax, but does not provide guidance on how to account for the effects of these uncertainties on the financial statements. IFRIC 23 introduces additional requirements to the provisions of IAS 12, clarifying how the effects of the uncertainty of income taxes in accounting for income taxes will be reflected in the financial statements. Early adoption of this interpretation is permitted, with reporting periods beginning on or after January 01, 2019. The Company assesses the possible impact of the application of IFRIC 23 on the financial statements.

**2.6. Summary of Significant Accounting Policies**

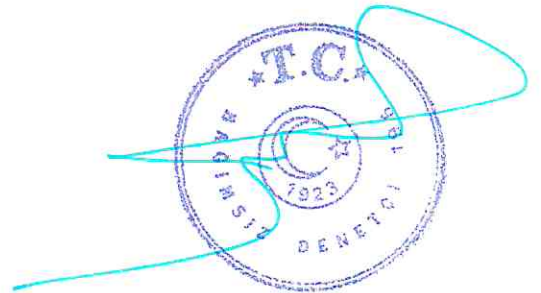
**a. Revenue Recognition**

Interest, commission and fee income from factoring transactions are recognized on an accrual basis unearned portions of interest income from factoring transactions are also shown on an accrual basis. The doubtful factoring receivables are accounted for by deducting receivable receivables.

**b. Financial Instruments**

**Financial Assets**

Financial assets classified as financial assets at fair value through profit or loss and financial assets other than those at fair value through profit or loss are accounted for at the fair market value and the total amount of the expenditures that can be directly related to the purchase transaction. As a result of the purchase or sale of financial assets that are subject to the delivery condition of the investment instruments in accordance with the period determined by the related market are recorded or removed from recorded at the transaction date.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

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

### 2.6. Summary of Significant Accounting Policies (Cont'd)

#### b. Financial Instruments (Cont'd)

##### Financial Assets (Cont'd)

Financial assets are classified as "financial assets at fair value through profit or loss", "investments held-to-maturity", "available-for-sale financial assets" and "loans and receivables". The classification is determined at the time of initial recognition, depending on the purpose and nature of the acquisition of the financial asset.

##### Effective Interest Method

The effective interest method is the valuation of the financial asset at amortized cost and the redistribution method in which the relevant interest income is related. Effective interest rate which reduces the estimated cash receipts to be collected 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 asset. Income related to financial assets other than financial assets at fair value through profit or loss are calculated by using the effective interest method.

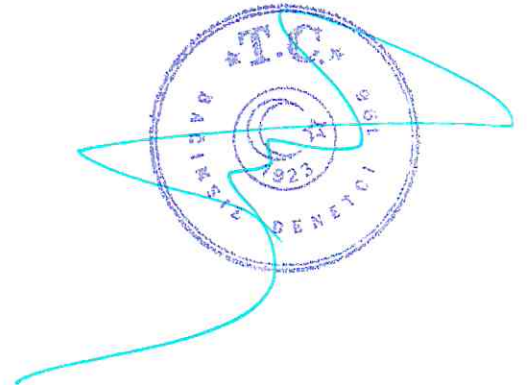
##### Fair Value Through Profit / Loss Assets

Financial assets at fair value through profit or loss are which held for trading purposes and not acquired for trading purposes and financial assets that are accounted for in this category during initial recognition. Financial assets are classified in the category, when a financial asset is acquired for short-term withdrawal or when it is concluded that a more accurate accounting presentation will be achieved during initial accounting. Financial assets that are derivative financial instruments that are not designated as an effective hedge against financial risk are also classified as financial assets at fair value through profit or loss.

Private sector investments based on credit, which are included in financial investments, are classified as trading securities for purchase and sale. Valuation gains and losses are recognized at fair value to be reflected in income statements in their subsequent valuation. Investments are where there is no reliable fair value, are valued at the discounted cost value. The discounted cost is calculated by the effective interest rate method.

##### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

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

### 2.6. Summary of Significant Accounting Policies (Cont'd)

#### b. Financial Instruments (Cont'd)

##### Available-For-Sale Financial Assets

Company that are traded in an active market are classified as being available- for-sale financial assets and are stated at fair value. The Company also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at fair value. Similarly, investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since the fair value of these investments cannot be measured reliably. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve except for impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss.

Available-for-sale monetary assets denominated in foreign currencies are determined on the basis of the currency in which the fair value is expressed and it is converted from the valid currency at the end of the reporting period. Foreign exchange gains / (losses) recognized in the income statement are determined based on the monetary asset's amortized cost value. Other foreign exchange gains and losses are recognized in other comprehensive income.

##### Factoring Receivables and Other Receivables

Factoring receivables and other receivables are accounted at their fair value at the date of initial recognition during the reporting periods after the first registration date, other receivables other than factoring receivables are stated at amortized cost by using the effective interest method. Factoring transactions are presented with their carrying values in subsequent reporting periods. During the first registration of factoring receivables, the prediction is that the registered values approximate to its fair value due to the consideration of the discount.

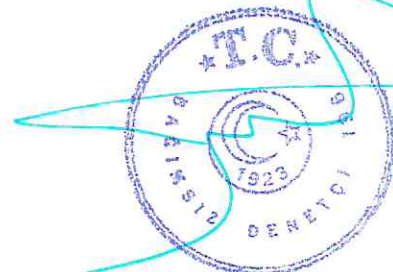
Specific provisions and free provisions are reserved for factoring receivables in accordance with the "Regulation on Accounting Applications and Financial Tables of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette No. 28861 dated 24 December 2013 by BRSA.

##### Impairment in Financial Assets

Financial assets other than financial assets at fair value through profit or loss, are assessed whether any indication that a financial asset or a group of financial assets has suffered an impairment at each balance sheet date. When the occurrence of one or more events after the initial recognition of the financial asset and when there is an objective evidence that the related impairment loss is impaired as a result of the impact on the estimated future cash flow of the related financial asset or group of assets that can be reliably estimated, is depreciated and impairment loss occurs. The impairment loss for loans and receivables is the difference between the present value of the expected future cash flows which is discounted at the financial asset's original interest rate, and the carrying amount.

Except factoring receivables, the impairment is directly deducted from the carrying amount of the related financial asset in all other financial assets. In case the receivables cannot be collected, the respective amount is deducted from the provision account. Changes in the provision account are recognized in the income statement.

Except for available-for-sale equity instruments, if the impairment loss decreases in the following period and if the decrease can be associated with an event occurring after the recognition of the impairment loss, in case the impairment of the investment has never been accounted at the date on which the previously recognized impairment loss impairment is to be cancelled, it is cancelled in profit / loss as not exceeding the amount of the amortized cost.





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

**2.6. Summary of Significant Accounting Policies (Cont'd)**

**b. Financial Instruments (Cont'd)**

Cash and Cash Equivalents

Cash and cash equivalents include balances with maturity of less than three months from the date of acquisition, including cash and deposits in banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and specific demand deposits. The book value of these assets approximates their fair value.

Derivative Financial Instruments and Financial Liability Protection Accounting

The activities of the Company primarily expose the entity and expose it to financial risks that are subject to changes in interest rates. The company use derivative financial instruments (mainly exchange rate forward contracts) in order to manage the financial risks associated with currency and interest rate fluctuations related to future foreign currency and credit transactions. Derivative financial instruments are recorded at fair value at the date of the contract and are accounted for at fair value at subsequent reporting periods. Derivative financial instruments are recognized as held for trading because all necessary conditions are not fulfilled in order to be recognized as an item in hedge of hedge accounting, while providing hedge accounting. And the gain or loss realized by means of the related instruments is associated with the profit and loss statement.

Financial Liabilities

The Company's financial liabilities and equity instruments are classified in accordance with the definition of a contractual arrangement, a financial obligation and a tool based on equity. The contract representing the right of remaining assets after deducting all debts of the Company, is a financial instrument based on equity.

The accounting policies applied for based upon certain financial liabilities and equity instruments are given below.

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

Fair Value Difference Financial Liabilities Reflected in Profit or Loss

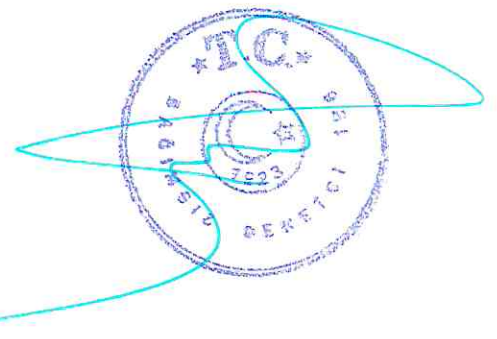
Financial liabilities at fair value through profit or loss are accounted for at fair value and they are revalued at the balance sheet date at fair value at each reporting period. The change in fair value is recognized in the income statement. Net gains or losses recognized in the income statement also include the interest paid for such financial liability.

Other Financial Liabilities

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

Other financial liabilities are accounted with the interest rate calculated over the effective interest rate in subsequent periods and amortized cost using the effective interest method.

The effective interest method is the calculation of the amortized cost of the financial liability and the way in which the related interest expense is related to the redistribution. Effective interest rate which reduces the estimated cash receipts to be collected 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 asset.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

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

### 2.6. Summary of Significant Accounting Policies (Cont'd)

#### c. *Tangible Fixed Assets and Depreciation*

Tangible assets are reflected accumulated depreciation and permanent value losses by deduction from the carrying value of the items accounted for using the effective interest method as of 31 December 2004 for items that were acquired before 01 January 2005 and the purchase cost value for items purchased after 31 December 2004.

Depreciation is amortized on a straight-line basis over the estimated useful lives of the tangible assets. Estimated useful lives of the related assets are as follows:

	Years
Furniture and fixtures	5 -10

Profit or loss arising from deduction of tangible assets are determined by comparing the amounts recovered and the amounts collected. And it is reflected in related income and expense accounts in the current period.

Costs of providing new products or services including costs of opening a new activity, advertising costs; costs to do business in a new location or with a new customer segment including training cost of staff; costs such as general management costs cannot be directly associated with the asset, thus, not included in the acquisition cost due to the fact that they are not included in the purchase price of the tangible asset and because the asset is not put in place to bring it into the necessary position and status so that it can operate in the direction of the management's objectives.

#### d. *Intangible Assets and Depreciation*

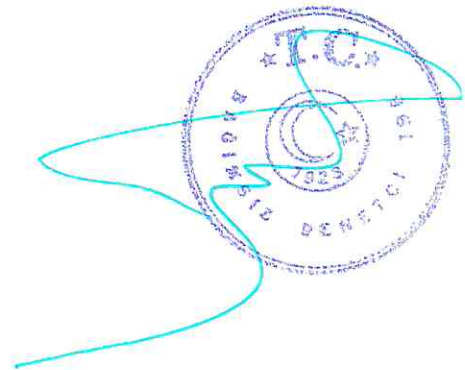
The intangible assets are taken into the financial statements in according with the criteria of being identifiable, having control over the related resource and the existence of an economic benefit expected to be obtained in the future. In this framework, expenditures related to training activities, expenditures related to advertising and promotional activities, partially or fully reorganization expenditures and expenditure on initial activities, except those that can be included in the cost of tangible assets are taken into financial statements as expense when they are accrued.

