(CONVENIENCE TRANSLATION OF THE REPORT AND THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

VERUSA HOLDİNG A.Ş.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2019 AND
INDEPENDENT AUDITOR'S REPORT

CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Verusa Holding A.Ş.

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Verusa Holding A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

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

3. Key audit matters

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

Key Audit Matters	How the key audit matter was addressed in the audit
Valuation calculation carried out in order to determine the fair value of financial investments	
As can be seen in Note 25; the Group has financial investment classified as short-term amounting to TRY 283 million and has financial investment classified as long-term amounting to TRY 18 million non-publicly traded and these investments accounted through their fair values. In the valuation of financial investment, adjusted net asset value, market multiples and discounted cash flows techniques have been used. Weighted average cost of capital, terminal growth rate, EBITDA multipliers of similar companies, liquidity discount, production amount and estimated electricity sales prices were used. Changes that occur in these estimates will cause substantial change in the financial statements. We focused on these areas during our work due to significance of the amounts on the consolidated financial statement, use of estimations and need to use experts to check calculations.	We assessed the technical sufficiency and independence of the valuation company that performed the calculation. Total value was found using different valuation techniques at different rates. We received assessment of valuation experts within PwC Turkey during the assessment of assumptions and methods used by the Group management and the control of activities carried out by the valuation company. The technical and theoretical controls of the models, used by the management and designed using discount and terminal growth rates, were performed with the help of our valuation experts. We evaluated whether the terminal growth rate applied was suitable by comparing it to macro-economic data. In order to control that the discount rate was in acceptable range, we compared company data specific to the company subject to valuation and with the data of other public companies operating in the same industry. It was assessed that assumptions were at acceptable ranges. Projections prepared for cash-generating units, which are the basis of the calculations, were assessed by comparison to the past financial performance of the relevant cash-generating unit and the realization probability of forecasts for the forthcoming period were examined. By performing additional sensitivity analyses to those prepared by the valuation company, we assessed how sensitive the fair value studies were in terms of amount. We checked the mathematical accuracy of fair value calculations. We assessed the sufficiency of necessary footnote statement as part of TFRS.

Key Audit Matters	How the key audit matter was addressed in the audit
Valuation calculation carried out in order to determine the fair value of hydroelectric power plant	
Hydroelectric power plant amounting to TRY 48 million were accounted at its fair value in the Group's consolidated financial statements in accordance to TAS 16 - "Property, Plant and Equipment" standard. As of 31 December 2019, the fair value of the asset were calculated by an independent valuation company and increased by TRY 3,6 million. The amount, net of deferred income tax were accounted under other comprehensive income. We focused on this area during our work since the total amount represents a significant share of the Group's assets and cash flow projections consist of sensitive significant management estimates and judgements to market conditions which are spot market electricity sales prices, liquidity discount, production amounts and production costs.	We assessed the technical sufficiency and independence of the valuation company that performed the calculation. We received assessment of valuation experts within PwC Turkey during the assessment of assumptions and methods used by the Group management and the control of activities carried out by the valuation company. The technical and theoretical controls of the models, used by the management and designed using discount and terminal growth rates, were performed with the help of our valuation experts. We evaluated whether the terminal growth rate applied was suitable by comparing it to macro-economic data. In order to control that the discount rate was in acceptable range, we compared company data specific to the company subject to valuation and with the data of other companies operating in the same industry. It was assessed that assumptions were at acceptable ranges. Projections prepared for cash-generating units, which are the basis of the calculations, were assessed by comparison to the past financial performance of the relevant cash-generating unit and the realization probability of forecasts for the forthcoming period were examined. Relevant estimated electricity sales prices used in future cash flow projections are compared with the electricity sales prices determined in the Renewable Energy Resources Support Mechanism (“YEKDEM”) and approved by Energy Market Regulatory Authority (“EMRA”) which are valid for ten years starting from the power plant become operational. By performing additional sensitivity analyses to those prepared by the valuation company, we assessed how sensitive the fair value studies were in terms of amount. We checked the mathematical accuracy of fair value calculations. We assessed the sufficiency of necessary footnote statement as part of TFRS.

4. Other matters

The consolidated financial statements of the Group as of 31 December 2018 and for the year then ended were audited by another audit firm whose audit report dated 23 February 2019 expressed unqualified opinion.

5. Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

6. Auditor's responsibilities for the audit of the consolidated financial statements

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

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

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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

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

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

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 16 February 2020.

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

Mert Tüten, SMMM
Partner

İstanbul, 16 February 2020

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VERUSA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

ASSETS	**Notes**	**Audited Current Year 31 December 2019**	**Audited Prior Year 31 December 2018**
Current Assests		**366,396,352**	**296,471,898**
Cash and cash equivalents	29	39,120,942	8,049,622
Financial investments	25	294,982,910	259,119,222
Trade receivables	7	20,092,752	17,119,091
- Trade receivables from related parties	*6*	290,539	-
- Trade receivables from third parties		19,802,213	17,119,091
Other receivables	9	1,451,789	1,202,201
- Other receivables from third parties		1,451,789	1,202,201
Inventories	10	5,974,409	6,934,224
Prepaid expenses	8	1,162,281	410,048
Assets related to current assets	23	-	139,548
Other current assets	14	3,611,269	3,497,942
Non-Current Assests		**124,296,416**	**106,213,898**
Financial investments	25	18,027,660	14,401,260
Other receivables		512,865	481,965
- Other receivables from third parties	*9*	512,865	481,965
Investments accounted through equity method	4	8,797,995	7,711,603
Investment property	27	18,900,000	13,148,960
Property, plant and equipment	12	71,262,508	62,609,626
Intangible assets	13	110,338	133,429
Prepaid expenses	8	84,102	136,473
Deferred tax assets	23	3,780,380	4,460,241
Other non current assets	14	2,820,568	3,130,341
TOTAL ASSETS		**490,692,768**	**402,685,796**

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

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

LIABILITIES AND EQUITY	**Notes**	**Audited Current Year 31 December 2019**	**Audited Prior Year 31 December 2018**
Current Liabilities		**16,071,602**	**27,742,530**
Short-term borrowings	25	397,793	4,313,676
Short-term portion of long term borrowings	25	7,905,453	6,459,500
Trade payables	7	2,998,725	12,934,393
- Trade payables to related parties	*6*	-	5,638,365
- Trade payables to third parties		2,998,725	7,296,028
Payables related to employee benefits	15	456,196	733,957
Other Payables		780,554	218,359
- Other payables to related parties	*6*	-	14,162
- Other payables to third parties		780,554	204,197
Current tax liablities	23	398,705	-
Short-term provisions		427,331	351,383
- Short-term provisions for employee benefits	*15*	427,331	351,383
Other current liabilities	14	2,706,845	2,731,262
Non-Current Liabilities		**68,936,086**	**49,583,220**
Long-term borrowings	25	9,846,972	13,984,562
Other payables		42,445,019	25,086,774
- Other payables to related parties	*6*	42,445,019	24,571,748
- Other payables to third parties		-	515,026
Long-term provisions	23	1,373,033	922,718
- Long-term provisions for employee benefits		1,373,033	922,718
Deferred tax liablities	*15*	15,271,062	9,589,166
EQUITY		**405,685,080**	**325,360,046**
Equity Attributable to Owners of the Company		**325,406,057**	**251,278,104**
Share capital	17	70,000,000	70,000,000
Treasury shares (-)		-	(4,597,090)
Share premium	17	12,820,057	12,360,510
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		17,712,376	14,058,259
Revaluation increases / (decreases) of property, plant and equipment		17,712,376	14,058,259
Restricted reserves from profit		4,791,688	3,430,552
Other reserves	17	32,655,004	32,655,004
Retained earnings		125,200,851	79,645,578
Net profit of the year		62,226,081	43,725,291
Non-Controlling interests		**80,279,023**	**74,081,942**
TOTAL LIABILITIES AND EQUITY		**490,692,768**	**402,685,796**

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2019

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Audited Current Year 1 January - 31 Deccember 2019	Audited Prior Year 1 January - 31 December 2018
PROFIT OR LOSS			
Revenue	18	82,493,220	95,706,318
Cost of sales (-)	18	(70,547,571)	(86,455,766)
Gross profit		**11,945,649**	**9,250,552**
Administrative expenses (-)	19	(10,615,685)	(10,349,911)
Marketing expenses (-)	19	(1,420,414)	(1,232,039)
Other income from operating activities	20	89,311,263	63,790,297
Other expenses from operating activities (-)	20	(704,250)	(785,730)
Operating profit		**88,516,563**	**60,673,169**
Profit / loss (-) from investment activities	22	5,708,015	4,899,652
Share of profit/loss of invesments accounted for using the equity method	4	1,086,392	1,327,098
Operating profit before finance expense		**95,310,970**	**66,899,919**
Finance income	21	59,942	243,370
Finance expense (-)	21	(12,594,312)	(13,846,062)
Profit before tax		**82,776,600**	**53,297,227**
Tax expense		**(7,118,354)**	**939,970**
Current tax expense	23	(1,328,450)	(1,035,693)
Deferred tax expense	23	(5,789,904)	1,975,663
PROFIT FOR THE YEAR		**75,658,246**	**54,237,197**
Profit for the year attributable to			
Non-controlling interests		13,432,165	10,511,906
Owners of the Company		62,226,081	43,725,291
		75,658,246	**54,237,197**
Earnings per share			
Earnings per share	24	0.89	0.62
Other comprehensive income		**4,871,002**	**11,526,591**
Revaluation profit / losss (-) of tangible assets	12	5,442,855	12,720,048
Defined benefit plans re-measurement gains / (losses)		-	114,598
Revaluation increases (decreases) of tangible assets, tax effect	23	(571,853)	(1,308,055)
Total comprehensive income		**80,529,248**	**65,763,788**
Total comprehensive income/(loss) attributable to:		**80,529,248**	**65,763,788**
Non-controlling interests		14,780,458	12,756,944
Owners of the Company		65,748,790	53,006,844

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

VERUSA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2019

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

									Retained earnings				
	Notes	**Share capital**	**Treasury shares (-)**	**Share premium**	**Revaluation increases / (decreases) of property, plant and equipment**	**Defined benefit plans re-measurement gains / (losses)**	**restricted reserves from profit**	**Other reserves**	**Retained earnings**	**Net profit of the year**	**Equity Attributable to Owners of the Company**	**Non-Controlling interests**	**Total**
Balances of 1 January 2018		**70,000,000**	**(4,597,090)**	**11,828,772**	**3,013,248**	**(27,139)**	**3,208,425**	**32,655,004**	**71,015,172**	**14,443,920**	**201,540,312**	**64,185,961**	**265,726,273**
Transfers		-	-	-	-	-	99,994	-	14,343,926	(14,443,920)	-	-	-
Total comprehensive income		-	-	-	9,254,414	27,139	-	-	-	43,725,291	53,006,844	12,756,944	65,763,788
Dividends	17	-	-	-	-	-	-	-	(1,050,000)	-	(1,050,000)	(339,032)	(1,389,032)
Increase / decrease due to changes in proportion of ownership interest in subsidiaries that does not result in loss of control	3	-	-	531,738	1,790,597	-	122,133	-	(4,663,520)	-	(2,219,052)	(2,521,931)	(4,740,983)
Balances as of 31 December 2018		**70,000,000**	**(4,597,090)**	**12,360,510**	**14,058,259**	**-**	**3,430,552**	**32,655,004**	**79,645,578**	**43,725,291**	**251,278,104**	**74,081,942**	**325,360,046**
Balances of 1 January 2019		**70,000,000**	**(4,597,090)**	**12,360,510**	**14,058,259**	**-**	**3,430,552**	**32,655,004**	**79,645,578**	**43,725,291**	**251,278,104**	**74,081,942**	**325,360,046**
Transfers		-	-	-	-	-	1,291,035	-	42,434,256	(43,725,291)	-	-	-
Total comprehensive income		-	-	-	3,522,709	-	-	-	-	62,226,081	65,748,790	14,780,458	80,529,248
Dividends	17	-	-	-	-	-	-	-	(2,275,000)	-	(2,275,000)	(4,278,973)	(6,553,973)
Due to redemption of shares increase / (decreasse)	3	-	4,597,090	-	-	-	-	-	5,660,177	-	10,257,267	-	10,257,267
Increase / decrease due to changes in proportion of ownership interest in subsidiaries that does not result in loss of control	3	-	-	459,547	131,408	-	70,101	-	(264,160)	-	396,896	(4,304,404)	(3,907,508)
Balances of 1 January 2019		**70,000,000**	**-**	**12,820,057**	**17,712,376**	**-**	**4,791,688**	**32,655,004**	**125,200,851**	**62,226,081**	**325,406,057**	**80,279,023**	**405,685,080**