#### e. *Impairment of Assets*

The impairment test is applied when it is not possible to recover the carrying amount for assets subject to repayment or when events occur. An impairment loss is recognized when the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the big one of the fair value or value in use after deduction of the selling costs. For the purpose of assessing impairment, assets are grouped at the lowest level where the identifiable cash flows are present (cash-generating units). Non-financial assets subject to impairment are reviewed at each reporting date for possible cancellation of impairment.

#### f. *Capital Increases*

Capital increases from existing shareholders are approved and registered at annual general meetings and they are accounted over their nominal values.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

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

### 2.6. Summary of Significant Accounting Policies (Cont'd)

#### g. Provisions for Severance Payment

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

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

#### h. Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date considering the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle, a provision is expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### i. Borrowing Costs

All borrowing costs are recorded in the income statement for the periods in which are incurred.

#### j. The Effects of Changes in Foreign Exchange Rates

The financial statements of each Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of each entity are expressed in Turkish Liras (TRY).

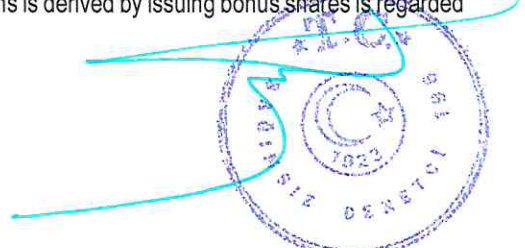
The exchange rates used by the Company as of December 31, 2017 and December, 31 2016 are as follows:

		TRY / USD	TRY / EUR	TRY / GBP
December 31, 2017	:	3,7719	4,5155	5,0803
December 31, 2016	:	3,5192	3,7099	4,3189

A foreign currency transaction should be recorded initially at the rate of exchange at the date of the transaction. Assets and liabilities for each statement of financial position presented are translated to Turkish Liras (TRY) at the buying rate of TCMB at the date of that balance sheet.

#### k. Earnings per Share

Earnings per share are determined by dividing net income by the weighted average number of shares outstanding during the year. The shares of the Company by distributing shares to existing shareholders from retained earnings and allowable reserves ("Bonus Shares") to increase their capital. When calculating earnings per share, these shares are considered as issued shares. The weighted average number of shares used in earnings per share computations is derived by issuing bonus shares is regarded as backward.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

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

### 2.6. Summary of Significant Accounting Policies (Cont'd)

#### l. Subsequent Events

Events after the balance sheet date comprise any events between the balance sheet date and the date of authorization of the financial statements for issue, even if any events after the balance sheet date occurred subsequent to the announcement on the Company's profit or following the publicly disclosed financial information.

The Company restates its financial statements if such adjusting subsequent events arise.

#### m. Finance Leasing

Leasing – The Company as Lessee

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

Acquired assets, lease, rental, or at the date the fair value of the asset at the lower of the present value of the minimum lease payments is activated by using. The corresponding liability to the lessor is shown in the balance sheet as a finance lease obligation. Finance lease payments finance charges and reduction of the lease obligation are divided as to the payment of the principal that provides, and thus allows us to calculate interest on the balance remaining principal of the debt at a fixed rate.

Financial expenses the Company's general policy details, which include financing costs capitalized within the scope of the above except for the portion of the borrowing are recognized in profit or loss. Contingent rents are recorded as an expense in the period in which they are incurred.

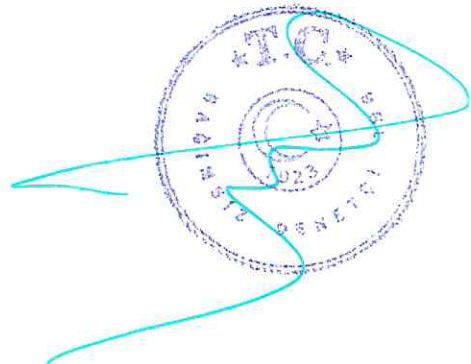
#### n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. The subsidiaries of the Company have deferred tax assets resulting from tax loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future.

Deferred tax assets and liability are not recognized in which case arising from initial recognition of goodwill or an asset/liability (except business combinations) which, at the time of the transaction, does not affect either the accounting or the taxable profit.



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

**2.6. Summary of Significant Accounting Policies (Cont'd)**

**n. Taxation (Cont'd)**

Deferred tax assets for deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, are only recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference will be utilized.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date. Deferred tax assets or a portion of the deferred tax asset will allow to obtain the full benefits of sufficient taxable income to the extent that it is not possible, reduce the carrying value of deferred tax assets.

Deferred taxes assets resulted from these types of investments and shares are calculated under the condition that it has the high probability that the related differences will be extinct in the future and the adequate profit will be gain to exploit these differences. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the balance sheet date. The measurement reflects the entity's expectations, at the end of the reporting period, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

Deferred tax assets and deferred tax liabilities can only be offset in the statement of financial position if the entity has the legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same taxing authority on the same entity or different entities that intend to realize the asset and settle the liability at the same time.

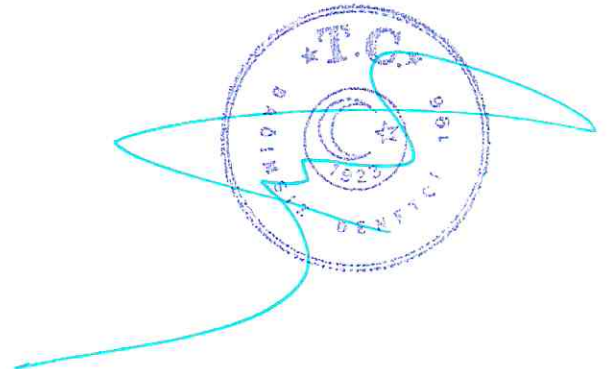
Items which are associated with items recognized directly in equity or accounted as liabilities or current tax, except for those arising from initial recognition of business combinations and deferred tax are accounted as expense or income in the income statement. The tax effect is taken into account in the business combination, in the calculation of goodwill or in determining the excess of the cost of the acquisition over the fair value of the acquire identifiable assets, liabilities and contingent liabilities of the acquired subsidiary.

**o. Cash Flow Statement**

In the cash flow statement, cash flows for the period in a format that is classified according to the investment and financing activities.

Cash flows from operating activities represent the cash flows of the Company's operations. Cash flows related to investing activities shows the Company's investment activities (asset investments and financial investments).

Cash flows relating to financing activities represent the resources used in the Company's financing activities and the repayment of these funds.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

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

### 2.6. Summary of Significant Accounting Policies (Cont'd)

#### r. Related Party

The ability of a party to be considered as a related party to the Company depends on the following criteria:

- (a) The subject party, directly or indirectly through one or more intermediaries:
  - (i) Has control or joint control over the reporting entity; (including subsidiaries and affiliates in the same business segment subsidiaries)
  - (ii) has significant influence over the reporting entity; or
  - (iii) has joint control over the reporting entity,
- (b) The party is a subsidiary of the entity;
- (c) The party has a business partnership that the entity is a joint venture;
- (d) The party is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
- (e) The party is a close family member of any individual referred to in (a) or (d);
- (f) The party is an entity that is controlled, jointly controlled or under significant influence, or in which any individual referred to in (d) or (e) has significant voting rights, directly or indirectly, or
- (g) It requires that the entity has benefit plans that are provided to the employees of the entity or an entity that is a related party of the entity after they leave the company.

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged. In the following financial statements, the shareholders of the Company, its affiliates and the companies associated with them, their key managers and other known groups are referred to as related parties.

#### s. Segment Reporting

Reporting of Financial Information by Segments is reporting in accordance with different kinds of products and services produced financial information and different geographic regions where the business operates about the better understanding of the past performance of the enterprises by the financial statement users, the better assessment of risks and yields and being able to make a more accurate decision about the enterprise as a whole.

#### t. Government Incentives and Grants

All government grants, including grants non-monetary government stated at fair value, reasonable assurance can be obtained by businesses will be fulfilled and the grants by the company's requirements for obtaining recognized in the financial statements when they are incurred.

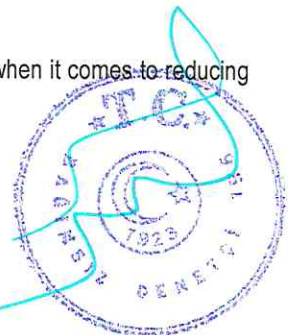
It may be waived loans obtained from the state, in the event there is a reasonable assurance that the company will fulfill the conditions of the waiver is accepted as a government grant. The Company does not have any incentives or grants as of 31 December 2016 and 31 December 2015.

#### u. Non-Current Assets Held for Sale and Discontinued Operations

##### i) Non-Current Assets Held for Sale

If the company intends to purchase a fixed asset and if the sale is likely to occur within 12 months, the related asset is classified as held for sale in the statement of financial position. Equipment held for sale are valued at the lower of carrying amount or fair value. Recoverability of the carrying amount is measured not by the use of the asset but by sale.

Assets received as collateral by the Company are classified as held for sale after their acquisition, when it comes to reducing the cash collection ability of the funds used.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

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

##### 2.6. Summary of Significant Accounting Policies (Cont'd)

##### u. Non-Current Assets Held for Sale and Discontinued Operations (Cont'd)

###### ii) Discontinued Operations

An entity is a party to a binding sales contract for almost all of the assets that can be directly attributed to the discontinued operation or approval of a detailed and formal plan by the board of directors or similar managing body concerning the suspension or if an announcement is made about the related plan, Public disclosure is made.

Related provisions are complied with in the scope of impairment of assets in discontinued operations on the basis of financial statements and valuation principles, provisions, contingent assets and liabilities, tangible assets, and benefits The Company has no discontinued operations as of 31 December 2017 and 31 December 2016.

#### 3. BUSINESS COMBINATIONS

None. (December 31, 2016 - None).

#### 4. JOINT VENTURES

None. (December 31, 2016 - None).

#### 5. SEGMENT REPORTING

None. (December 31, 2016 - None).

#### 6. CASH AND CASH EQUIVALENTS AND THE CENTRAL BANK

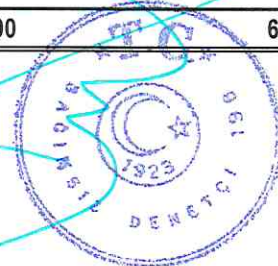
	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Cash register	5.532	--	7.699	--
	<b>5.532</b>	<b>--</b>	<b>7.699</b>	<b>--</b>

#### 7. FAIR VALUE DIFFERENCES REFLECTED P/L (Net)

None. (December 31, 2016 - None).

#### 8. BANKS

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Demand deposit	576.526	33.100	440.652	11.662
Term deposit	--	--	240.000	--
	<b>576.526</b>	<b>33.100</b>	<b>680.652</b>	<b>11.662</b>



**AK FAKTORİNG ANONİM ŞİRKETİ**

**AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**9. RECEIVABLES FROM REVERSE REPO TRANSACTIONS**

None. (December 31, 2016 - None).