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

VERUSA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2019

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

A. Cash flows from operating activities	Notes	Audited Current Year 1 January - 31 December 2019	Audited Current Year 1 January - 31 December 2018
Profit for the year		**75,658,246**	**54,237,197**
Adjustments to reconcile profit for the year			
-Adjustments related to depreciation and amortization expenses	12, 13	1,908,883	1,709,940
-Adjustments related to impairment of receivables	7	281,533	(1,098,546)
-Adjustments related to cancellation of impairment of tangible assets		-	(759,908)
-Adjustments related to provision for/reversal for employee benefit termination	15	868,819	408,162
-Adjustments related to provisions		(158,367)	-
-Adjustments related to other provisions (cancellations)	20	-	(322,921)
-Adjustments related to interest income and expenses	20, 21	(10,488,385)	5,353,610
-Adjustments related to unrealized currency translation differences	25	1,736,884	5,615,892
-Adjustments related to (gain)/loss on fair value	20	(60,972,485)	(50,472,224)
-Adjustments related to undistributed profits of subsidiaries	4	(1,086,392)	(1,327,098)
-Adjustments related to tax expense	23	7,118,354	(939,970)
-Adjustments related to non-cash items		(5,628,192)	(4,100,588)
-Adjustments related to provisions of tangible assets	22	(8,479)	(39,156)
-Adjustments related to the disposal of joint ventures, subsidiaries and financial investments or gains arising from changes in their shares	18	(1,748,265)	(531,183)
Changes in working capital			
-Adjustments related to (increase) / decrease trade receivables	7	(3,096,827)	(7,228,765)
-Adjustments related to increase in other receivables related to operations		(280,488)	1,996,210
-Adjustments related to (increase) / decrease in inventories	10	959,815	(2,484,830)
-Adjustments related to (increase) / decrease in prepaid expenses	8	(699,862)	(368,080)
-Adjustments related to (increase) / decrease in trade payables	7	(9,935,668)	(12,396,494)
-Increase / (decrease) in payables due to employee benefits		(277,761)	154,909
-Adjustments related to increase in other payables related to activities		47,169	(2,070,547)
-Adjustments related to increase / (decrease) in other assets	14	352,306	1,731,624
-Increase in other liabilities related to activities	14	(24,417)	639,213
Cash generated/(used) from operations		**(5,473,579)**	**(12,293,553)**
Interest received		1,118,817	265,272
Participation (profit) share and cash inflows from other financial instruments	25	31,606,665	32,447,228
Payments made under the provisions for employee benefits		(342,556)	(629,818)
Income taxes paid	23	(790,197)	(1,235,977)
		26,119,150	**18,553,152**
B. Cash Flows from Investing Activities			
Cash outflows for acquisition of additional shares of subsidiaries, (net)	3	(3,907,508)	(4,740,983)
Cash outflows arising from acquisitions or capital increases in subsidiaries and/or joint ventures		(8,531,863)	-
Cash inflows arising from disposal of tangibles		205,570	117,965
Payments for purchase of tangible and intangible assets	12, 13	(5,292,910)	(8,936,436)
Purchases of investment property	27	(122,848)	(1,008,372)
		(17,649,559)	**(14,567,826)**
C. Cash Flows from Financing Activities			
Payments for the acquisition of own shares		(7,058,839)	-
Cash inflows for the disposal of own shares		17,316,106	-
Cash outflows for borrowings	25	(8,306,664)	(15,856,213)
Increase in other liabilities from related parties		39,637,683	32,500,000
Dividends paid		(6,553,973)	(1,389,032)
Interest paid		(12,432,584)	(13,788,851)
		22,601,729	**1,465,904**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**31,071,320**	**5,451,230**
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	29	**8,049,622**	**2,598,392**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D)	29	**39,120,942**	**8,049,622**

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

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

1. GENERAL INFORMATION

Verusa Holding A.Ş. (the "Company") was established on 6 October 2006 in Istanbul Turkey.

The major area of activity of the Company is to participate in the capital of various companies to provide more profitable and more efficient management of the companies. Members of the Board of Directors are activaley involved in the board of both the Company and its subsidiaries.

The companies that Verusa Holding A.Ş. has directly or indirectly participated (all together will be referred as the "Group") operate in the fields of energy, mining, chemistry, iron and steel, technology-software and venture capital.

The address of its registered office and principal place of business is Eski Büyükdere Caddesi İz Plaza Giz No: 9 Kat 14 D: 51 Maslak, Sarıyer / İstanbul.

In accordance with the permission of Republic of Turkey Prime Ministry Capital Markets Board dated 17 October 2012 and numbered 10201, the Company entered the registered share capital system in accordance with the resolution of the General Assembly on 19 October 2012. The registered capital ceiling of the Company is TL 300.000.000. As of 31 December 2019, the share capital of the Group is TL 70.000.000 (31 December 2018: TL 70.000.000).

As of 31 December 2019, the number of employees of the Group is 94 (31 December 2018: 102 employees).

The main shareholder and ultimate controlling party of the Group is Investco Holding A.Ş.

Subsidiaries included in the full consolidation in the enclosed consolidated financial statements;

Company Name	**Country**	**Area of Activity**	**Stock Exchanges**
Ata Elektrik Enerjisi Toptan Satış A.Ş.	Turkey	Energy Generation	-
Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Turkey	Venture Capital	BIST
Standard Boksit Maden İşletmeleri A.Ş. (*)	Turkey	Mining	-
Pamukova Elektrik Üretim A.Ş.	Turkey	Renewable Energy Generation	-
Tortum Elektrik Üretim A.Ş.	Turkey	Renewable Energy Generation	-
Acıselsan Acıpayam Selüloz San. ve Tic. A.Ş.	Turkey	Cellulose Production	BIST

(*) In the Board of Directors meeting held on 30 December 2019, the corporate name of İklimya Enerji Üretim A.Ş. has been changed to Tortum Elektrik Üretim A.Ş.

Ata Elektrik Enerjisi Toptan Satış A.Ş. ("Ata Elektrik") is engaged in the purchase and sale of electricity in the free market with the Wholesale Sales License which is taken from EMRA (Energy Market Regulatory Authority). The company continues its activities in the wholesale electricity trade by selling the electricity taken from the other electricity producers and commercial companies in Turkey and / or from the electric pool system to the customers.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

1. GENERAL INFORMATION (cont`d)

Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş. ("Verusaturk") is a venture capital investment company established in accordance with the Republic of Turkey Prime Ministry Capital Market Law. The registered equity ceiling of Verusaturk, which was established subject to the registered capital system in accordance with the decision of Capital Markets Board dated 29 December 2011 and numbered 44 / 1175, is TL 75,000,000. As of 31 December 2019, the paid-in capital of the Company is TL 52,000,000 and the share capital of Verusa Holding A.Ş. is the ultimate controlling party in Verusaturk.

Standard Boksit Maden İşletmeleri A.Ş. ("Standard") was established in 2014 and operates in the mining industry. As of 31 December 2019, the group has total capital of TRY 20,000,000.

Pamukova Elektrik Üretim A.Ş. ("Pamukova Elektrik") was established in 2015 and its paid-in capital is TL 95,000,000 as of December 31, 2019. It operates in the energy sector. As of December 31, 2019, Verusa Holding's effective participation rate is 83.79% in the company, where Verusaturk has 51% and Verusa Holding has 49% participation rate. The subsidiary of Pamukova Elektrik Üretim A.Ş., a subsidiary of the group, Enda Enerji Holding A.Ş., operating in the field of renewable energy generation. As of August 16, 2017, it has increased its capital from 234,000,000 TL to 300,000,000 TL in cash. As of 31 December 2019, Verusa Holding A.Ş.'s share in Enda Enerji Holding A.Ş. is 7.32% and TL 21,973,240, while Pamukova Elektrik Üretim A.Ş.'s share is 19.50%. and 58,500,000 TL.

Tortum Elektrik Üretim A.Ş. ("Tortum Elektrik") As of 31 December 2019, the paid-in capital of the company is 43,000,000 TL and Verusa Holding A.Ş. is the dominant partner in the company. The effective participation rate of the group in the company is 84.70%. At the Board of Directors meeting of Tortum Elektrik A.Ş. on 30 December 2019; company title "İklimya Elektrik Üretim A.Ş." has been changed to "Tortum Elektrik Üretim A.Ş".

Acıselsan Acıpayam Selüloz San. ve Tic. A.Ş. ("Acıselsan") Acıselsan was established on 12 April 1973 in Denizli, Turkey. As of 31 December 2019, the paid-in capital of the company is 10,721,700 TL. On 24 October 2018, the Group purchased all 5,071,148.653 shares of Acıselsan from Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş. through İstanbul Stock Exchange (BIST) and included the consolidation.

<u>Subsidiaries included in the full consolidation by the equity method in the accompanying consolidated financial statements;</u>

Company Name	**Country**	**Area of Activity**	**Stock Exchanges**
Innoted Teknoloji A.Ş.	Turkey	Technology-Software Development	-
Aldem Çelik Endüstri Sanayi ve Ticaret A.Ş.	Turkey	Steel Production	-

Innoted Teknoloji A.Ş. ("Innoted") was established to develop software for EFT / POS and OGS devices for domestic and foreign trade. Innoted manufactures, trades, imports, exports, assembles, repairs and maintains electronic system of EFT / POS and OGS devices.

As of 31 December 2019, the Group has TRY 1,680,000 of the total paid-in capital of TL 3,600,000 at Innoted Teknoloji A.Ş. The company operates in technology and software industries.

1. GENERAL INFORMATION (cont`d)

Aldem Çelik Endüstri Sanayi ve Ticaret A.Ş. ("Aldem Çelik") manufactures and processes steel products for domestic and foreign trade.

As of 31 December 2019, the Group has TRY 3,932,375 of the total paid-in capital amounting to TRY 9,650,000 in Aldem Çelik. Aldem Çelik Endüstri San. ve Tic. A.Ş. operates in the fields of production, processing, project design, purchase, sale, import and export of steel products.

Approval of the financial statements

The consolidated financial statements have been approved by the Board of Directors and authorized for issue on 16 February 2020. The General Assembly has the authority to amend the consolidated financial statements.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance in Turkish Accounting Standards ("TMS")

The Company and its subsidiaries in Turkey prepare their books and accompanying financial statements in accordance with the accounting standards stated by Turkish Commercial Code ("TCC") and the tax legislation.

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and Interpretations ("TAS") that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

The consolidated financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013.

Consolidated financial statements and disclosures are prepared in accordance with the TAS classification, issued by Public Oversight Accounting and Auditing Standards Authority ("POA")**.**

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

2.1 Basis of Presentation (cont'd)

Functional and Presentation Currency

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

Adjustment of the Financial Statements in Hyperinflationary Periods

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 " Financial reporting in Hyperinflationary Economies" ("TAS 29") was not applied.

Comparative Information and Restatement of Consolidated Financial Statements of of Prior Period

Consolidated financial statements of the Group have been prepared comparatively with the prior period in order to give information about financial position and performance. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassed and significant changes are disclosed if necessary. In the current year, the Group does not have any significant classifications for the prior year.

Basis of consolidation

Subsidiaries

	Group's effective shares (%)		Effective Shareholding and Voting Rights	
Subsidiaries	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Ata Elektrik	100.00	100.00	100.00	100.00
Verusaturk	68.22	65.64	68.22	65.64
Standard	100.00	100.00	100.00	100.00
Pamukova	83.79	82.48	100.00	100.00
Tortum Elektrik	84.70	83.46	100.00	100.00
Acıselsan	47.30	47.30	47.30	47.30

Considering the board structure and free float ratio, Acıselsan Acıpayam Selüloz San. ve Tic. Inc. has been considered as a subsidiary.

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

2.1 Basis of Presentation (cont'd)

Basis of consolidation (cont'd)

Subsidiaries (cont'd)

The consolidated financial statements incorporate the financial statements of the Company and entities *(including structured entities)* controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

If there is a situation or event that may lead to any change in at least one of the criteria listed above, the company re-evaluates the control power over its' investment.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

In accordance with TFRS 10, paragraph 33, the Group fully consolidates Pamukova Elektrik Üretim A.Ş., its subsidiary whose change in fair value is accounted for in the statement of consolidated profit or loss at Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş. level, at Verusa Holding level.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

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

2.1 Basis of Presentation (cont'd)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Share in associates

Associates

	Group's effective shares (%)		Effective Shareholding and Voting Rights	
Associates	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Innoted	46.67	46.67	46.67	46.67
Aldem	40.75	40.75	40.75	40.75

Associate is the entity in which the Group has significant influence. Significant influence is the ability to participate in the entity's decisions regarding its financial and operational policies without the control authority.

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

2.1 Basis of Presentation (cont'd)

Share in associates (cont'd)

In the accompanying financial statements, the results of operations and assets and liabilities of associates are recognized as assets held for sale in accordance with TFRS 5 standard and that the shares of Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş. are held in accordance with TAS 28 standard 18, The gain or loss is recognized using the equity method of accounting except for the associates reflected. According to the equity method, associates are shown on the balance sheet at the amount obtained by subtracting any impairment in the associate from the amount of the cost of the adjustment of the net assets of the associate after the acquisition as the share of the Group in the aftermath of the change. The associate shall not be allowed to record losses that exceed the Group's share of the associate (including any long-term investment that essentially constitutes part of the Group's net investment in the associate). Provision for additional loss is the case if the Group has been exposed to legal or collective obligations or has made payments on behalf of the associate.

Gains and losses arising from transactions between one of the Group companies and a subsidiary of the Group are eliminated from the share of the Group in the relevant subsidiary.

2.2 Changes in Accounting Policies

Changes in the accounting policies resulting from the first issue of a new TFRS are applied retrospectively and prospectively in accordance with the translational provisions of the related TFRS.

Significant changes in the accounting policies are applied retrospectively and prior period financial statements are restated. The Group does not have any changes in accounting policies in the current period.

TFRS 16 Leases have been evaluated for implementation as of 1 January 2019, but it has been decided that there is no significant impact on the consolidated financial statements since there are no identifiable lease assets in return for the rental fees paid.

2.3 Changes and Mistakes in Accounting Estimates

If the changes in accounting estimates are related to only one period, they are applied in the period in which the changes are made; if they are related to future periods, they are applied both in the current and following periods. The Group does not have changes in the accounting estimates in the current period.

Significant accounting errors are applied retrospectively and prior period financial statements are restated.

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

2.4 New and Amended Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2019:

- **TFRS 9, "Changes in financial instruments";** Valid for annual reporting periods starting on January 1, 2019 or after this date.

- **TAS 28, "Changes in investments in subsidiaries and partnerships"**; Valid for annual reporting periods starting on January 1, 2019 or after this date.

- **IFRS 16, 'Leases';** Valid for annual reporting periods starting on January 1, 2019 or after this date. There is no significant effect in the consolidated financial statements.

- **IFRS 23, 'Uncertainty over income tax treatments';** "Uncertainties in tax practices"; Valid for annual reporting periods starting on January 1, 2019 or after this date.

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  - IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- **Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** amendments to the plan, reduction or fulfillment, are valid for the annual reporting periods of 1 January 2019 and beyond.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

- **Changes in TAS 1 and TAS 8 significance definition; Valid for annual reporting periods beginning on or after 1 January 2020.**

- **Changes in TFRS 3 - business definition;** Valid for annual reporting periods beginning on or after 1 January 2020.

- **Changes in TFRS 9, TAS 39 and TFRS 7** - Indicator interest rate reform; Valid for annual reporting periods beginning on or after 1 January 2020.

- **TFRS 17, "Insurance Contracts";** Valid for annual reporting periods beginning on or after 1 January 2021.

The Group will evaluate the effects of the changes above to the financial statements and apply them as of the effective date.

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

2.5 Summary of Significant Accounting Policies

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements.

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(ii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

The legal entities to which Verusa Holding A.Ş. has directly or indirectly participated in this console in the direction of the financial statements; Directly or indirectly on the Company; (Up to the second degree) and their direct or indirect entities, alone or jointly controlled by them, with their significant influence and / or key management personnel The legal entities that they serve as; The subsidiaries and affiliates of the Company, members of the Board of Directors, key management personnel and their close family members (up to the second degree) and any entity that is controlled directly or indirectly by them, alone or in combination, are considered and referred to as related parties.

Revenue

The Group has recognized revenue in its consolidated financial statements in accordance with TFRS 15 "Revenue Standards with Customer Contracts" as of 1 January 2018.

Cellulose Sales

Revenue is recognized in the financial statements at the transaction cost. The transaction fee is the amount that the entity expects to receive in return for the transfer of the goods to the customer, except for the amounts collected on behalf of third parties. When the control of the property is transferred to its customers, the Company reflects the related amount as revenue in its financial statements. The company does not provide any guarantee regarding sales.

Electricity Sales

The company operates to sell wholesale electricity power that is supplied from other energy producer companies, commercial electricity firms or electricity pool.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

The Group transfers a committed good or service to its customer and records the revenue in its financial statements as it fulfills or obtains its performance obligation. An asset is transferred when the control of an asset passes to customer. Revenue from the sale of goods is recognized when all of the following conditions are met:

1) The group transfers all significant risks and gains related to the property to the buyer, 2) The group does not have a property-related and ongoing administrative involvement and does not have effective control over the goods sold, 3) A reliable measurement of the amount of income is possible, 4) It is probable that the economic benefits associated with the transaction will flow to the business, 5) Reliable measurement of the costs arising from or to be caused by the transaction.

Venture Capital

Revenues consist of sales of subsidiaries and / or associates, and consulting services provided to associates. Subsidiary and subsidiary sales revenue generating loss of control is recorded in the sales records. Revenues from consulting services provided to associates are recorded on the date of service.

Dividend and interest income:

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Cash and Cash Equivalents

Cash and cash equivalents are cash, demand deposits and other short-term investments with a maturity of 3 months or less, which are readily convertible into cash and do not present a risk of impairment at significant time, since the date of purchase. Cash and cash equivalents of the Group are classified under the category of "Loans and Receivables".

Financial Instruments

<u>Financial assets</u>

The purchase or sale of financial assets is recognized on the transaction date that the group undertakes to buy or sell the asset. Financial assets are accounted for when their right to obtain cash flow from them expires or is transferred and when the Group has transferred all the risks and returns significantly.

The Group classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Company reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

Classification of financial assets

Financial assets that satisfy the following requirements are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Classification of financial assets (cont'd)

Financial assets measured at fair value through profit or loss, are assets that are not measured at amortised cost or at fair value through other comprehensive income. Gains and losses on valuation of these financial assets are accounted for under the consolidated statement of income.

The Company may make an irrevocable preference for the subsequent changes to the fair value of its investment in the equity instruments held for the first time in its presentation in the financial statements for the purpose of presentation to the other comprehensive income

(i) Amortised cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

(a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
(b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

Interest income is recognized in profit or loss.

(ii) Financial assets at fair value through profit or loss

Financial assets, that are reflected through amortized costs or fair value changes, determined as reflecting to profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at the end of each period. All fair value changes are recognized in profit or loss unless they are part of the hedging transaction.

The Group sets aside the provision for impairment in the financial statements for the trade receivables shown at amortized costs, assets arising from contracts with customers, as well as expected credit losses related to investments in financial collateral agreements. The expected loan loss amount is updated to reflect the changes in credit risk since the related financial asset was first included in the financial statements in each reporting period.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Impairment of financial assets

The Group allocates the provision for impairment losses on assets, contracts arising from agreements with customers, and expected credit losses on financial collateral agreements in the financial statements if the provision has significant amount. The expected amount of credit loss is updated in the reporting period to reflect changes in credit risk since the financial asset has been recognized for the first time.

The Group utilizes a simplified approach to assets and receivables arising from contracts with customers, which are not material financing elements, and calculates the impairment provisions as a percentage of the expected credit losses over the life of the related financial assets.

For all other financial instruments, the Group recognizes expected credit losses for a lifetime if there has been a significant increase in credit risk since initial recognition. However, if the credit risk of the financial instrument has not increased significantly since the initial recognition, the Company recognizes the loss provision for the expected 12-month loan loss amount for that financial instrument.

Measurement and accounting of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at fair value through other comperehensiv income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at fair value through other comperehensiv income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities are classified as at fair value through profit and loss on initial recognition. On initial recognition of liabilities other than those that are recognised at fair value through profit and loss, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Assets (cont'd)

Finansal liabilities (cont'd)

A financial liability is subsequently classified at amortized cost except:

(a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.
(b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Company continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.
(c) A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

The Group did not reclassify any financial liability as a result of the above accouting policy.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Loans and receivables

Commercial and other receivables and loans with fixed and determinable payments that are not quoted in the market are classified in this category. Loans and receivables (trade and other receivables, bank balances, cash and others) are carried at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate method unless the effect of rediscount is significant.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first out basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value at the date of revaluation is the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction. Fair value determination is based on the market and cost approaches using quoted market prices for similar items when available and in some cases, using replacement cost when appropriate.

Any revaluation increase arising on the revaluation of such land and buildings is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost or valuation of assets, other than land and properties under construction, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Property, plant and equipment (cont'd)

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets, except the land that are subject to revaluation. Useful lives are as follows:

	Time (Year)
Buildings	30
Machinery, plant and equipment	3-20
Vehicles	5
Furnitures	3-20
Other tangible assets	3-5
Hydroelectric power plant	15-40

The economic useful lives and depreciation methods are regularly reviewed and accordingly, the method and the period of depreciation are considered to be in line with the economic benefits to be gained from the related asset and are adjusted if necessary.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are carried at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is provided on investment property on a straight line basis.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

No assets held under operating lease have been classified as investment properties.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired seperately are carried at cost less accumulated impairment losses

The intangible assets of the Group are reflected in the financial statements as the acquisition cost less accumulated depreciation and depreciation. Purchased intangible assets, especially software, are amortized using the straight-line method over their 3 and 5-year limited useful lives. Amortization expense for intangible assets is recognized in the statement of profit or loss and other comprehensive income as general administrative expenses and cost of sales.