**10. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)**

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Capital Stock	960.000	--	960.000	--
<i>Birikim Varlık Yönetim A.Ş.</i>	10.000	--	10.000	--
<i>Final Varlık Yönetim A.Ş.</i>	950.000	--	950.000	--
	<b>960.000</b>	<b>--</b>	<b>960.000</b>	<b>--</b>

Company has shares with 0,10% and TRY 10.000 on behalf of Birikim Varlık Yönetim A.Ş. and 1,90% and amount to TRY 950.000 on behalf of Final Varlık Yönetim A.Ş.

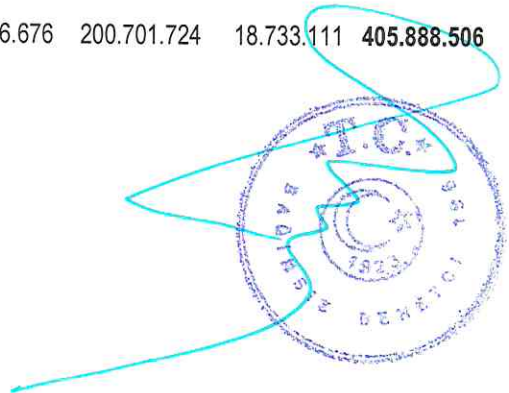
**11. FACTORING RECEIVABLES / PAYABLES**

**a. Factoring Receivables**

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Discounted factoring receivables	322.020.426	--	320.977.558	--
Other factoring receivables	94.924.994	--	86.326.944	--
Restructured factoring receivables	14.590.900	--	15.565.100	--
Interest income accrual of factoring receivables	2.294.912	--	3.005.560	--
Unearned interest income from factoring receivables (-)	(19.236.110)	--	(19.986.656)	--
	<b>414.595.122</b>	<b>--</b>	<b>405.888.506</b>	<b>--</b>

Maturity distribution of factoring receivables:

31.12.2017	Up to	Up to	Between 3	Between 1	Total
	1 month	3 months	months and 1 year	year and 5 years	
Factoring receivables	65.617.464	138.330.544	197.736.493	12.910.621	<b>414.595.122</b>
31.12.2016	Up to	Up to	Between 3	Between 1	Total
	1 month	3 months	months and 1 year	year and 5 years	
Factoring receivables	51.266.995	135.186.676	200.701.724	18.733.111	<b>405.888.506</b>





## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 11. FACTORING RECEIVABLES / PAYABLES - (Cont'd)

##### a. Factoring Receivables - (Cont'd)

The details of factoring receivables according to the sectors are as follows:

Sector	31.12.2017	31.12.2017	31.12.2016	31.12.2016
	Amount ('000)	Percentage %	Amount ('000)	Percentage %
Textile and textile products industry	107.037	24,67%	96.945	22,76%
Construction	79.950	18,43%	66.612	15,64%
Agriculture	47.432	10,93%	18456	4,33%
Other social and personal services	34.372	7,92%	24.318	5,71%
Chemical and chemical products and synthetic industry	29.345	6,76%	15.319	3,60%
Other manufacturing industry	25.900	5,97%	32.371	7,60%
Removing mines that produces energy	22.226	5,12%	14.734	3,46%
Wholesale and retail trade services	18.941	4,37%	31.065	7,29%
Transport vehicles industry	16.659	3,84%	20.556	4,83%
The paper and paper products industry	14.087	3,25%	13.260	3,11%
Food, beverage and tobacco industry	6.775	1,56%	19.198	4,51%
Transport, storage and communication	6.694	1,54%	28.668	6,73%
Rubber and plastic products industry	5.999	1,38%	4.706	1,11%
Leather and leather products industry	5.751	1,33%	11.496	2,70%
Hotels and restaurants (tourism)	5.585	1,29%	6.723	1,58%
Machinery and equipment industry	2.465	0,58%	3.775	0,89%
Metal main industry and processed material production	2.400	0,55%	2.437	0,57%
Other non-metallic industry	2.173	0,50%	13.764	3,23%
Electrical and optical appliances industry	40	0,01%	1.472	0,35%
	<b>433.831</b>	<b>100%</b>	<b>425.875</b>	<b>100%</b>

##### b. Factoring Payables

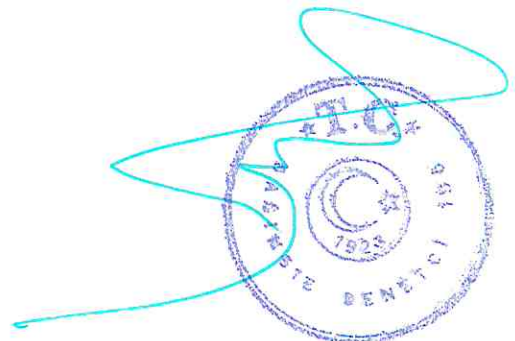
As at 31 December 2017 and 31 December 2016, the details of short-term factoring payables are as follows:

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Factoring payables	975.080	--	2.197.011	--
	<b>975.080</b>	<b>--</b>	<b>2.197.011</b>	<b>--</b>

Factoring payables represent amounts that have been collected on behalf of the factoring customers and which have not yet been deposited into the accounts of the related factoring customers.

#### 12. FINANCE CREDITS

None. (December 31, 2016 – None.)



**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**13. RECEIVABLES / PAYABLES FROM LEASING TRANSACTIONS**

None. (December 31, 2016 – None.)

**14. OTHER RECEIVABLES / PAYABLES****a) Other Receivables**

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Miscellaneous receivables	2.076.432	--	2.030.053	--
<i>BSMV from customers</i>	1.050.374	--	1.258.301	--
<i>Cost receivable of litigation and court</i>	409.535	--	445.075	--
<i>Other</i>	616.523	--	326.677	--
	<b>2.076.432</b>	<b>--</b>	<b>2.030.053</b>	<b>--</b>

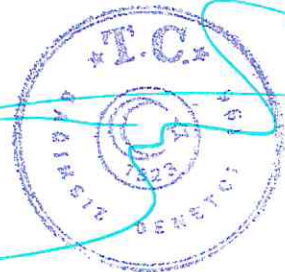
**b) Other Payables**

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Miscellaneous debts	514.967	--	285.556	--
<i>Debts to suppliers</i>	506.589	--	283.210	--
<i>Debts to related parties (Note 42.2)</i>	431.695	--	192.473	--
<i>Debts to other parties</i>	74.894	--	90.737	--
<i>Due to personnel</i>	8.378	--	2.346	--
	<b>514.967</b>	<b>--</b>	<b>285.556</b>	<b>--</b>

**15. NON-PERFORMING RECEIVABLES**

As of 31 December 2017, and 31 December 2016, the details of the non-performing factoring receivables and provision of the Company are as follows:

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Non-performing receivables	32.919.922	--	21.856.679	--
Special provisions (-)	(20.241.914)	--	(8.678.472)	--
<b>Non-performing receivables, net</b>	<b>12.678.008</b>	<b>--</b>	<b>13.178.207</b>	<b>--</b>



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 15. NON-PERFORMING RECEIVABLES – (Cont'd)

	31.12.2017		31.12.2016	
	Total non-performing factoring receivables	Provision	Total non-performing factoring receivables	Provision
Overdue within 1-3 months	--	--	--	--
Overdue within 3-6 months	10.108.218	(520.769)	4.537.344	(468.626)
Overdue within 6-12 months	1.665.990	(832.995)	17.319.335	(8.209.846)
Overdue within 1 years and more	21.145.714	(18.888.150)	--	--
	<b>32.919.922</b>	<b>(20.241.914)</b>	<b>21.856.679</b>	<b>(8.678.472)</b>

Over the amount after deducting guarantees on risks, the Company has made a provision's study as 30% provision for overdue 3 to 6 months, 50% provision for overdue 6 to 12 months, 100% provision for overdue 1 year and more of receivables.

The movement of provision for factoring receivables as of 31 December 2017 and 31 December 2016 is as follows:

	31.12.2017	31.12.2016
Opening balance, January 01	(8.678.472)	(8.629.410)
Expenses for the period (Note 39)	(11.833.884)	(14.991.536)
Transferred receivables (*)	--	14.838.386
Cancelled provisions (Note 38)	270.442	104.088
<b>Closing balance</b>	<b>(20.241.914)</b>	<b>(8.678.472)</b>

(\*) The Company has transferred its factoring receivables to " Final Varlık Yönetim A.Ş. " which were booked as provision totally before and has no possibility to collect.

#### 16. DERIVATIVE AND FINANCIAL ASSETS AND LIABILITIES

None. (December 31, 2016 – None.)

#### 17. INVESTMENTS HELD TO MATURITY (Net)

None. (December 31, 2016 – None.)

#### 18. SUBSIDIARIES (Net)

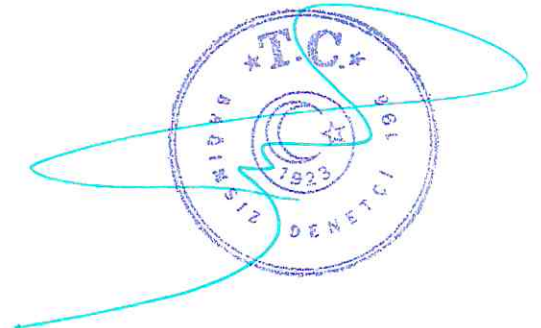
None. (December 31, 2016 – None.)

#### 19. JOINT VENTURES (Net)

None. (December 31, 2016 – None.)

#### 20. AFFILIATES (Net)

None. (December 31, 2016 – None.)



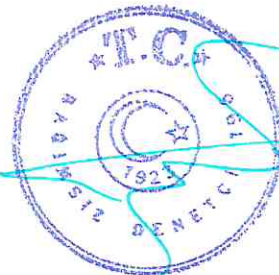
**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**21. TANGIBLES (Net)**

Movements of property, plant and equipment for the period 01 January - 31 December 2017 and 2016 are as follows:

<b>Cost</b>	<b>Furniture and fixtures</b>
<b>January 1, 2016</b>	<b>833.290</b>
Additions	87.418
Disposals (-)	--
<b>December 31, 2016</b>	<b>920.708</b>
Additions	84.632
Disposals (-)	(10.006)
<b>December 31, 2017</b>	<b>995.334</b>
<b>Accumulated Depreciation</b>	
<b>January 01, 2016</b>	<b>295.286</b>
Additions	183.382
Disposals (-)	--
<b>December 31, 2016</b>	<b>478.668</b>
Additions	163.344
Disposals (-)	(8.299)
<b>December 31, 2017</b>	<b>633.713</b>
<b>Net registered value</b>	
<b>January 01, 2016</b>	<b>538.004</b>
<b>December 31, 2016</b>	<b>442.041</b>
<b>December 31, 2017</b>	<b>361.622</b>



## AK FAKTORİNG ANONİM ŞİRKETİ

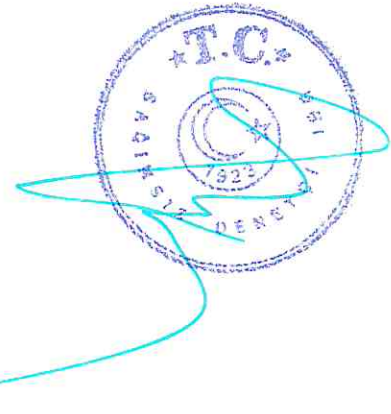
### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 22. INTANGIBLES (Net)

Movements of intangibles for the period 01 January - 31 December 2017 and 2016 are as follows:

Cost	Rights
<b>January 1, 2016</b>	<b>232.179</b>
Additions	227.498
Disposals (-)	--
<b>December 31, 2016</b>	<b>459.677</b>
Additions	329.664
Disposals (-)	(3.210)
<b>December 31, 2017</b>	<b>786.131</b>
<b>Accumulated Depreciation</b>	
<b>January 01, 2016</b>	<b>185.888</b>
Additions	58.804
Disposals (-)	--
<b>December 31, 2016</b>	<b>244.692</b>
Additions	72.102
Disposals (-)	(3.210)
<b>December 31, 2017</b>	<b>313.584</b>
<b>Net registered value</b>	
<b>January 01, 2016</b>	<b>46.291</b>
<b>December 31, 2016</b>	<b>214.985</b>
<b>December 31, 2017</b>	<b>472.547</b>



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 23. PREPAID EXPENSES AND DEFERRED INCOME

Prepaid expenses	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Prepaid interest expenses	7.802.924	--	4.640.576	--
Other	477	--	4.300	--
	<b>7.803.401</b>	<b>--</b>	<b>4.644.876</b>	<b>--</b>

Deferred Income	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Commission income collected for cash	771.038	--	511.689	--
	<b>771.038</b>	<b>--</b>	<b>511.689</b>	<b>--</b>

#### 24. TAX ASSETS AND LIABILITIES

##### a) Corporate Tax

In Turkey, the corporation tax rate of the fiscal year 2017 is 20% (December 31, 2016: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (such as research and development expenditure allowances). No further tax is payable unless the profit is distributed.