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

Derecognition of intangible assets

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Business Combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with TAS 12 *Income Taxes* and TAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with TFRS 2 *Share-Based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* are measured in accordance with TFRS 5.

- Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

- Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another TFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with TAS 39, or TAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Business Combinations (cont'd)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Impairment in Assets

At each balance sheet date, the Group has assessed whether there is any indication that there is an impairment loss on that asset for each balance sheet item, except for deferred tax assets and financial assets at fair value that are presented in the consolidated balance sheet. If such an indication exists, the recoverable amount of that asset is estimated.

If the asset or any cash-generating unit of that asset has a high value to be recovered through its recorded value, use or sale, the value has come to the fore.

The recoverable amount is determined by selecting the higher of net selling price and value in use of the asset. Usage value is the predicted present value of cash flows expected to be derived from the permanent use of an asset and its elimination at the end of its useful life. Impairment losses are recognized in profit or loss and other comprehensive income.

A loss on impairment of an asset is reversed if the subsequent increase in the recoverable amount of the asset can be attributed to an event that arises in subsequent periods after the impairment is recognized in the records. Impairment loss on other assets is reversed if there is a change in the estimates used when determining the recoverable amount. An increase in the carrying amount of an asset due to the reversal of the impairment loss should not exceed the carrying amount that would have been determined if no impairment loss was recognized in the consolidated financial statements in the previous years (the net amount after the amortization).

Borrowing Costs and Receivable Loans

If the maturities of the receivables are shorter than 12 months as of the balance sheet date, they are shown within the short term liabilities and within 12 months of long term liabilities. Credits are recorded at the date of receipt at the fair value after the transaction costs are deducted from the loan amount received.

The loans are subsequently stated at the discounted cost value using the effective interest method. Any difference between the amount remaining after deducting transaction costs and the discounted cost value is reflected in profit or loss and other comprehensive income statement as cost of finance over the period of the loan. The cost of financing arising from loans is recognized in profit or loss when incurred and in other comprehensive income.

Foreign Currency Balances and Transactions

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Foreign Currency Balances and Transactions (cont'd)

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below for hedging accounting policies)

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the 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 end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When 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 are 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.

Employee Benefits

Termination and retirement benefits:

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

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation. Determined actuarial gains and losses are recognized in profit and loss due to not material.

Corporate Taxes

Turkish Tax Legislation does not permit the parent company and its subsidiary to prepare a consolidated tax return, so the tax provisions are separately calculated for each entity, as reflected in the accompanying financial statements.

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Taxes Calculated on the Institution Earnings (cont'd)

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Venture fund

Verusaturk benefits from the earnings exception under Article 5/1-d of the Corporate Tax Law. Accordingly, the Company's earnings are exempt from corporate tax.

Deferred tax

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity.

Segment Reporting

In terms of management accounting, the Group has been divided into five groups: venture capital, electricity wholesale, cellulose manufacturing, energy and holding activities,. These distinctions form the basis for financial reporting, according to departments.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Statement of Cash Flows

Cash flows related to current period classifies and reports as operating, investing and financing.

Shares and Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which the dividend is decided.

Earnings Per Share

Earnings per share disclosed in the consolidated statement of comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

Events After the Reporting Period

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Group's accounting policies

In the process of applying accounting policies, management has made the following comments, which have a significant effect on the amounts recognized in the financial statements:

Deferred tax

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. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized.

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

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (cont'd)

Deferred taxes related to investment properties

In the deferred tax asset and deferred tax asset calculations arising from the investment properties of the Group, it was concluded that the economic benefits to be obtained from investment properties are not available within the scope of a business model which is intended to be fully utilized over time rather than the sales path. The sales gains of the investment properties are subject to taxation of 5 December 2017 with taxation on 5 December 2017 and 11% tax for 3 years covering the years 2018, 2019 and 2020 (Note 23) and they are subject to 10% tax for the years 2021 and beyond. As the Group plans to hold investment properties until 2021, the deferred tax liability of 5% is calculated from the difference between the fair value and the tax base of investment properties.

The calculation of the fair values of the financial investments of the Group

The fair value of the Group's financial assets, that are classified as fair value through profit or loss, has been determined by valuation studies which are held and 14 February 2020 for Enda Enerji Holding A.Ş. In the valuation studies, adjusted net asset ,discounted cash flows ("DCF") and market multiples ("equivalence value") have been used together or separately as deemed appropriate by the valuation expert. The fair values of the investments have been calculated by using the weighted average of the fair values calculated according to different methods (Note 26).

The fair value of the Group's financial assets, that are classified as fair value through profit or loss, has been determined by valuation studies which are held and 14 February 2020 for EPIAS. Discounted cash flows ("DCF") method was used in these valuation (Note 26).

Fair value determination of the hydroelectric power plant

The hydroelectric power plant, which the Company classified as a tangible fixed asset, whose fair value is reflected in other comprehensive income, has been identified in the independent valuation dated 26 December 2019. Discounted cash flows ("DCF") method was used in these valuation studies (Note 12).

3. EXPLANATIONS OF CHANGES IN SHAREHOLDERS EQUITY

2019: Verusa Holding A.Ş. purchased 1,340,474 Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş. shares. With this transaction, Verusa Holding's share in the Verusaturk capital has reached the 68.22 % limit as of 31 December 2019.

The Group has purchased and sold its own shares in the stock exchange within the scope of the Prime Ministry Capital Markets Board's announcement dated 21 July 2016.

The Group has purchased and sold its own shares in the stock exchange within the scope of the Republic of Turkey Prime Ministry Capital Market Board's Press Release dated July 21, 2016.

2018: The Group was consolidating Acıselsan Acıpayam Selüloz San. Tic. A.Ş. with 29.60% effective control rate in December 2017. On October 24, 2018, a total of 5,071,148.653 shares of Acıselsan were purchased from Verusaturk at Borsa İstanbul Wholesale Market for a total price of TL 13,742,812.85 for TL 2.71 per share. As of 31 December 2018, it is included in the consolidation with a participation rate of 47.30%.

From 25 October 2018 to 9 November 2018, Verusa Holding A.Ş. purchased 1,589,587 Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş. shares in the price range of 2.88 – 3.11 TL. With this transaction, Verusa Holding's share in the Verusaturk capital has reached the 65.64% limit as of 31 December 2018.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

4. INTEREST IN OTHER ENTITIES

a) Subsidiaries

Details of non-wholly owned subsidiaries that have material non-controlling interests:

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

		The share of noncontrolling interests in the capital and voting rights ratio		Comprehensive income on non-controlling shares		Accumulated non-controlling interests	
Subsidiaries	**Place of Incorporation**	**31 December 2019**	**31 December 2018**	**1 January - 31 December 2019**	**1 January - 31 December 2018**	**31 December 2019**	**31 Decemebr 2018**
Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş.	İstanbul	%31.78	%34.36	2,998,807	3,261,124	37,432,869	41,425,740
Pamukova Elektrik Üretim A.Ş.	İstanbul	%16.21	%17.52	5,851,814	3,151,331	21,588,478	17,013,169
Acıselsan Acıpayam Selüloz San. Ve Tic. A.Ş.	Denizli	%52.70	%52.70	5,753,791	4,824,397	22,071,899	16,713,631
Tortum Elektrik Üretim A.Ş.	İstanbul	%15.30	%16.54	176,046	1,520,092	(814,223)	(1,070,598)
				14,780,458	**12,756,944**	**80,279,023**	**74,081,942**

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

4) INTERESTS IN OTHER ENTITIES (cont'd)

a) Subsidiaries (cont'd)

The summary financial information of each subsidiary of the Group with significant non-controlling interests is presented below. These summary financial information show the amounts before intra-group eliminations.

Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş.	**31 December 2019**	**31 December 2018**
Current assets	181,834,515	162,837,336
Non-current assets	9,248	28,945
Current liabilities	93,596	121,803
Non-current liabilities	104,543	60,951
Equity attributable to main shareholding	144,212,755	121,257,787
Non-controlling shares	37,432,869	41,425,740

	1 January - 31 December 2019	**1 January - 31 December 2018**
Revenue	31,606,665	32,447,228
Expenses	(424,581)	(20,851,215)
Eliminations for consolidation	(21,892,717)	(2,104,187)
Profit / (loss) for the period	9,289,367	9,491,826
Profit/loss for the period attributable to:		
Main shares of the Company	6,290,560	6,230,702
Non-controlling shares	2,998,807	3,261,124
Profit / (loss) for the period	9,289,367	9,491,826
Total comprehensive income attributable to:		
Main shares of the Company	6,290,560	6,230,702
Non-controlling shares	2,998,807	3,261,124
Total comprehensive income	9,289,367	9,491,826

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

4. INTERESTS IN OTHER ENTITIES (cont'd)

a) Subsidiaries (cont'd)

Pamukova Elektrik Uretim A.Ş.	31 December 2019	31 December 2018
Current assets	207,905,943	169,842,769
Non-current assets	28,274,974	23,840,662
Current liabilities	25,840	13,163,612
Non-current liabilities	7,954,266	5,774,674
Equity attributable to main shareholding	206,612,333	157,731,976
Non-controlling shares	21,588,478	17,013,169

	1 January - 31 December 2019	1 January - 31 December 2018
Revenue	-	-
Expenses	36,105,667	17,984,830
Profit / (loss) for the period	36,105,667	17,984,830
Profit/loss for the period attributable to:		
Main shares of the Company	30,253,853	14,833,499
Non-controlling shares	5,851,814	3,151,331
Profit / (loss) for the period	36,105,667	17,984,830
Total comprehensive income attributable to:		
Main shares of the Company	30,253,853	14,833,499
Non-controlling shares	5,851,814	3,151,331
Total comprehensive income	36,105,667	17,984,830

Acıselsan Acıpayam Selüloz San. Ve Tic. A.Ş.	31 December 2019	31 December 2018
Current assets	18,628,141	15,418,210
Non-current assets	30,819,940	22,753,468
Current liabilities	4,326,296	4,142,944
Non-current liabilities	3,240,030	2,314,475
Equity attributable to main shareholding	19,809,856	15,000,628
Non-controlling shares	22,071,899	16,713,631

	1 January - 31 December 2019	1 January - 31 December 2018
Revenue	42,939,006	31,972,324
Expenses	(33,633,243)	(23,755,813)
Profit / (loss) for the period	9,305,763	8,216,511
Profit/loss for the period attributable to:		
Main shares of the Company	4,401,626	3,885,763
Non-controlling shares	4,904,137	4,330,748
Profit / (loss) for the period	9,305,763	8,216,511
Total comprehensive income attributable to:		
Main shares of the Company	5,164,224	4,345,887
Non-controlling shares	5,753,791	4,824,397
Total comprehensive income	10,918,015	9,170,284

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

4. INTERESTS IN OTHER ENTITIES (cont'd)

a) Subsidiaries (cont'd)

Tortum Elektrik Uretim A.Ş.	**31 December 2019**	**31 December 2018**
Current assets	438,474	2,549,309
Non-current assets	53,532,979	51,905,204
Current liabilities	6,358,761	8,583,712
Non-current liabilities	9,933,913	14,042,546
Equity attributable to main shareholding	38,493,002	32,898,853
Non-controlling shares	(814,223)	(1,070,598)

	1 January - 31 December 2019	**1 January - 31 December 2018**
Revenue	3,807,981	3,172,477
Expenses	(5,916,207)	(4,570,661)
(Profit) / loss for the period	(2,108,226)	(1,398,184)
Profit/loss for the period attributable to:		
Main shares of the Company	(1,785,667)	(1,166,887)
Non-controlling shares	(322,559)	(231,297)
Profit / (loss) for the period	(2,108,226)	(1,398,184)
Total comprehensive income attributable to:		
Main shares of the Company	974,478	7,668,819
Non-controlling shares	176,046	1,520,092
Total comprehensive income	1,150,524	9,188,911

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

4. INTERESTS IN OTHER ENTITIES (cont'd)

b) Associates

Details of material associates:

The details of investments accounted for with equity method as of 31 December 2019 and 2018 are as follows:

Associates	Place of incorporation	Functionl currency	31 December 2019	%	31 December 2018
Aldem Çelik Endüstri San. ve Tic. A.Ş.	İstanbul	Turkish Lira	8,245,436	40.75	7,001,572
Innoted Teknoloji A.Ş.	İstanbul	Turkish Lira	552,559	46.67	710,031
Total			**8,797,995**		**7,711,603**

Summarized financial information in respect of each of the the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with TFRS.