The Law on the Amendment to the Tax Procedural Law, the Income Tax Law and the Corporate Tax Law No. 5024 published in the Official Gazette on 30 December 2003, income or corporation's taxpayers who determine their earnings on a balance sheet basis prepares their financial statements by adjusting the inflation since January 01, 2004. According to the law, for making inflation adjustment, the cumulative interest rate (DIE TEFE increase rate) of last 36 months exceeding %100 and last 12 months (DIE TEFE increase rate) exceeding %10. Inflation adjustment was not made for 2008, 2009 and 2010 as these conditions were not met.

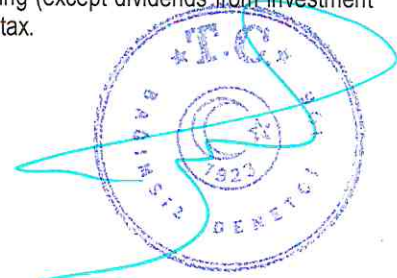
Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered profit distribution and thus does not incur withholding tax.

Companies declare their advance tax returns at 20% (2016: 20%) on their quarterly financial profits and pay until the 14th day of the second month following that period and pay till the 17th day. The temporary tax paid during the year shall be deducted from the corporation tax that will be calculated on the tax declaration of the institutions that will be given in the following year. If the temporary tax amount paid remains despite the indictment, this amount can be refunded, or any other financial debt to the state can be deducted.

There are many exemptions in Corporate Tax Law regarding corporations. Those related to the Company are explained below:

##### *Exemption for Domestic Participation Gains:*

Dividend gains from shares in capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) are exempt from corporate tax.



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 24. TAX ASSETS AND LIABILITIES – (Cont'd)

##### a) Corporate Tax – (Cont'd)

###### *Emission Premium Exemption*

The issued shares that is from the foundation of incorporated company or increasing capital, emission premium gains from excess of nominal value are exemption from corporate tax.

###### *Exemption for Foreign Affiliate Earnings*

The Company that has no legal head office located in Turkey, participating in 10% or more of the corporation for at least one year continuously for a period of one year from the capital of a joint stock company or limited liability company, At least 15% (the main activity subject to financing or insurance companies, at least the rate of the corporate tax applied in Turkey), and the transfer of the taxes to the Turkey until the taxation declaration of the annual corporations related to the taxation period Subsidiary earnings are exempt from corporate tax.

###### *Exemption from Sales Gains for Real Estate, Subsidiary Share, Subscription Right, Founder and Pre-emptive Bonds*

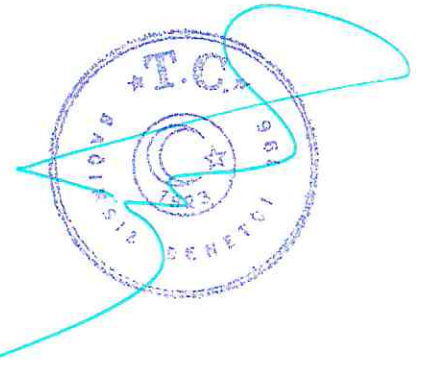
75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property, which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realized.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

###### *Transfer Pricing*

Article 13 of Corporation Tax Law numbered 5520 introduces new arrangements about the transfer pricing came into force as of 1 January 2007. Significant changes took place in the arrangements related to the transfer pricing following the respective article based on the transfer pricing guidance of EU and OECD. In this framework, the entities are required to use the prices or amounts to be determined according to the peers for the purpose of sales or service buy and sale transactions carried out with affiliated persons. The principle of suitability with the peers means that the price or amount to be used for the purpose of goods or service buy and sale carried out with the affiliated persons is suitable for the price or amount that would have arisen if there had been no relation between them. The entities will determine the prices or amounts suitable for the peers that will be applied for the purpose of transactions carried out with the affiliated persons by using the methods laid out in the respective law according to the nature of the transaction.



**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**24. TAX ASSETS AND LIABILITIES – (Cont'd)****a) Corporate Tax – (Cont'd)**

The details of current tax asset / (liability) as of 31 December 2017 and 31 December 2016 are as follows:

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Corporate tax	(3.044.916)	--	(3.158.290)	--
Prepaid taxes and funds (-)	1.742.954	--	1.949.979	--
<b>Total tax assets / (liabilities), net</b>	<b>(1.301.962)</b>	<b>--</b>	<b>(1.208.311)</b>	<b>--</b>

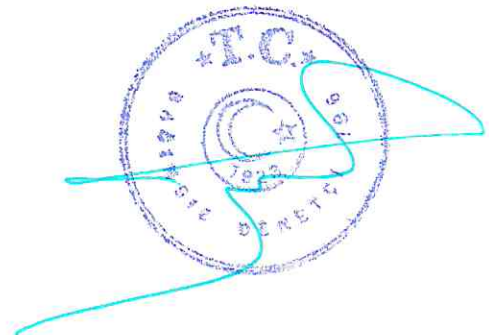
**b) Deferred Tax Assets and Liabilities**

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities.

The rate to be applied to deferred tax assets and liabilities calculated using liability method over temporary differences in the prospective periods is 20% for the Company.

Movement of deferred tax details in the periods ended on December 31, 2017 and December 31, 2016 are as follows:

	Cumulative temporary difference		Deferred tax	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
<b>Deferred tax assets:</b>				
Provision for severance pay	(285.653)	(474.313)	57.131	94.863
Provision for unused annual leave	(129.931)	(192.804)	25.986	38.561
Provision for doubtful receivables	(1.253.851)	--	250.770	--
Provision for litigation	(122.400)	--	24.480	--
<b>Total deferred tax assets</b>	<b>(1.791.835)</b>	<b>(667.117)</b>	<b>358.367</b>	<b>133.424</b>
<b>Deferred tax liabilities:</b>				
Tangible and intangible assets	12.094	1.219	(2.420)	(244)
<b>Total deferred tax liabilities</b>	<b>12.094</b>	<b>1.219</b>	<b>(2.420)</b>	<b>(244)</b>
<b>Deferred tax assets, net</b>	<b>(1.779.741)</b>	<b>(665.898)</b>	<b>355.947</b>	<b>133.180</b>





## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 24. TAX ASSETS AND LIABILITIES – (Cont'd)

##### b) Deferred Tax Assets and Liabilities – (Cont'd)

Movement of tax assets / (liabilities)	31.12.2017	31.12.2016
Opening balance, January 01	133.180	72.263
Deferred tax income / (expense)	222.767	60.917
<b>Closing balance</b>	<b>355.947</b>	<b>133.180</b>

##### c) Provision for Operating Tax

The tax provision in the profit and loss statements is summarized below:

	January, 01 – December 31, 2017	January, 01 – December 31, 2016
Current period tax income / (expense), net	(3.048.586)	(3.158.292)
Deferred tax income / (expense), net	222.768	60.917
	<b>(2.825.818)</b>	<b>(3.097.375)</b>

##### d) Taxes and Liabilities to be Paid

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Income tax	95.889	--	108.610	--
BSMV	544.083	--	351.923	--
Stamp tax	2.930	--	3.192	--
SSI premiums to be paid	245.072	--	241.881	--
	<b>887.974</b>	<b>--</b>	<b>705.606</b>	<b>--</b>

#### 25. OTHER ASSETS

None. (December 31, 2016 – None.)

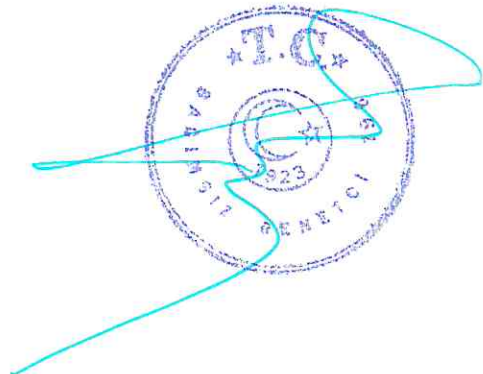
#### 26. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET) AND PAYABLES

##### a) Assets Held for Sale

None. (December 31, 2016 – None.)

##### b) Discontinued Operations

None. (December 31, 2016 – None.)



**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**27. BANK LOANS**

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Bank loans	224.451.184	6.648.460	242.594.087	--
Funds provided from factoring companies	137.862.338	--	75.100.101	--
Interest accrual	3.003.704	9.419	5.034.668	--
	<b>365.317.226</b>	<b>6.657.879</b>	<b>322.728.856</b>	<b>--</b>

**28. ISSUED BONDS AND SECURITIES (Net)**

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Issued securities	--	--	40.000.000	--
<i>Bonds</i>	--	--	40.000.000	--
<i>Securities</i>	--	--	--	--
Interest of securities/bonds issued	--	--	606.377	--
<i>Bonds</i>	--	--	606.377	--
<i>Securities</i>	--	--	--	--
	<b>--</b>	<b>--</b>	<b>40.606.377</b>	<b>--</b>

As of December 31, 2017

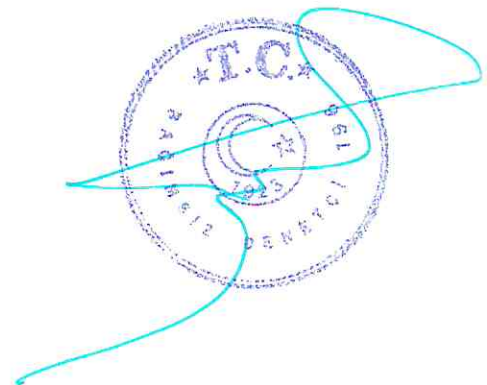
As of August 25, 2016 the Company has issued bonds that is amount of TRY 40.000.000 with a maturity of 1 year. As of June 30, 2017, interest accrual was realized that is amount to TRY 627.175. The interest coupon payment was made on November 24, 2016, February 23, 2017, May 25, 2017 and August 24, 2017. The all principal payment was made with the last coupon payment.