Aldem Çelik Endüstri San. ve Tic. A.Ş.	**31 December 2019**	**31 December 2018**
Current assets	25,012,184	19,651,801
Non-current assets	20,277,971	14,185,001
Current liabilities	(22,569,788)	(14,191,259)
Non-current liabilities	(2,485,551)	(2,463,152)
	20,234,816	**17,182,391**

	1 January - 31 December 2019	**1 January - 31 December 2018**
Revenue	40,843,659	37,464,908
Profit / (loss) for the period	**3,052,425**	**2,841,998**
Group's shares on participations' losses	1,243,864	1,158,114

	31 December 2019	**31 December 2018**
Net assets of subsidiary	20,234,816	17,182,391
Group's share of Aldem Çelik Endüstri San. ve Tic. A.Ş. (%)	40.75	40.75
Net book value of Group's share of Aldem Çelik Endüstri San. ve Tic. A.Ş.	**8,245,436**	**7,001,572**

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

4. INTERESTS IN OTHER ENTITIES (cont'd)

b) Associates (cont'd)

Details of material associates: (cont'd)

Innoted Teknoloji A.Ş.	**31 December 2019**	**31 December 2018**
Current assets	360,644	303,396
Non-current assets	3,036,905	2,640,620
Current liabilities	(2,213,578)	(1,421,362)
Non-current liabilities	-	(1,268)
	1,183,971	**1,521,386**

	1 January - 31 December 2019	**1 January - 31 December 2018**
Revenue	100,767	166,080
Profit / (loss) for the period	**(337,415)**	**362,083**
Group's shares on participations' losses	(157,472)	168,984

	31 December 2019	**31 December 2018**
Net assets of subsidiary	1,183,971	1,521,386
Group's share of Innoted Teknoloji A.Ş. (%)	46.67	46.67
Net book value of Group's share of Innoted Teknoloji A.Ş.	**552,559**	**710,031**

5. OPERATING SEGMENTS

In terms of management accounting, the Group's activities are divided into five activity groups: venture capital, electrical energy wholesale, cellulose and energy production. These distinctions form the basis of financial reporting according to the sections below. Group management has determined its operating segments based on the reports reviewed by the Board of Directors and that are effective in making strategic decisions. The Board of Directors, which took the strategic decisions, was determined as the authority to make decisions regarding the activities of the Group. The reports, which are regularly reviewed by the competent authority to decide on group activities, consist of the Group's consolidated TFRS figures.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

5. OPERATING SEGMENTS (cont'd)

The distribution of the Group's ongoing activities according to the divisions is as follows:

	1 January - 31 December 2019						
	Holding Operations	**Venture Fund**	**Cellulose Production**	**Wholesale of electricity energy**	**Generation of Energy**	**Eliminations**	**Total**
Revenue	-	31,606,665	42,939,006	5,560,214	3,807,981	(1,420,646)	82,493,220
Operating income	**-**	**31,606,665**	**42,939,006**	**5,560,214**	**3,807,981**	**(1,420,646)**	**82,493,220**
Cost of sales (-)	-	(29,858,400)	(34,800,370)	(5,034,951)	(2,267,350)	1,413,500	(70,547,571)
Gross profit	**-**	**1,748,265**	**8,138,636**	**525,263**	**1,540,631**	**(7,146)**	**11,945,649**
Marketing expenses (-)	-	-	(1,053,807)	(212,654)	(153,953)	-	(1,420,414)
Administrative expenses (-)	(3,262,190)	(2,824,510)	(2,108,177)	(869,622)	(1,673,190)	122,004	(10,615,685)
Income from other operating activities	45,696,036	32,485,204	946,532	4,345,996	39,727,266	(33,889,771)	89,311,263
Expense from other operating activities (-)	(1,320)	(778)	(705,323)	215,176	(215,092)	3,087	(704,250)
Operating profit/(loss)	**42,432,526**	**31,408,181**	**5,217,861**	**4,004,159**	**39,225,662**	**(33,771,826)**	**88,516,563**
Shares in the profits / (losses) of investments accounted for using the equity method	-	-	-	-	-	1,086,392	1,086,392
Income from investing activities	-	-	5,998,585	-	-	(290,570)	5,708,015
Finance income	267,899	-	-	37,496	879,322	(1,124,775)	59,942
Finance expense	(11,196,343)	(226,097)	(148,582)	(1,158,870)	(4,359,486)	4,495,066	(12,594,312)
Profit / (loss) before tax	**31,504,082**	**31,182,084**	**11,067,864**	**2,882,785**	**35,745,498**	**(29,605,713)**	**82,776,600**
Tax expense	(2,870,822)	-	(1,762,101)	(329,642)	(2,155,789)	-	(7,118,354)
Profit / (loss) for the period	**28,633,260**	**31,182,084**	**9,305,763**	**2,553,143**	**33,589,709**	**(29,605,713)**	**75,658,246**

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

5. OPERATING SEGMENTS (cont'd)

The distribution of the Group's ongoing activities according to the divisions is as follows:

	1 January - 31 December 2018						
	Holding Operations	Venture Fund	Cellulose Production	Wholesale of electricity energy	Generation of Energy	Eliminations	Total
Revenue	-	32,447,228	31,972,324	29,166,503	3,172,477	(1,052,214)	95,706,318
Operating income	**-**	**32,447,228**	**31,972,324**	**29,166,503**	**3,172,477**	**(1,052,214)**	**95,706,318**
Cost of sales (-)	-	(31,915,545)	(25,839,492)	(28,114,241)	(1,526,528)	940,040	(86,455,766)
Gross profit	**-**	**531,683**	**6,132,832**	**1,052,262**	**1,645,949**	**(112,174)**	**9,250,552**
Marketing expenses (-)	-	-	(771,586)	(362,922)	(97,531)	-	(1,232,039)
Administrative expenses (-)	(2,894,990)	(2,399,070)	(1,805,489)	(1,527,328)	(1,798,603)	75,569	(10,349,911)
Income from other operating activities	16,204,710	15,533,951	2,191,899	12,615,624	22,884,864	(5,640,751)	63,790,297
Expense from other operating activities (-)	(1,082)	(3,633,389)	(457,196)	(99,346)	(177,868)	3,583,151	(785,730)
Operating profit/(loss)	**13,308,638**	**10,033,175**	**5,290,460**	**11,678,290**	**22,456,811**	**(2,094,205)**	**60,673,169**
Shares in the profits / (losses) of investments accounted for using the equity method	-	304,269	-	-	-	1,022,829	1,327,098
Income from investing activities	-	-	4,139,744	-	759,908	-	4,899,652
Finance income	84,075	2,075,308	648,303	95,510	812,719	(3,472,545)	243,370
Finance expense	(4,205,884)	(816,739)	(238,325)	(1,633,681)	(10,532,583)	3,581,150	(13,846,062)
Profit / (loss) before tax	**9,186,829**	**11,596,013**	**9,840,182**	**10,140,119**	**13,496,855**	**(962,771)**	**53,297,227**
Tax expense	(586,075)	-	(1,623,671)	456,092	2,693,624	-	939,970
Profit / (loss) for the period	**8,600,754**	**11,596,013**	**8,216,511**	**10,596,211**	**16,190,479**	**(962,771)**	**54,237,197**

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

5. OPERATING SEGMENTS (cont'd)

Details of segment assets and liabilities according to segments as of 31 December 2019 and 2018 are as follows:

	31 December 2019						
Balance Sheet	**Holding Operations**	**Venture Fund**	**Cellulose Production**	**Wholesale of electricity energy**	**Generation of Energy**	**Eliminations**	**Total**
Total assets	224,012,350	181,843,763	49,448,081	22,906,382	303,477,126	(290,994,934)	490,692,768
Liabilities	(47,782,999)	(198,139)	(7,566,326)	(7,071,623)	(24,380,086)	1,991,485	(85,007,688)
Equity attributable to equity holders of the parent	(176,229,351)	(181,645,624)	(41,881,755)	(15,834,759)	(279,097,040)	369,282,472	(325,406,057)
Non-controlling interests	-	-	-	-	-	(80,279,023)	(80,279,023)

	31 December 2018						
Balance Sheet	**Holding Operations**	**Venture Fund**	**Cellulose Production**	**Wholesale of electricity energy**	**Generation of Energy**	**Eliminations**	**Total**
Total assets	188,324,391	162,866,281	38,171,679	20,155,154	257,532,134	(264,363,843)	402,685,796
Liabilities	(48,687,192)	(182,754)	(6,457,417)	(6,874,974)	(42,593,549)	27,470,136	(77,325,750)
Equity attributable to equity holders of the parent	(139,637,199)	(162,683,527)	(31,714,262)	(13,280,180)	(214,938,585)	310,975,649	(251,278,104)
Non-controlling interests	-	-	-	-	-	(74,081,942)	(74,081,942)

(*) A significant portion of the elimination figure results from the consolidation of the Holding's subsidiaries.

The details of investment expenditures and depreciation and amortization charges according to industrial segments for the years ended 31 December 2019 and 2018 are as follows:

	31 December 2019					
	Holding Activities	**Venture Fund**	**Cellulose Production**	**Wholesale of electricity energy**	**Generation of Energy**	**Total**
Investment expenses	-	-	1,200,092	-	4,092,818	5,292,910
Depreciation and amortization expenses for the period	(7,592)	(19,710)	(510,300)	(27,632)	(1,343,649)	(1,908,883)

	31 December 2018					
	Holding Activities	**Venture Fund**	**Cellulose Production**	**Wholesale of electricity energy**	**Generation of Energy**	**Total**
Investment expenses	19,068	-	2,117,808	-	6,799,960	8,936,836
Depreciation and amortization expenses for the period	(3,565)	(21,192)	(398,441)	(30,404)	(1,256,338)	(1,709,940)

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

6. RELATED PARTY DISCLOSURES

	31 December 2019			
	Receivables		Payables	
	Current		Non-current	
Balances with related parties	**Trade**	**Non-trade**	**Trade**	**Non-trade**
Shareholders				
Investco Holding A.Ş. (*)	-	-	-	42,445,019
Financial Investments				
Enerji Piyasaları İşletmeleri A.Ş. (**)	290,539	-	-	-
	290,539	**-**	**-**	**42,445,019**

	31 December 2018			
	Payables			
	Current		Non-current	
Balances with related parties	**Trade**	**Non-trade**	**Trade**	**Non-trade**
Shareholders				
Investco Holding A.Ş. (*)	5,366,160	-	-	24,571,748
Financial Investments				
Enerji Piyasaları İşletmeleri A.Ş. (**)	272,205	-	-	-
Diğer	-	14,162	-	-
	5,638,365	**14,162**	**-**	**24,571,748**

(*) The balance is used with Investco Holding A.Ş. within the framework of mutual finance relationship between the group companies. The interest rate is 18.27% (31 December 2018: 18.27%).