As of December 31, 2016

As of August 25, 2016 the Company has issued bonds that is amount of TRY 40.000.000 with a maturity of 1 year. As of ending period interest accrual was realized that is amount to TRY 606.377. The first interest coupon payment was made on November 24, 2016 and the other coupon payments will be made on February 23, 2017, May 25, 2017 and August 24, 2017. The principal payment will be made with the last coupon payment.

**29. OTHER LIABILITIES**

None. (December 31, 2016 – None.)



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 30. PAYABLES AND EXPENSE PROVISION

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Provision for severance pay	285.654	--	474.313	--
Provision for unused annual leave	129.931	--	192.804	--
Other provisions	122.400	--	105.000	--
	<b>537.985</b>	<b>--</b>	<b>772.117</b>	<b>--</b>

#### EMPLOYEE BENEFITS

##### Provision for severance pay

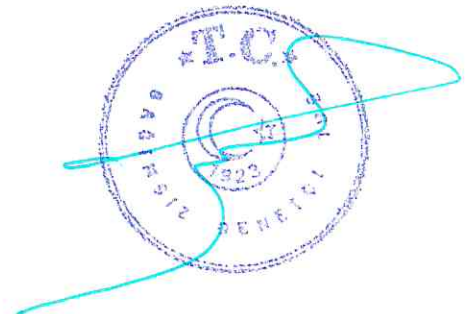
In accordance with the provisions of the current Labour Code, there is a liability to pay severance pay to employees if the contract is terminated in the way to entitled to take severance pay. Furthermore, in accordance with the Social Insurance Law No: 506 dated March 6, 1981, numbered 2422 and dated August 25, 1999, numbered 4447 and amended article 60 of the current Social Insurance Law, there is liability to pay severance pay to the employees who have right to leave job by taking severance pay.

The amount payable consists of one month's salary limited to a maximum of TRY 4.732,48 for each year of service as of December 31, 2017. (December 31, 2016: TRY 4.297,21).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at December 31, 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of %3,56 (2016: %1,12) real discount calculated by using %9,50 (2016: %8,53) annual inflation rate and %13,40 (2016: %9,75) discount rate.

<b>Movement of severance pay:</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
January 01	474.313	294.499
Service cost	(263.149)	179.814
Interest cost	6.278	--
Payment in the period	43.453	--
Actuarial difference	24.759	--
<b>Closing balance</b>	<b>285.654</b>	<b>474.313</b>



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 31. LOANS SIMILAR WITH CAPITAL

None. (December 31, 2016: None.)

#### 32. EQUITY

##### 32.1. Paid in capital and capital reserves

The paid in capital of the Company is TRY 25.500.000 that is consisted of 25.500.000 shares that each share is amounting to TRY 1. (December 31, 2016: TRY 25.500.000 / 25.500.000 issued share.)

The owners and rates of the shares are as follows:

	31.12.2017		31.12.2016	
	%	Amount	%	Amount
Altınhas Holding A.Ş.	100,00%	25.499.700	100,00%	25.499.625
İnan Altınbaş	> 1	75	> 1	75
Hüseyin Altınbaş	> 1	75	> 1	75
Abdülhamit Yurt	--	--	> 1	75
Atilla Keskin	> 1	75	> 1	75
Vedat Bayat	> 1	75	> 1	75
	<b>100,00%</b>	<b>25.500.000</b>	<b>100,00%</b>	<b>25.500.000</b>

There are no privileges granted to shares.

##### 32.2. Capital reserves

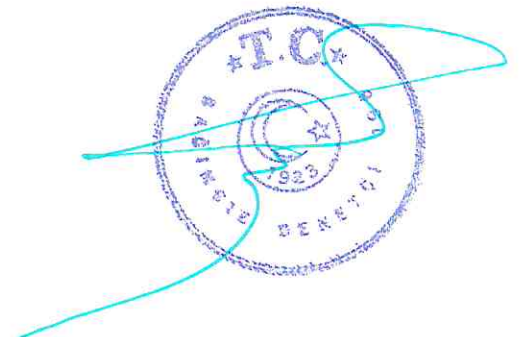
None. (December 31, 2016 – None.)

##### 32.3.a Other comprehensive income and expenses that will not be classified in profit or loss statement

None. (December 31, 2016 – None.)

##### 32.3.b Other comprehensive income and expenses that will be classified in profit or loss statement

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Actuarial severance payment, net	(52.371)	--	--	--
	<b>(52.371)</b>	<b>--</b>	<b>--</b>	<b>--</b>



**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**32. EQUITY – (Cont'd)****32.4. Profit Reserves**

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Legal reserves	4.188.387	--	2.955.579	--
Extraordinary reserves	21.987.951	--	18.453.677	--
	<b>26.176.338</b>	<b>--</b>	<b>21.409.256</b>	<b>--</b>

**32.5. Retained Earnings**

None. (December 31, 2016 – None.)

**32.6. Minority Interests**

None. (December 31, 2016 – None.)

**33. FACTORING INCOME**

	January 01 - December 31, 2017	January 01 - December 31, 2016
Interest income	89.653.789	90.647.536
Fee and commission income	2.641.453	1.148.327
	<b>92.295.242</b>	<b>91.795.863</b>

**34. FINANCE LOAN INCOME**

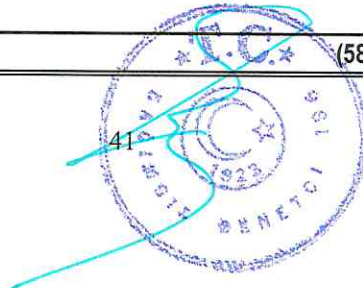
None. (January 01-December 31, 2016 – None.)

**35. LEASING INCOME**

None. (January 01-December 31, 2016 – None.)

**36. FINANCIAL EXPENSES**

	January 01 - December 31, 2017	January 01 - December 31, 2016
Interest paid to the loans used (Domestic)	(51.094.930)	(44.458.143)
Interest paid to the loans used (Abroad)	(18.569)	(442.230)
Interest expense on issued securities	(4.051.103)	(8.226.557)
Other interest expense	(98.000)	(14.856)
Fees and commission expenses	(3.047.719)	(3.154.984)
	<b>(58.310.321)</b>	<b>(56.296.770)</b>



**AK FAKTORİNG ANONİM ŞİRKETİ**

**AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

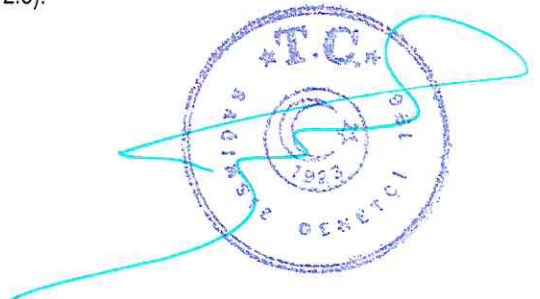
**37. OPERATING EXPENSES**

	January 01 - December 31, 2017	January 01 - December 31, 2016
Personnel expenses	(6.055.184)	(5.979.953)
Provision for severance payment	(42.230)	(244.628)
<i>Other expenses</i>	(158.597)	(229.113)
General operating expenses	(3.306.455)	(3.044.264)
<i>Bank transaction costs</i>	(558.556)	(480.966)
<i>Office rent and dues</i>	(538.012)	(503.361)
<i>Vehicle rental expenses</i>	(458.808)	(394.032)
<i>Subscription fees</i>	(321.959)	(298.230)
<i>Consultancy expenses</i>	(298.892)	(191.635)
<i>Depreciation and amortization expenses</i>	(235.451)	(242.185)
<i>IT expenses</i>	(214.341)	(172.632)
<i>Fuel expenses</i>	(124.175)	(117.559)
<i>Office expenses</i>	(98.671)	(126.803)
<i>Taxes and fees</i>	(98.669)	(113.988)
<i>Communication expenses</i>	(68.903)	(75.683)
<i>Stationery expenses</i>	(41.907)	(32.386)
<i>Legal cases expenses</i>	(29.434)	(141.316)
<i>Transportation expenses</i>	(28.416)	(33.615)
<i>Travel expenses</i>	(21.966)	(30.991)
<i>Repair and maintenance expenses</i>	(12.736)	(1.226)
<i>Other</i>	(155.559)	(87.657)
	<b>(9.562.466)</b>	<b>(9.497.957)</b>

**38. OTHER OPERATING INCOME**

	January 01 - December 31, 2017	January 01 - December 31, 2016
Foreign exchange profits	1.642.313	4.037.666
Interest income from banks	24.593	58.306
No longer required provision for factoring receivables (Note 15)	270.442	104.088
Other interest income	594	--
<i>Interest income from securities</i>	594	--
Other income except interest	408.855	3.665.581
<i>SSI incentive income</i>	189.669	65.581
<i>Other</i>	219.186	(*) 3.600.000
	<b>2.346.796</b>	<b>7.865.641</b>

(\*)As of June 30, 2016 the receivables from 18 Companies that is amount to TRY 14.838.385 has been transferred to Final Varlık Yönetim A.Ş. and collected TRY 3.600.000 for these receivables. (Note- 42.5).



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 39. PROVISION FOR NON-PERFORMING RECEIVABLES

	January 01 - December 31, 2017	January 01 - December 31, 2016
Special provision for non-performing receivables expenses	(11.833.884)	(14.991.536)
	<b>(11.833.884)</b>	<b>(14.991.536)</b>

Over the amount after deducting guarantees on risks, the Company has made a provision's study as 30% provision for overdue 3 to 6 months, 50% provision for overdue 6 to 12 months, 100% provision for overdue 1 year and more of receivables.

#### 40. OTHER OPERATING EXPENSES

	January 01 - December 31, 2017	January 01 - December 31, 2016
Foreign exchange losses	(779.390)	(3.510.782)
	<b>(779.390)</b>	<b>(3.510.782)</b>

#### 41. EARNINGS PER SHARE

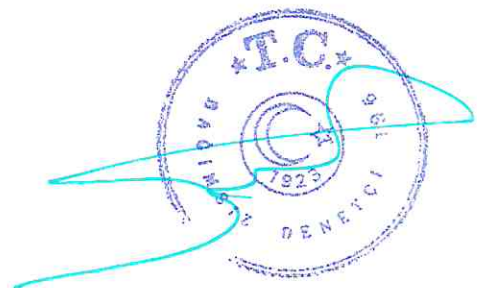
	January 01 - December 31, 2017	January 01 - December 31, 2016
Total issued shares at the beginning of the period	25.500.000	25.500.000
Issued bonus shares	--	--
Total issued shares at the end of the period	25.500.000	25.500.000
Total issued weighted average shares	18.728.022	18.728.022
<b>Net profit / (loss) (TRY)</b>	<b>11.330.159</b>	<b>12.267.082</b>
<b>Earnings per share (%)</b>	<b>60,49%</b>	<b>65,50%</b>
<b>Earnings per share (TRY)</b>	<b>0,60 TL</b>	<b>0,65 TL</b>

There is no privilege to participate in the profit of the company.