(**) The market operation activity of EPİAŞ to Ata Elektrik Enerjisi Toptan Satış A.Ş., a subsidiary of the group, arises from the operation of wholesale electricity markets and financial settlement transactions of the activities carried out in these markets and other financial transactions related to the mentioned activities.

Investco Holding A.Ş. is the main shareholder of the Group and holds the controlling interest.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

6. RELATED PARTY DISCLOSURES (cont'd)

	1 January - 31 December 2019				
Transaction with related parties	**Service income**	**Service expense**	**Interest income**	**Interest expense**	**Discount income**
Shareholders					
Investco Holding A.Ş.	10,886	167,400	31,395	7,965,523	21,764,412
Finansal Yatırımlar					
Enerji Piyasaları İşletmeleri A.Ş. (*)	-	2,935,799	-	-	-
	10,886	**3,103,199**	**31,395**	**7,965,523**	**21,764,412**

	1 January - 31 December 2018				
Transaction with related parties	**Service income**	**Service expense**	**Interest income**	**Interest expense**	**Discount income**
Shareholders					
Investco Holding A.Ş.	6,674	228,304	69,804	1,375,792	7,928,252
Financial Investments					
Enerji Piyasaları İşletmeleri A.Ş. (*)	-	16,202,447	-	-	-
	6,674	**16,430,751**	**69,804**	**1,375,792**	**7,928,252**

(*) Service expenses arise from activities related to the market transactions of Enerji Piyasaları İşletmeleri A.Ş.

The detail of compensation of key management personnel as follows:

	1 January-31 December 2019	**1 January-31 December 2018**
Salaries and other short-term benefits (*)	2,708,138	2,481,873
	2,708,138	2,481,873

(*) The Group has determined the senior management team as board members and independent board members. The benefits provided to senior executives consist of payments made within the scope of remuneration rights.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

7. TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as of 31 December 2019 and 2018 are as follows:

Short-term trade receivables	**31 December 2019**	**31 December 2018**
Trade receivables	22,076,051	18,929,224
-Trade receivables from related parties (Note: 6)	290,539	-
-Other receivables	21,785,512	18,929,224
Notes receivable	-	50,000
Provision for doubtful receivables (-)	(1,983,299)	(1,860,133)
	20,092,752	**17,119,091**

Movement of doubtful receivables	**1 January-31 December 2019**	**1 January-31 December 2018**
Opening balance	1,860,133	2,959,812
(Cancelled provision) / charge for the period	281,533	(1,098,546)
Collections	(158,367)	-
Uncollectible receivables	-	(1,133)
Closing	**1,983,299**	**1,860,133**

The details of trade payables as of 31 December 2019 are as follows:

	31 December 2019	**31 December 2018**
Trade payables	2,801,995	12,851,444
- Trade payables to related parties	-	5,638,365
- Trade payables to third parties	2,801,995	7,213,079
Other trade payables	196,730	82,949
	2,998,725	**12,934,393**

The average maturity of undue trade receivables is 61 days (31 December 2018: 61 days). The effective interest rate applied to the trade receivables of the Group is 18% (31 December 2018: 18%).

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

8. PREPAID EXPENSES AND DEFERRED INCOME

The details of prepaid expenses and deferred income as of 31 December 2019 and 2018 are as follows:

Short-term prepaid expenses	**31 December 2019**	**31 December 2018**
Advances given for purchases	1,107,985	325,008
Prepaid expenses	54,296	85,040
	1,162,281	**410,048**

Long-term prepaid expenses	**31 December 2019**	**31 December 2018**
Prepaid expenses	84,102	136,473
	84,102	**136,473**

9. OTHER RECEIVABLES AND PAYABLES

Other current receivables	**31 December 2019**	**31 December 2018**
Deposits and guarantees given	623,193	910,363
Receivables from tax offices	533,787	233,985
Other receivables	294,809	57,853
	1,451,789	**1,202,201**

Other non-current receivables	**31 December 2019**	**31 December 2018**
Deposits and guarantees given	512,865	481,965
	512,865	**481,965**

Other non-current liablities	**31 December 2019**	**31 December 2018**
Other payables to related parties (Note: 6)	42,445,019	24,571,748
	42,445,019	**24,571,748**

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

10. INVENTORIES

	31 December 2019	31 December 2018
Raw material	4,650,381	5,915,130
Work in process	478,386	431,758
Finished goods	838,323	583,386
Other	7,319	3,950
	5,974,409	**6,934,224**

11. COMMITMENTS

31 December 2019	TL Equivalent	TL	EUR	USD
CPM given on behalf on fully consolidated companies				
-Pledge	17,777,432	2,315,550	2,324,885	-
Total	**17,777,432**	**2,315,550**	**2,324,885**	**-**

31 December 2018	TL Equivalent	TL	EUR	USD
CPM given on behalf on fully consolidated companies				
-Pledge	21,551,449	3,246,975	3,030,500	6,500
Total	**21,551,449**	**3,246,975**	**3,030,500**	**6,500**

Guarantees given are given against loans. As of 31 December 2019 and 2018, the ratio of other CPMs given by the Group to the equity of the Group is zero.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

12. PROPERTY, PLANT AND EQUIPMENT

Cost Value	Land	Buildings	Plants, machinery and equipments	Motor vehicles	Furniture and fixture	Hydroelectric power plant	Other tangible fixed assets	Construction in progrss	Total
Opening balances of 1 January 2019	3,968,669	4,738,760	3,512,445	1,064,495	608,773	51,331,396	643,629	6,858,911	72,727,078
Additions	128,473	-	446,729	264,932	123,078	-	24,189	4,299,411	5,286,812
Revaluation increase	1,546,348	275,674	-	-	-	3,620,833	-	-	5,442,855
Disposals	-	-	-	(310,048)	-	-	-	-	(310,048)
Transfers	-	-	555,147	-	-	-	-	(555,147)	-
Closing balance as of 31 December 2019	**5,643,490**	**5,014,434**	**4,514,321**	**1,019,379**	**731,851**	**54,952,229**	**667,818**	**10,603,175**	**83,146,697**
Accumulated Depreciation									
Opening balances of 1 January 2019	-	(2,488,760)	(1,101,394)	(475,853)	(336,487)	(5,581,396)	(133,562)	-	(10,117,452)
Charge of the year	-	(70,674)	(210,475)	(203,491)	(72,681)	(1,270,833)	(51,540)	-	(1,879,694)
Disposals	-	-	-	112,957	-	-	-	-	112,957
Closing balance as of 31 December 2019	**-**	**(2,559,434)**	**(1,311,869)**	**(566,387)**	**(409,168)**	**(6,852,229)**	**(185,102)**	**-**	**(11,884,189)**
Carrying values ass of 31 December 2019	**5,643,490**	**2,455,000**	**3,202,452**	**452,992**	**322,683**	**48,100,000**	**482,716**	**10,603,175**	**71,262,508**

TL 236,421 of depreciation and amortization expenses (31 December 2018: TL 173,322) in general administrative expenses, TL 27,248 in marketing expenses (31 December 2018: TL 34,204) and TL 1,649,950 (December 31, 2018: 1,502,414 TL) is tracked in the cost of goods sold.

Cost land, buildings and the hydroelectric power plant are as follows: 109,324 TL, 1,254,974 TL and 45,371,191 TL respectively.

There are no pledges and mortgages on tangible assets.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Cost Value	Land	Buildings	Plants, machinery and equipments	Motor vehicles	Furniture and fixture	Hydroelectric power plant	Other tangible fixed assets	Construction in progrss	Total
Opening balances of 1 January 2018	2,520,000	4,428,184	2,470,024	845,827	497,094	38,808,470	177,674	742,310	50,489,583
Additions	418,773	43,287	67,476	324,983	149,629	-	465,955	7,466,733	8,936,836
Revaluation increase	890,474	66,156	-	-	-	12,522,926	-	-	13,479,556
Disposals	-	-	-	(106,315)	(72,582)	-	-	-	(178,897)
Transfers	139,422	201,133	974,945	-	34,632	-	-	(1,350,132)	-
Closing balance as of 31 December 2018	**3,968,669**	**4,738,760**	**3,512,445**	**1,064,495**	**608,773**	**51,331,396**	**643,629**	**6,858,911**	**72,727,078**
Accumulated Depreciation									
Opening balances of 1 January 2018	-	(2,382,760)	(953,024)	(376,858)	(322,188)	(4,410,253)	(96,442)	-	(8,541,525)
Charge of the year	-	(106,000)	(148,370)	(146,837)	(66,545)	(1,171,143)	(37,120)	-	(1,676,015)
Disposals	-	-	-	47,842	52,246	-	-	-	100,088
Closing balance as of 31 December 2018	**-**	**(2,488,760)**	**(1,101,394)**	**(475,853)**	**(336,487)**	**(5,581,396)**	**(133,562)**	**-**	**(10,117,452)**
Carrying values ass of 31 December 2018	**3,968,669**	**2,250,000**	**2,411,051**	**588,642**	**272,286**	**45,750,000**	**510,067**	**6,858,911**	**62,609,626**

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The useful lives of property,plant and equipments are as follows:

	Useful life
Buildings	50 year
Plants, machinery and equipments	3 - 20 year
Motor vehicles	5 year
Furniture and fixture	3 - 20 year
Other tangible fixed assets	3 - 5 year
Hydroelectric power plant	15 - 40 year

The Group has no property, plant and equipment acquired through finance lease (31 December 2018: None).

Fair value measurements of the Group's land and buildings

The land, buildings and hydro power plant owned by the Group are shown with their revaluation amount which is the accumulated depreciation deducted from the fair value at the date of the revaluation. As at 31 December 2019, the fair value of the land, buildings and power plant owned by the Group is determined by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş., which is an independent valuation company. Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. is authorized and certified by the CMB and provides real estate valuation services in accordance with the capital market legislation.

The fair value of the lands owned is determined according to the market comparative approach, which reflects the current transaction prices for similar properties. In determining the fair value of the buildings, the cost approach reflecting the costs and aging age used by the market participant to build similar assets was used. Since no significant change occurred in market conditions in the current period, a different valuation was not used. The fair value of the hydroelectric power plant was determined by the discounted cash flow method. During the license period (2056), 8.4% discount rate (31 December 2018: 8.29%) in US Dollars was used. Due to the fact that the power plant is included in the scope of Yekdem together with the amount of production, the fixed sale price of the Yekdem period (2024) and then the estimated US Dollar electricity sales prices were used.

The information about the land, building and hydro power plant owned by the Company as of 31 December 2019 and 2018 and the fair value hierarchy for the related assets are shown in the following table:

		Fair value as at 31 December 2019		
	31 December 2019	Level 1 TL	Level 2 TL	Level 3 TL
Land	5,643,490	-	5,643,490	-
Buildings	2,455,000	-	2,455,000	-
Hydroelectric power plant	48,100,000	-	-	48,100,000

		Fair value as at 31 December 2018		
	31 December 2018	Level 1 TL	Level 2 TL	Level 3 TL
Land	3,969,469	-	3,969,469	-
Buildings	2,250,000	-	2,250,000	-
Hydroelectric power plant	45,750,000	-	-	45,750,000

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

13. INTANGIBLE ASSSETS

	Rights
Cost Value	
Balances of 1 January 2019	525,134
Additions	6,098
Closing balance as of 31 December 2019	**531,232**
Accumulated Depreciation	
Balances of 1 January 2019	(391,705)
Charge of the year	(29,189)
Closing balance as of 31 December 2019	**(420,894)**
Carrying values ass of 31 December 2019	**110,338**

	Rights
Cost Value	
Balances of 1 January 2018	525,134
Closing balance as of 31 December 2018	**525,134**
Accumulated Depreciation	
Balances of 1 January 2018	(357,780)
Charge of the year	(33,925)
Closing balance as of 31 December 2018	**(391,705)**
Carrying values as of 31 December 2018	**133,429**

The useful lives of intangible assets are as follows::

	Economic life
Rights	3-5 year

Period charge of the intangible assets are monitored in general administrative expenses.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

14. OTHER ASSETS AND LIABILITIES

The details of other assets and liabilities as of 31 December 2019 and 31 December 2018 are as follows:

Other current assets	31 December 2019	31 December 2018
VAT carried forward	2,869,213	2,726,909
Job advances	74,419	424,771
Personnel advances	129,878	66,727
Other VAT	537,759	263,905
Other	-	15,630
	3,611,269	**3,497,942**

Other non-current assets	31 December 2019	31 December 2018
Other VAT	2,820,568	3,130,341

Other current liabilities	31 December 2019	31 December 2018
Taxes and funds payables	1,155,096	1,495,613
VAT Payable	329,857	-
Advances received	490,599	239,358
Other payables and liabilities (*)	731,293	996,291
	2,706,845	**2,731,262**

(*) Balance consists of payables amounting to TL 649,790 to TRT tax label fund.

15. EMPLOYEE BENEFITS

Payables related to employee benefits	31 December 2019	31 December 2018
Social security premiums paid	410,908	346,113
Termination benefits paid	45,288	387,844
	456,196	**733,957**

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

15. EMPLOYEE BENEFITS (cont'd)

Short term provision within employment benefits

Details of short term provision within employment benefits for the period of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Short-term provision for employee benefits	427,331	351,383

Long term provision within employment benefits

Provision for severance pay:

Under the Turkish Labor Law, the Group is required to pay termination benefits to each employee whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service, achieves the retirement age (58 for women and 60 for men) if the employee has completed one year of service.

The amount payable consists of one month's salary limited to a maximum for each year of service as of 31 December 2019 of TL 6,379.86 (2018: TL: 5,434.42).

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 31 December 2019, 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 4.86 % real discount rate (31 December 2018: 5.45%) calculated by using 7% annual inflation rate and 12.20% discount rate. Ceiling amount of TL 6,730.15 which is in effect since 1 January 2020 is used in the calculation of Groups' provision for retirement pay liability (1 January 2019: TL 6,017.60) . Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 90.85% for employees, (31 December 2018: 90% for employees).

The principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

If the discount rate would have been 1% lower/(higher), provision for employee termination benefits would increase by TL 169,986 or decrease by TL 151,332.

If the anticipated turnover rate would have been 1% higher/(lower) while all other variables were held constant, provision for employee termination benefits would decrease by TL 52,374 or increase TL 60,325.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

15. EMPLOYEE BENEFITS (cont'd)

The movement of provision for employee benefits as of 31 December 2019 and 2018 is as follows:

	31 December 2019	31 December 2018
Opening	922,718	1,169,476
Service cost	752,495	453,960
Interest expense	40,376	43,698
Actuarial loss	-	(114,598)
Payments	(342,556)	(241,974)
Severance pay (*)	-	(387,844)
Closing	**1,373,033**	**922,718**

(*) The balances consist of the severace payments that will be made in installments.

16. EXPENSES BY NATURE

	1 January- 31 December 2019	1 January- 31 December 2018
Personnel expenses	(7,432,855)	(7,291,414)
Consulting expenses	(1,593,947)	(1,312,299)
Rent expenses	(825,320)	(994,333)
Export expenses	(265,133)	(311,511)
Taxes and funds	(258,071)	(250,205)
Depreciation and amortization expenses (Note: 12, 13)	(263,669)	(207,526)
Travel, accomodation and transportation expenses	(292,177)	(147,485)
Insurance expenses	(72,094)	(75,179)
Communication expenses	(42,247)	(47,207)
Maintanance expenses	(77,624)	(42,980)
Electricity, water, natural gas expenses	(31,417)	(26,227)
Other expenses	(881,545)	(875,584)
	(12,036,099)	**(11,581,950)**

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

17. SHARE CAPITAL,RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 31 December 2019 and 2018 the share capital held is as follows::

Shareholders	%	31 December 2019	%	31 December 2018
Investco Holding A.Ş.	62.28%	43,599,000	65.16%	45,611,282
Public Shares	37.72%	26,401,000	34.84%	24,388,718
Authorised capital	**100%**	**70,000,000**	**100%**	**70,000,000**

As of 31 December 2019, the issued capital of the Company is TL 70,000,000 (31 December 2018: TL 70,000,000). This capital consists of 70,000,000 shares each with a nominal value of TL 1 (31 December 2018: 70,000,000). These shares are divided into group A and group B. The shares of group A are written in name, the shares of group B are written in bearer. Group A shares have special rights and privileges specified in the Articles of Association and no rights or privileges have been granted to Group B shares. There is a total of 14,000,000 shares for group A (31 December 2018: 14,000,000 shares) and 56,000,000 shares for group B (31 December 2018: 56,000,000 shares).

b) Share premiums

	31 December 2019	31 December 2018
Legal reserves	4,791,688	3,430,552
Other reserves	32,655,004	32,655,004
	37,446,692	**36,085,556**

The Company, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. The other legal reserve is appropriated at the rate of 10% per annum of all cash dividend distributions after the payment of dividends to the shareholders at a rate of 5%. According to Turkish Commercial Law, general legal reserves can only be used if it does not exceed the capital or issued capital for close the losses, continue the business when business is not going well or end the unemployment and to take suitable precuations to reduce the results of unemployment.

Restricted reserves

As of 31 December 2019 legal reserves of the Group is TL 4.791.688 (31 December 2018: TL 3.430.552).

Other reserves

Other reserves of the Group as of 31 December 2019 and 2018, is TL 32,655,004. Other reserves amounting to TL 23,949,915, the share of Verusa Holding is the result of Verusaturk's capital increase by TL 23,950,000 in 2012 and its capital from TL 14,000,000 to TL 37,950,000. This amount has been shown under other reserves since it cannot be subject to profit distribution.

c) Dividends

In 2019, the shareholders paid a dividend of TL 0.03 (share dividend of TL 2,275,000) per share (2018: TL 0.02 dividend per share (TL 1,050,000 total dividend)).

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

18. REVENUE AND COST OF SALES

The details of the sales and cost of sales for the years ended 31 December 2019 and 2018 are presented below:

Sales	**1 January- 31 December 2019**	**1 January- 31 December 2018**
Venture capital investment sales	31,606,665	32,447,228
Domestic sales (*)	18,954,941	38,118,039
Export sales (**)	32,679,434	25,758,469
Sales returns (-)	(747,820)	(617,418)
	82,493,220	**95,706,318**

(*) Domestic sales consist of sales of Ata Elektrik Enerjisi Toptan Satış A.Ş. and Tortum Elektrik Üretim A.Ş.'s electricity and Acıselsan Acıpayam Selülöz Üretim A.Ş's sales of cellulose.

(**) Overseas sales consist of sales of Acıselsan's sales of cellulose.

Cost of sales	**1 January- 31 December 2019**	**1 January- 31 December 2018**
Cost of venture capital investments	(29,858,400)	(31,915,545)
Cost of energy and cellulose sales	(40,689,171)	(54,540,221)
	(70,547,571)	**(86,455,766)**

19. ADMINISTRATIVE AND MARKETING EXPENSES

	1 January- 31 December 2019	**1 January- 31 December 2018**
Marketing expenses	(1,420,414)	(1,232,039)
General administrative expenses	(10,615,685)	(10,349,911)
	(12,036,099)	**(11,581,950)**

Marketing expenses	**1 January- 31 December 2019**	**1 January- 31 December 2018**
Personnel expenses	(496,945)	(549,427)
Export expenses	(265,133)	(311,511)
Insurance expenses	(72,094)	(75,179)
Travel, accomodation and transportation expenses	(194,340)	(39,546)
Depreciation and amortization expenses (Note: 12, 13)	(27,248)	(34,204)
Consultancy Expenses	(107,771)	-
Other expenses	(256,883)	(222,172)
	(1,420,414)	**(1,232,039)**

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

19. ADMINISTRATIVE AND MARKETING EXPENSES (cont'd)

General administrative expenses	**1 January-31 December 2019**	**1 January-31 December 2018**
Personnel expenses	(6,935,910)	(6,741,987)
Consulting expenses	(1,486,176)	(1,312,299)
Rent expenses	(825,320)	(994,333)
Taxes and funds	(258,071)	(250,205)
Depreciation and amortization expenses (Note: 12, 13)	(236,421)	(173,322)
Travel, accomodation and transportation expenses	(97,837)	(107,939)
Communication expenses	(42,247)	(47,207)
Maintanance expenses	(77,624)	(42,980)
Electricity, water, natural gas expenses	(31,417)	(26,227)
Other expenses	(624,662)	(653,412)
	(10,615,685)	**(10,349,911)**

20. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other operating income:	**1 January-31 December 2019**	**1 January-31 December 2018**
Gain on revaluation on financial investments	60,972,485	50,472,224
Discount income (Note: 6)	21,764,412	7,928,252
Gain on sales of financial investments	2,892,571	-
Foreign exchange gains from operations	1,509,000	3,174,484
Rediscount income	1,058,875	29,798
Reversal of doubtful receivables provision	-	1,098,546
Dividend income	741,341	663,044
Reversal of provision for legal cases	-	322,921
Other income	372,579	101,028
	89,311,263	**63,790,297**

Other operating expenses	**1 January-31 December 2019**	**1 January-31 December 2018**
Foreign exchange loss from operations	(355,530)	(474,367)
Loss on revaluation on financial investments	-	(500)
Provision for doubtful receivables	(123,166)	-
Other expenses	(225,554)	(310,863)
	(704,250)	**(785,730)**

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

21. FINANCE INCOME / EXPENSES

	1 January-31 December 2019	1 January-31 December 2018
Interest expense	(12,394,844)	(13,547,134)
Commision expense	(199,468)	(298,928)
	(12,594,312)	**(13,846,062)**

	1 January-31 December 2019	1 January-31 December 2018
Interest income	59,942	235,474
Commision income	-	7,896
	59,942	**243,370**

22. INCOME / EXPENSE FROM INVESTMENT ACTIVITIES

	1 January-31 December 2019	1 January-31 December 2018
Fair value increase of investment property	5,628,192	4,100,588
Reversal of / (impairment of) fixed assets	-	759,908
Other	79,823	39,156
	5,708,015	**4,899,652**

23. TAXATION ON INCOME

Current tax liabilities / (assets)	31 December 2019	31 December 2018
Current tax provision	1,328,450	1,035,693
Less: Prepaid taxes and funds	(929,745)	(1,175,241)
	398,705	**(139,548)**

Tax expense on the income statement:

Tax expense comprises	1 January-31 December 2019	1 January-31 December 2018
Current tax expenses	(1,328,450)	(1,035,693)
Deferred tax income / (expenses)	(5,789,904)	1,975,663
Total tax benefit / (expense)	**(7,118,354)**	**939,970**

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

23. TAXATION ON INCOME (cont'd)

	1 January- 31 December 2019	1 January- 31 December 2018
Profit for the period	82,776,600	53,297,227
	22.00%	**22.00%**
Tax at the domestic income tax rate of 22% (2018: %22)	18,210,852	11,725,390
Tax effects of:		
- valuation differences on securities that is exempt from taxation	(10,343,328)	(7,295,728)
- expenses thaht are not deductible in determining taxable profit	41,975	24,098
- equity method accounting of investment	275,087	292,072
- deferred tax assets that are not recognized as deferred tax assets beforehand are considered as deferred tax assets	1,115,497	(2,683,506)
- tax rate change from %20 to %22	-	995,022
- unused tax losses and tax offsets not recognised as deferred tax assets (*)	(2,075,995)	(2,551,123)
- previously unrecognised and unusual tax losses and tax offsets now recognised deferred tax assets	(403,822)	(1,184,376)
- other	298,088	(261,819)
	7,118,354	**(939,970)**

(*) In accordance with paragraph (d) of the 5th article of the Corporate Tax Law numbered 5520, the earnings of venture capital investment trusts are exempt from corporation tax, and the Group's subsidiary Verusaturk Girişim Yatırım Ortaklığı A.Ş. It is subject to tax exemption. 20% of the temporary timing differences arising from the differences between Verusaturk's statutory financial statements and financial statements prepared in accordance with TFRS and the profit stated in the statutory financial statements of the Company are not subject to Company taxation and constitute "items not subject to deferred tax account".