#### 42. DISCLOSURE OF RELATED PARTY

##### 42.1. Receivables from Related Parties

Receivables from related parties (Note -14)	31.12.2017	31.12.2016
Receivables from group companies Final Varlık Yönetim A.Ş.	630	6.041.590
<b>Total</b>	<b>630</b>	<b>6.041.590</b>



AK FAKTORİNG ANONİM ŞİRKETİ

AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

42. DISCLOSURE OF RELATED PARTY – (Cont'd)

42.2. Due to Related Parties

Due to related parties (Note -14)	31.12.2017	31.12.2016
<u>Due to group companies</u>		
Altınhas Holding A.Ş.( Other)	--	--
Altınhas Holding A.Ş. (Trade )	431.695	192.473
<b>Total</b>		<b>192.473</b>

42.3. Guarantee, Pledges, Mortgages from Related Parties

Type of Pledge	31.12.2017	31.12.2016
TRY	698.388.161	541.400.000
EUR	4.000.000	4.000.000
USD	18.300.000	18.300.000
GBP	1.300.000	--

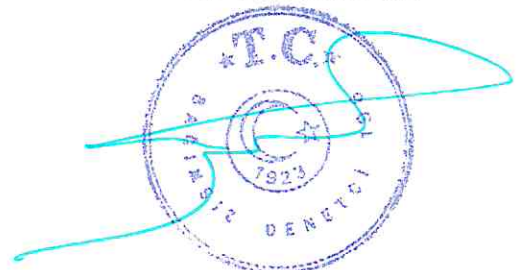
42.4. Payments to Related Parties (Expenses)

	January 01 - December 31, 2017	January 01 - December 31, 2016
<b>Altınhas Holding A.Ş.</b>	<b>8.830.819</b>	<b>4.486.172</b>
Office rent and building	610.018	479.028
IT expenses	107.537	73.568
Pledge commission	3.047.719	2.635.449
Vehicle rent and fuel expenses	568.240	453.698
Miscellaneous expenses	95.036	70.231
Interest expenses	4.402.268	774.197
<b>Pama Mağazacılık A.Ş.</b>	<b>--</b>	<b>1.264</b>
Representation Expenses	--	1.264
	<b>8.830.819</b>	<b>4.487.436</b>

42.5 Income from Related Parties (Profits)

	January 01 - December 31, 2017	January 01 - December 31, 2016
Final Varlık Yönetim A.Ş. (Note 38)	219.186	(*) 3.600.000
<b>Total</b>	<b>219.186</b>	<b>3.600.000</b>

(\*)As of June 30, 2016 the receivables from 18 Companies that is amount to TRY 14.838.385 has been transferred to Final Varlık Yönetim A.Ş. and collected TRY 3.600.000 (Note-15).





**AK FAKTORİNG ANONİM ŞİRKETİ**

**AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**42. DISCLOSURE OF RELATED PARTY – (Cont'd)**

**42.6. Fees and Similar Benefits Paid to Senior Managers**

	January 01 - December 31, 2017	January 01 - December 31, 2016
Fees and similar benefits	689.667	630.000
	<b>689.667</b>	<b>630.000</b>

**43. CONTINGENT ASSETS AND LIABILITIES**

**43.1. Off Balance Sheet Commitments**

**a) Guarantees Taken**

As of December 31, 2017 and December 31, 2016, the guarantees received against the Company's factoring receivables are as follows;

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Guarantee checks taken from customers	2.457.172.529	--	1.993.207.231	--
Guarantee notes taken from customers	137.000	7.324.018	137.000	12.492.630
Customer mortgages taken	199.000.000	--	168.750.000	--
Customer pledges taken	9.572.500	--	1.655.000	--
	<b>2.665.882.029</b>	<b>7.324.018</b>	<b>2.163.749.231</b>	<b>12.492.630</b>

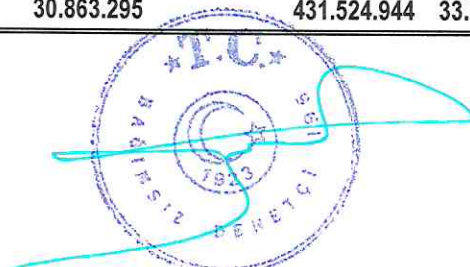
**b) Guarantees, Pledges and Mortgages Given (GPM)**

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Letter of guarantee given	3.143.103	--	4.510.695	--
	<b>3.143.103</b>	<b>--</b>	<b>4.510.695</b>	<b>--</b>

**43.2. Securities**

As of December 31, 2017 and December 31, 2016, the assets held by the Company as factoring receivables are as follows;

	31.12.2017		31.12.2016	
	LC	FC	LC	FC
Customer cheques	390.305.603	15.434.044	352.556.616	18.723.276
Customer notes	86.176.893	15.429.251	78.968.328	15.037.834
	<b>476.482.496</b>	<b>30.863.295</b>	<b>431.524.944</b>	<b>33.761.110</b>



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 43. CONTINGENT ASSETS AND LIABILITIES – (Cont'd)

##### 43.3. Ongoing Lawsuits:

As of December 31, 2017:

The Company has started legal follow-up for TRY 20.241.914 of total TRY 32.919.922.

In the accompanying financial statements, the necessary provisions are made with respect to the ongoing lawsuits filed by the Company.

As of December 31, 2016:

The Company has started legal follow-up for TRY 8.678.472 of total TRY 21.856.679.

In the accompanying financial statements, the necessary provisions are made with respect to the ongoing lawsuits filed by the Company.

#### 44. COMMITMENTS

None. (December 31, 2016 - None.)

#### 45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

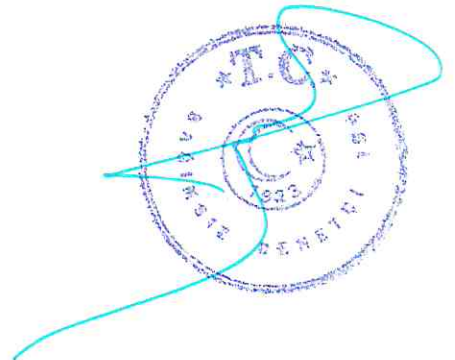
##### Risk Management Objectives and Principles

The significant financial instruments of Company are receivables from factoring operating, bank loans, bonds payables and financial payables that includes funds which was used by related parties. The main aim of these financial instruments is to operate the main activity and provide the funding source. The most important risks arising from the financial instruments of the Company are interest rate risk, liquidity risk, exchange risk and credit risk. The Company follows the related risks summarized below and developing policies mentioned below for those risks.

##### Credit Risk

Credit risk is the risk of suffering loss in terms of financial because of not meeting the obligation of financial instrument by the other side. The Company tries to manage the credit risk by limiting transactions and constantly valuating the reliability of the parties to whom it relates. According to company procedures, all customers who want to work with credits are passed through loan review stages and necessary guarantees are taken. In addition, the receivables are continuously monitored and the Company's suspicious credit / receivable risk is minimized.

The carrying values in the statement of financial position reflect the Company's maximum credit risk.



AK FAKTORING ANONİM ŞİRKETİ

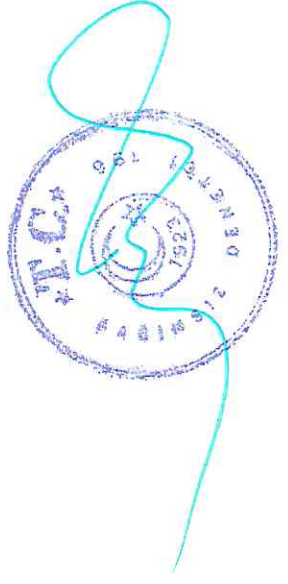
AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS  
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Risk Management Objectives and Principles – (Cont'd)

Credit Risk – (Cont'd)

	December 31, 2017										Held assets until to maturity Financial loans Related party		
	Trade receivables			Doubtful receivables			Financial loans			Other receivables		Banks Doubtful receivables Related party	
	Related Party	Other Party		Related Party	Other Party		Related Party	Other Party	Related Party	Other Party			
<b>Maximum credit risk to which the company exposed as of the date of reporting (A+B+C+D+E)</b>	--	414.595.122		--	12.678.008		--	--	2.076.432		609.626	--	
- Part of maximum risk that is secured with guarantee	--	208.572.500		--	--		--	--	--		--	--	
A. Net book values of financial assets which are not overdue or exposed to decrease in value	--	414.595.122		--	--		--	--	2.076.432		609.626	--	
B. Book values of financial assets of which conditions are renegotiated otherwise exposed to overdue or decrease in value	--	--		--	--		--	--	--		--	--	
C. Net book values of assets of which are overdue but not have decreased values	--	--		--	12.678.008		--	--	--		--	--	
- Overdue (Gross book value)	--	--		--	32.919.922		--	--	--		--	--	
- Impairment (-)	--	--		--	(20.241.914)		--	--	--		--	--	
- Net value collateralized or guaranteed part of	--	--		--	--		--	--	--		--	--	
-Not overdue (Gross book value)	--	--		--	--		--	--	--		--	--	
- Impairment (-)	--	--		--	--		--	--	--		--	--	
- Net value collateralized or guaranteed part of	--	--		--	--		--	--	--		--	--	
D. Off-balance sheet risk	--	--		--	--		--	--	--		--	--	



AK FAKTORING ANONİM ŞİRKETİ

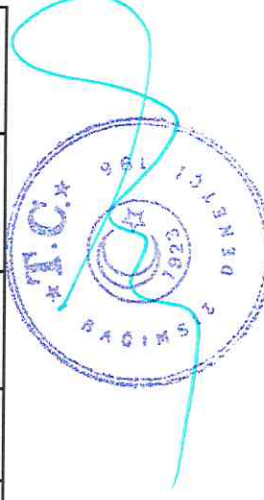
AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS  
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

46. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Risk Management Objectives and Principles – (Cont'd)

Credit Risk – (Cont'd)

	December 31, 2016									
	Receivables									
	Trade receivables		Doubtful receivables		Financial loans		Other receivables		Banks Doubtful receivables Related party	Held assets until to maturity Financial loans Related party
Related Party	Other Party	Related Party	Other Party	Related Party	Other Party	Related Party	Other Party			
Maximum credit risk to which the company exposed as of the date of reporting (A+B+C+D+E)	--	405.888.506	--	13.178.207	--	--	--	2.030.053	692.314	--
- Part of maximum risk that is secured with guarantee	--	170.405.000	--	--	--	--	--	--	--	--
A. Net book values of financial assets which are not overdue or exposed to decrease in value	--	405.888.506	--	--	--	--	--	2.030.053	692.314	--
B. Book values of financial assets of which conditions are renegotiated otherwise exposed to overdue or decrease in value	--	--	--	--	--	--	--	--	--	--
C. Net book values of assets of which are overdue but not have decreased values	--	--	--	13.178.207	--	--	--	--	--	--
- Overdue (Gross book value)	--	--	--	21.856.679	--	--	--	--	--	--
- Impairment (-)	--	--	--	(8.678.472)	--	--	--	--	--	--
- Net value collateralized or guaranteed part of	--	--	--	--	--	--	--	--	--	--
-Not overdue (Gross book value)	--	--	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--	--	--
- Net value collateralized or guaranteed part of	--	--	--	--	--	--	--	--	--	--
D. Off-balance sheet risk	--	--	--	--	--	--	--	--	--	--



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

---

#### 45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

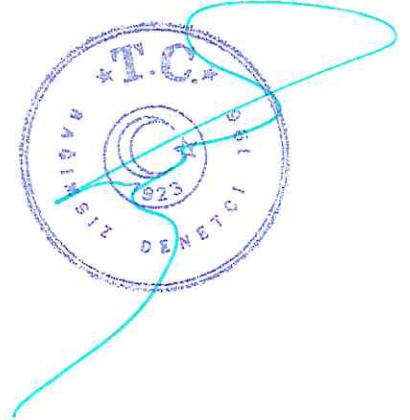
##### Risk Management Objectives and Principles – (Cont'd)

###### Liquidity Risk

Liquidity risk is the risk that a company cannot meet its funding needs. Liquidity risk is reduced by balancing cash inflows and outflows with the support of credits given by reliable lenders.

The details of financial assets and liabilities according to their maturity is presented considering the period of the financial statement to the maturity date.

The maturity details of non-derivative financial liabilities as of 31 December 2017 and 31 December 2016 is as follows.



AK FAKTORING ANONİM ŞİRKETİ

AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

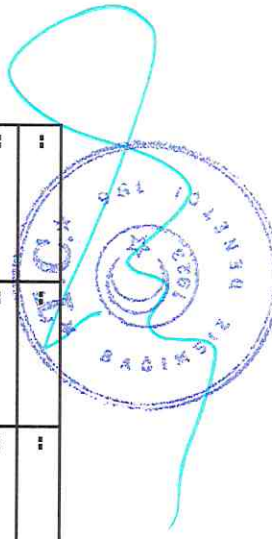
Risk Management Objectives and Principles – (Cont'd)

Liquidity Risk – (Cont'd)

The maturity details of non-derivative financial liabilities as of 31 December 2017 is as follows.

Maturity according to contracts	Book Value	Cash outflow according to agreement (=I+II+III+IV)	Up to 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and more (IV)
<b>Non-Derivative Financial Liabilities</b>	<b>372.950.185</b>	<b>372.950.185</b>	<b>211.867.694</b>	<b>161.082.491</b>		
Loans	371.975.105	371.975.105	210.892.614	161.082.491		
Factoring payables	975.080	975.080				
Issued securities	--	--				

Expected Maturity	Book Value	Cash outflow according to agreement (=I+II+III+IV)	Up to 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and more (IV)
<b>Non-Derivative Financial Liabilities</b>	<b>514.967</b>	<b>514.967</b>	<b>514.967</b>			
Other payables	514.967	514.967				



**AK FAKTORİNG ANONİM ŞİRKETİ**

**AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**46. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)**

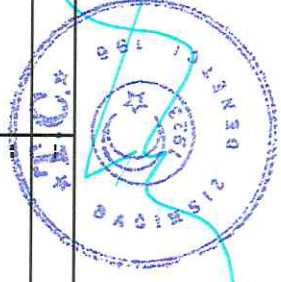
**Risk Management Objectives and Principles – (Cont'd)**

Liquidity Risk – (Cont'd)

The maturity details of non-derivative financial liabilities as of 31 December 2016 is as follows.

Maturity according to contracts	Book Value	Cash outflow according to agreement (=I+II+III+IV)	Maturity			
			Up to 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and more (IV)
<b>Non-Derivative Financial Liabilities</b>	<b>365.532.244</b>	<b>365.532.244</b>	<b>288.252.901</b>	<b>77.279.343</b>		
Loans	322.728.856	322.728.856	286.055.891	36.672.965		
Factoring payables	2.197.011	2.197.011	2.197.011			
Issued securities	40.606.377	40.606.377		40.606.377		

Expected Maturity	Book Value	Cash outflow according to agreement (=I+II+III+IV)	Maturity			
			Up to 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and more (IV)
<b>Non-Derivative Financial Liabilities</b>	<b>285.556</b>	<b>285.556</b>	<b>285.556</b>			
Other payables	285.556	285.556	285.556			



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

##### Risk Management Objectives and Principles – (Cont'd)

###### Market Risk:

Market risk is the risk of affect the Company negatively depending the changes in interest, foreign exchange rates, and other financial contracts. The main risk for the Company is the changes in interest and foreign exchange rate.

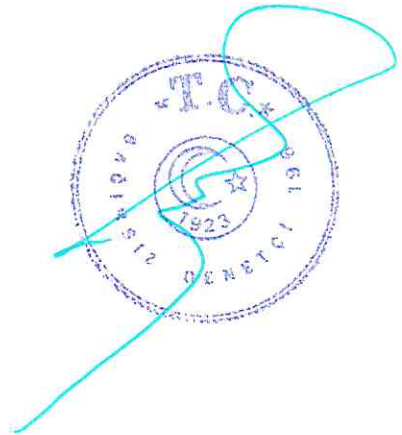
##### a) Foreign Exchange Position and Sensitivity Analysis

The Company is exposed to foreign currency risk because of the exchange rate using in translation of assets and liabilities to local currency. Company analysis the foreign exchange risk with foreign currency.

	31.12.2017	31.12.2016
Assets in foreign currency (*)	8.478.021	11.302.472
Liabilities in foreign currency (-) (**)	(14.626.397)	(6.851.064)
<b>Net foreign currency position</b>	<b>(6.148.376)</b>	<b>4.451.408</b>

(\*) Total of indexed to foreign currency and foreign currency factoring receivables

(\*\*) Indexed to foreign currency bank loans





AK FAKTORİNG ANONİM ŞİRKETİ

AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

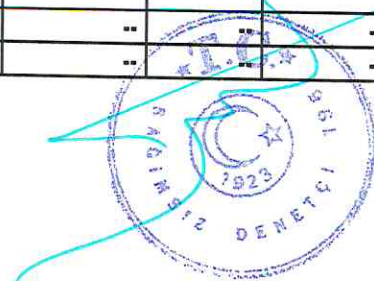
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Risk Management Objectives and Principles – (Cont'd)

a) Foreign Exchange Position and Sensitivity Analysis – (Cont'd)

Foreign Exchange Position				
December 31, 2017				
	TRY Equivalent (Reporting Currency)	USD	EUR	GBP
1. Factoring Receivables	8.445.141	995.977	1.038.294	--
2a. Monetary Financial Assets (including cash, banks)	32.880	--	--	6.472
2b. Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
<b>4. Current Assets (1+2+3)</b>	<b>8.478.021</b>	<b>995.977</b>	<b>1.038.294</b>	<b>6.472</b>
5. Factoring Receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
<b>8. Non-Current Assets (5+6+7)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>9. Total Assets (4+8)</b>	<b>8.478.021</b>	<b>995.977</b>	<b>1.038.294</b>	<b>6.472</b>
10. Factoring Payables	--	--	--	--
11. Financial Liabilities	14.626.397	939.815	991.500	1.300.000
12a. Other monetary financial liabilities	--	--	--	--
12b. Other non-monetary financial liabilities	--	--	--	--
<b>13. Current Liabilities (10+11+12)</b>	<b>14.626.397</b>	<b>939.815</b>	<b>991.500</b>	<b>1.300.000</b>
14. Factoring Payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16a. Other monetary financial liabilities	--	--	--	--
16b. Other non-monetary financial liabilities	--	--	--	--
<b>17. Non-Current Liabilities (14+15+16)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>18. Total Liabilities (13+17)</b>	<b>14.626.397</b>	<b>939.815</b>	<b>991.500</b>	<b>1.300.000</b>
<b>19. Net asset / liability position of off- balance sheet derivative instruments</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
19a. Hedged amount of assets	--	--	--	--
19b. Hedged amount of liabilities position	--	--	--	--
<b>20. Net foreign currency position asset / liabilities (9-18+19)</b>	<b>(6.148.376)</b>	<b>56.162</b>	<b>46.794</b>	<b>(1.293.528)</b>
<b>21. Net foreign currency asset/liability position of monetary items</b>	<b>(6.148.376)</b>	<b>56.162</b>	<b>46.794</b>	<b>(1.293.528)</b>
22. Fair value of derivative instruments used in foreign currency hedge	--	--	--	--
23. Hedged of foreign currency assets	--	--	--	--
24. Hedged of foreign currency liabilities	--	--	--	--
25. Export	--	--	--	--
26. Import	--	--	--	--



AK FAKTORİNG ANONİM ŞİRKETİ

AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

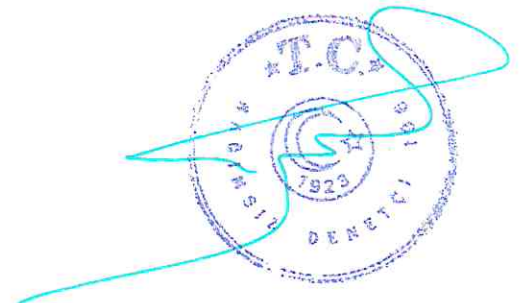
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Risk Management Objectives and Principles – (Cont'd)

a) Foreign Exchange Position and Sensitivity Analysis – (Cont'd)

Foreign Exchange Position				
December 31, 2016				
	TRY Equivalent (Reporting Currency)	USD	EUR	GBP
1. Factoring Receivables	11.290.810	2.216.334	941.018	--
2a. Monetary Financial Assets (including cash, banks)	11.662	1.785	1.450	--
2b. Non-monetary financial assets	--	--	--	--
3. Other	--	--	--	--
<b>4. Current Assets (1+2+3)</b>	<b>11.302.472</b>	<b>2.218.119</b>	<b>942.468</b>	--
5. Factoring Receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--
7. Other	--	--	--	--
<b>8. Non-Current Assets (5+6+7)</b>	--	--	--	--
<b>9. Total Assets (4+8)</b>	<b>11.302.472</b>	<b>2.218.119</b>	<b>942.468</b>	--
10. Factoring Payables	--	--	--	--
11. Financial Liabilities	6.851.064	1.352.508	563.712	--
12a. Other monetary financial liabilities	--	--	--	--
12b. Other non-monetary financial liabilities	--	--	--	--
<b>13. Current Liabilities (10+11+12)</b>	<b>6.851.064</b>	<b>1.352.508</b>	<b>563.712</b>	--
14. Factoring Payables	--	--	--	--
15. Financial Liabilities	--	--	--	--
16a. Other monetary financial liabilities	--	--	--	--
16b. Other non-monetary financial liabilities	--	--	--	--
<b>17. Non-Current Liabilities (14+15+16)</b>	--	--	--	--
<b>18. Total Liabilities (13+17)</b>	<b>6.851.064</b>	<b>1.352.508</b>	<b>563.712</b>	--
<b>19. Net asset / liability position of off- balance sheet derivative instruments</b>	--	--	--	--
19a. Hedged amount of assets	--	--	--	--
19b. Hedged amount of liabilities position	--	--	--	--
<b>20. Net foreign currency position asset / liabilities (9-18+19)</b>	<b>4.451.408</b>	<b>865.611</b>	<b>378.756</b>	--
<b>21. Net foreign currency asset/liability position of monetary items</b>	<b>4.451.408</b>	<b>865.611</b>	<b>378.756</b>	--
22. Fair value of derivative instruments used in foreign currency hedge	--	--	--	--
23. Hedged of foreign currency assets	--	--	--	--
24. Hedged of foreign currency liabilities	--	--	--	--
25. Export	--	--	--	--
26. Import	--	--	--	--



45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Foreign Currency Sensitivity Analysis

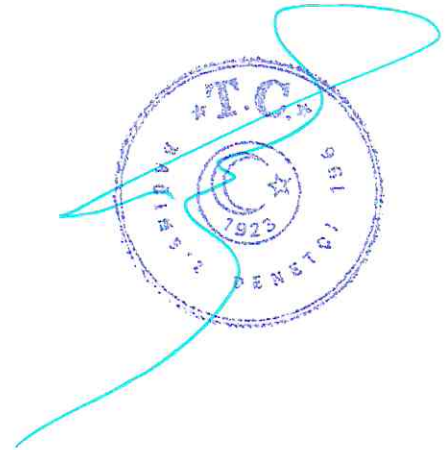
Foreign Currency Risk:

Company uses the foreign exchange position to dedicate the foreign currency risk. According to the foreign exchange position, Company measures foreign currency risk periodically that will arise from changes in the foreign exchange rate.

Foreign currency risk is being controlled by balancing the assets and liabilities in the foreign currency. In this context, foreign exchange position is estimated by considering the changes in assets and liabilities in the foreign currency in the next interim financial period. After estimating the foreign exchange position, Company determines the derivative product and the volume of the derivative product that may be used according to the conditions of the market and expectations. If the exchange currency position is open, Company is buyer of foreign currency. If the exchange currency position is close, Company is seller of foreign currency and apply to derivative transactions.

The Company's foreign currency risk-sensitive financial assets are cash in foreign currency (cash, deposits in the bank), factoring receivables in foreign currencies and other receivables in foreign currencies and current assets. The Company's foreign currency risk-sensitive financial liabilities are trade payables and bank loans that is indexed to bank loans.

	31.12.2017		31.12.2016	
	At balance sheet date	At the report date	At balance sheet date	At the report date
USD	3,7719	3,7721	3,5192	3,6869
EUR	4,5155	4,7088	3,7099	3,9228
GBP	5,0803	5,2894	4,3189	4,6063



AK FAKTORING ANONİM ŞİRKETİ

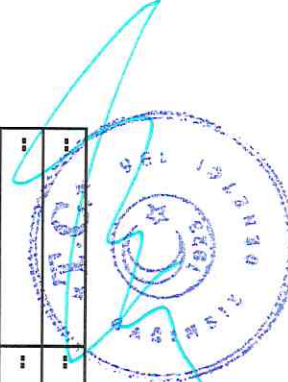
AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS  
(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Foreign Currency Sensitivity Analysis– (Cont'd)

As of balance sheet date, the effect of changes in foreign exchange rate to foreign currency position:

Foreign Currency Sensitivity Analysis					
December 31, 2017					
	Profit/Loss		Equity		
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency	
<b>In case of appreciation / depreciation of USD against TRY at 10%</b>					
1- USD net asset/liabilities	21.184	(21.184)			
2- Part of hedged (-)	--	--			--
<b>3- USD net effect (1+2)</b>	<b>21.184</b>	<b>(21.184)</b>			<b>--</b>
<b>In case of appreciation / depreciation of EUR against TRY at 10%</b>					
4- EUR net asset/liabilities	21.130	(21.130)			
5- Part of hedged (-)	--	--			--
<b>6- EUR USD net effect (4+5)</b>	<b>21.130</b>	<b>(21.130)</b>			<b>--</b>
<b>In case of appreciation / depreciation of GBP against TRY at 10%</b>					
7- GBP net asset/liabilities	(657.151)	657.151			--
8- Part of hedged (-)	--	--			--
<b>9- Other net effect (7+8)</b>	<b>(657.151)</b>	<b>657.151</b>			<b>--</b>
<b>TOTAL (3+6+9)</b>	<b>(614.837)</b>	<b>614.837</b>			<b>--</b>



AK FAKTORİNG ANONİM ŞİRKETİ

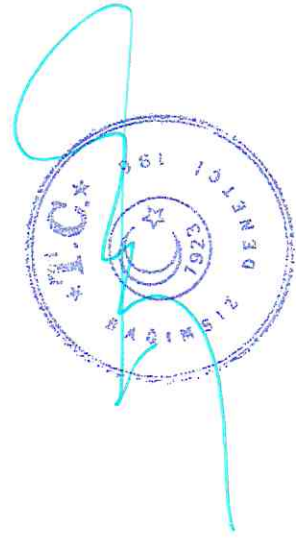
AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

Foreign Currency Sensitivity Analysis– (Cont'd)

Foreign Currency Sensitivity Analysis					
December 31, 2016					
	Profit/Loss		Equity		
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency	
<b>In case of appreciation / depreciation of USD against TRY at 10%</b>					
1- USD net asset/liabilities	304.626	(304.626)	--	--	--
2- Part of hedged (-)	--	--	--	--	--
<b>3- USD net effect (1+2)</b>	<b>304.626</b>	<b>(304.626)</b>	--	--	--
<b>In case of appreciation / depreciation of EUR against TRY at 10%</b>					
4- EUR net asset/liabilities	140.515	(140.515)	--	--	--
5- Part of hedged (-)	--	--	--	--	--
<b>6- EUR USD net effect (4+5)</b>	<b>140.515</b>	<b>(140.515)</b>	--	--	--
<b>In case of appreciation / depreciation of GBP against TRY at 10%</b>					
7- GBP net asset/liabilities	--	--	--	--	--
8- Part of hedged (-)	--	--	--	--	--
<b>9- Other net effect (7+8)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>TOTAL (3+6+9)</b>	<b>445.141</b>	<b>(445.141)</b>	<b>--</b>	<b>--</b>	<b>--</b>



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)

##### a) Interest Rate Position and Sensitivity Analysis

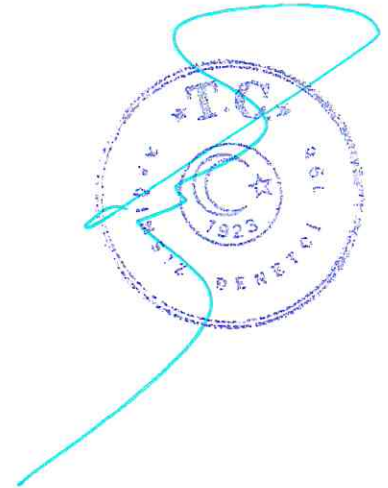
###### Interest Rate Position:

The Company's sensitive financial assets are factoring receivables and sensitive financial liabilities, bank loans, issued securities and payables to related parties.

The Company manages payments and receivables with similar maturities, so they project to balance interest increase and decrease.

Weighted average interest rates applied to sensitive assets and liabilities of the Company are as follows:

	31.12.2017				31.12.2016				
	%	TRY	USD \$	EUR	GBP	TRY	USD \$	EUR	GBP
<b><u>Assets</u></b>									
Bank deposits	--	--	--	--	--	--	--	--	--
Financial assets held for trading	--	--	--	--	--	--	--	--	--
Factoring receivables		22,65	10,35	7,75	--	22,24	11,10	11,21	--
<b><u>Liabilities</u></b>									
Loans		17,10	5,73	4,60	5,10	14,85	5,49	4,10	--
Factoring payables	--	--	--	--	--	--	--	--	--
Issued securities	--	--	--	--	--	15,82	--	--	--



**AK FAKTORİNG ANONİM ŞİRKETİ****AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS**

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

**45. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS – (Cont'd)****b) Interest Rate Position and Sensitivity Analysis – (Cont'd)**

The interest position of the Company is as follows.

Interest Position		
	31.12.2017	31.12.2016
<b>Fixed interest financial instruments</b>	<b>66.488.430</b>	<b>141.442.494</b>
Factoring receivables	414.595.122	405.888.507
Loans (-)	(347.131.612)	(262.249.002)
Factoring payables (-)	(975.080)	(2.197.011)
<b>Variable rate financial instruments</b>	<b>(24.843.493)</b>	<b>(101.086.232)</b>
Financial assets for trading	--	--
Loans (-)	(24.843.493)	(60.479.855)
Issued securities (-)	--	(40.606.377)

If interest rate increase/ (decrease) by 1 point, it will increase/(decrease) the net profit that is in the accompanying income statement which is amount to TRY 248.349 (December 31, 2016: TRY 1.010.862).

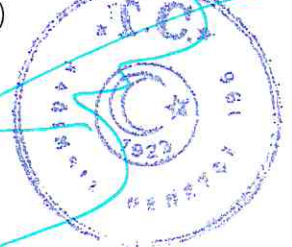
**Capital Risk Management Policies and Procedures**

In capital management, the Company aims at enhancing profitability while keeping a reasonable leverage, on the other hand rendering sustainability in its operations.

The Company follows capital by using debt to equity ratio. This rate is found by dividing net debt to total equity. Net debt is calculated by deducting cash and cash equivalents from total payable amount as shown in balance sheet, trade and other payables and loans.

	31.12.2017	31.12.2016
Total payables	376.964.111	369.015.522
<u>Less:</u>		
Cash and cash equivalents	(5.532)	(7.699)
Banks	(609.626)	(692.314)
<b>Net payables</b>	<b>376.348.953</b>	<b>368.315.509</b>
Total equity	62.954.126	59.176.339
Debt/Equity Ratio	598%	622%

The primary purpose of the Board of Company is to maximize the shareholder value and maintain a strong credit rating and healthy capital ratios. The company manages and corrects capital structure according to the changes in economic conditions. As of December 31, 2017 there is not any change in purpose, politics or process. (December 31, 2016 – None.)



## AK FAKTORİNG ANONİM ŞİRKETİ

### AS OF DECEMBER 31, 2017 NOTES TO THE FINANCIAL STATEMENTS

(Amounts are expressed in Turkish Liras (TRY unless otherwise stated))

#### 46. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING DISCLOSURES)

The Company has determined the estimated fair values of its financial instruments by using available market information and appropriate valuation methods however, evaluating market information and estimating fair values requires interpretation and judgment. Consequently, the estimates presented may not necessarily indicative the amounts the of the Company could obtain in the market. The following methods and assumptions were used to estimate the fair value of financial instruments

**Financial Assets**– Monetary items in foreign currency are exchanged by using the exchange rate at the balance sheet date because they approximate their fair values. Financial assets are deemed to approximate their carrying values because having short-term maturity, making provision for possible loss according to the economic and sectoral conditions.

**Financial Liabilities** -- Monetary items in foreign currency are exchanged by using the exchange rate at the balance sheet date because they approximate their fair values. Financial assets and other liabilities are deemed to approximate their carrying values because having short-term maturity.

#### 47. SUBSEQUENT EVENTS

None. (December 31, 2016: According to the decision of the Board of Directors dated February 09, 2017 Yılmaz Bişgen was appointed as a Board Member in place of Cem Özdemir who abandoned from the Company's Board of Directors).

#### 48. OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR PREVENT THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None. (December 31, 2016 – None)