23. TAXATION ON INCOME (cont'd)

Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2019 is 22% (2018: 22%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2019 is 22%. (2018: 22%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Minister's' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (2018: 22%).

In Turkey, the companies cannot declare a consolidated tax return, therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

23. TAXATION ON INCOME (cont'd)

Deferred Tax (cont'd):

Deferred tax assets / (liabilities):	**31 December 2019**	**31 December 2018**
	Deferred tax	
Net differences on depreciation of property, plant and equipment / amortization of other intangible assets	(1,149,113)	(374,427)
Revaluation of financial instruments (*)	(11,705,446)	(8,518,038)
Tax losses carried forward	2,744,396	3,161,800
Provision for doubtful receivables	152,926	222,242
Provision for employee benefit obligations	253,698	172,353
Provision for unused vacation expense	87,328	60,888
Other	(1,874,471)	146,257
	(11,490,682)	**(5,128,925)**

(*) The balance consists of the temporary difference calculated by % 5.5 deferred tax of the fair value adjustment of shares of Enda Enerji Holding A.Ş. and EPİAŞ charged to statement of profit or loss.

As of 31 December 2019 deferred tax asset is TL 3,780,380 (31 December 2018: TL 4.460.241). Deferred tax liability is TL 15,271,062 (31 December 2018: TL 9,589,166)

Movements of deferred tax asset/(liability) balances during the years ended 31 December 2019 and 2018 are as follows:

Deferred tax assets / (liability) movement:	**1 January-31 December 2019**	**1 January-31 December 2018**
Opening balance as of 1 Januaary	(5,128,925)	(5,796,533)
Charged to profit or loss	(5,789,904)	1,975,663
Charged to equity	(571,853)	(1,308,055)
Closing balance as of 31 December	**(11,490,682)**	**(5,128,925)**

Expiration schedule of carry forward tax losses is as follows:

	31 December 2019	**31 December 2018**
Expiring in 2019	-	432,397
Expiring in 2020	3,068,091	3,068,091
Expiring in 2021	4,500,061	4,500,061
Expiring in 2022	5,121,925	6,520,330
Expiring in 2023	2,884,925	2,884,921
Expiring in 2024	2,023,077	-
	17,598,079	17,405,800

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

24. EARNINGS PER SHARE

Earning per share	**1 January-31 December 2019**	**1 January-31 December 2018**
Amount of share	70,000,000	70,000,000
Net profit of the main shareholding	62,226,081	43,725,291
Earning per share	**0.89**	**0.62**

25. FINANCIAL INSTRUMENTS

Financial Investments

The detail of current and non-current financial investments as of 31 December 2019 and 2018 is as follows:

Current financial investments	**31 December 2019**	**31 December 2018**
Financial assets at fair value through profit or loss	294,854,884	258,835,336
Blocked deposits (*)	128,026	283,886
	294,982,910	**259,119,222**

(*) Blocked deposits amounting to TL 128,026 in cash and cash equivalents of Ata Elektrik Energisi Toptan Satış A.Ş., a subsidiary of the Group, are included in current financial investments (2018: TL 283,886).

Financial assets at fair value through profit or loss

	31 December 2019	**31 December 2018**
Share certificate		
Shares traded on the stock exchange	11,551,480	29,858,400
Shares non-traded on the stock exchange	283,303,404	228,976,936
	294,854,884	**258,835,336**

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

25. FINANCIAL INSTRUMENTS (cont'd)

Type	Share Rate %	31 December 2019	Share Rate %	31 December 2018
Shares traded on the stock exchange				
Kafein Yazılım Hizmetleri Tic. A.Ş. (*)		-	% 21.72	29,858,400
Other		11,551,480		-
		11,551,480		**29,858,400**
Private Shares (not-traded on the stock exchange)				
Enda Enerji Holding A.Ş. (**)	%26.82	283,303,404	% 26.82	228,976,936
		283,303,404		**228,976,936**

(*) The shares of Kafein Yazılım Hiz. Tic. A.Ş. are classified as financial investments whose fair value differences are reflected to profit / loss. The Company has valued these financial investments at prices quoted on Borsa Istanbul (BIST).

(**) The fair value of Enda Enerji Holding A.Ş., which the Group classifies as a venture capital investment, the fair value of which is reflected in profit or loss, is TL 283,3038,404, and is calculated based on the values included in the independent valuation work.

Non-current financial investments	31 December 2019	31 December 2018
EPİAŞ - Enerji Piyasaları İşletme A.Ş. (*)	18,026,400	14,400,000
Other	1,260	1,260
	18,027,660	**14,401,260**

(*) The company is not traded on the stock exchange. The fair value of the company, which is classified as long term financial investment whose fair value difference is reflected to profit or loss, is TL 18,026,400 and the fair value of the company is calculated based on the values included in the independent valuation work. Fair value increase has been accounted for from other operating activities.

Financial Liabilities

The details of financial liabilities as of 31 December 2019 and 2018 are as follows:

Financial debts	31 December 2019	31 December 2018
Short term bank loans	397,793	4,313,676
Short-term portion of long-term borrowings	7,905,453	6,459,500
Long-term borrowings	9,846,972	13,984,562
	18,150,218	**24,757,738**

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

25. FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities (cont'd)

The maturity analysis of bank loans is as follows:

	31 December 2019	**31 December 2018**
To be paid within 1 year	8,303,246	10,773,176
Between 1-2 years	5,052,123	5,050,699
Between 2-3 years	2,789,168	4,575,215
Between 3-4 years	1,562,307	2,525,877
Between 4-5 years	443,374	1,414,829
5 years and more	-	417,942
	18,150,218	**24,757,738**

The details of bank loans are as follows:

		31 December 2019	
Currency	**Effective Interest Rate**	**Current**	**Non-current**
TL	% 12.50 - % 30	2,688,336	-
EUR	%1.04	5,614,910	9,846,972
		8,303,246	**9,846,972**

		31 December 2018	
Currency	**Effective Interest Rate**	**Current**	**Non-current**
TL	%15.75 - % 37	5,625,654	-
EUR	%1.04	5,147,522	13,984,562
		10,773,176	**13,984,562**

Reconciliation of obligations arising from financing activities

Cash and non-cash changes related to liabilities from financial activities as stated below:

	1 January 2019	Financing cash flows	Foreign currency loss	Interest Accruals	Financing cash out flows	**31 December 2019**
Bank loans	24,757,738	-	1,736,884	(37,740)	(8,306,664)	18,150,218

	1 January 2018	Financing cash flows	Foreign currency loss	Interest Accruals	Financing cash out flows	**31 December 2018**
Bank loans	35,239,776	2,718,500	5,615,892	(241,717)	(18,574,713)	24,757,738

There is no covenant related with bank loans.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 25, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Group's risk management committee reviews the capital structure of the Group collectively on a semiannual basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

In addition and consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt. The gearing ratios at 31 December 2019 and 2018 were as follows:

	31 December 2019	31 December 2018
Financial debts (Note 25)	18,150,218	24,757,738
Less: cash and cash equivalents	(39,248,968)	(8,333,508)
Net debt	(21,098,750)	16,424,230
Total equity	405,685,080	325,360,046
Total capital	384,586,330	341,784,276
Net Debt/Total Capital Ratio	**-**	**%4.8**

Financial risk factors

The Group's activities expose it to a variety of financial risks including interest rate risk, liquidity risk, currency risk and credit risk. Group's risk management programme generaly focuses on uncertainty in financial markets and minimizing potential negative effects on Group's financial performance.

Risk management, is conducted by a treasury department with some politic approved by the board of management. Treasury department of the Group defines and evaluates the financial risk, and by working with the operation units they use tools to decrease the risk. Board of management generates a written procedure about foreign exchange risk, interest rate risk, loan risk, how to use derivative instruments and other non-derivative financial instruments, and how to evaluate excess liquidity or a general legislation about risc management.

Interest rate risk management

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. Such risks are managed inherently by netting off the interest-bearing assets and liabilities.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Group, aiming to decrease credit risk by transacting only with parties who has credit assurance and where possible, obtaining sufficient guarantee.

Details of credit risk by class of financial instruments

	Trade Receivables		Other Receivables		
31 December 2019	**Related Party**	**Other**	**Related Party**	**Other**	**Cash and cash equivalents**
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	290,539	19,802,213	-	1,964,654	39,120,942
- Secured portion of the maximum credit risk by guarantees	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	290,539	19,084,843	-	1,964,654	39,120,942
B. Net book value of the financial assets that their conditions are renegotiated and otherwise be impaired	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	717,370	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-
-Past due (gross amount)	-	1,983,299	-	-	-
-Impairment (-) (Note 7)	-	(1,983,299)	-	-	-
-Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
- Not Past due (gross amount)	-	-	-	-	-
-Impairment (-)	-	-	-	-	-
-Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-

	Trade Receivables		Other Receivables		
31 December 2018	**Related Party**	**Other**	**Related Party**	**Other**	**Cash and cash equivalents**
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	-	17,119,091	-	1,684,166	8,049,622
- Secured portion of the maximum credit risk by guarantees	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	-	16,147,303	-	1,684,166	8,049,622
B. Net book value of the financial assets that their conditions are renegotiated and otherwise be impaired	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired	-	971,788	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-
-Past due (gross amount)	-	1,860,133	-	-	-
-Impairment (-) (Note 7)	-	(1,860,133)	-	-	-
-Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
- Not Past due (gross amount)	-	-	-	-	-
-Impairment (-)	-	-	-	-	-
-Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Credit risk management (cont'd)

Trade receivables	31 December 2019	31 December 2081
Past due between 1-30 days	-	1,619
Past due between 1-3 months	-	403,575
Past due between 3-12 months	-	357,532
Past due between 1-5 years	2,700,669	2,069,195
Less: impairment	(1,983,299)	(1,860,133)
Total	**717,370**	**971,788**

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

Payments made after the reporting period in the impairment tests are the result of the receivables of the customers to whom the related receivables originate, not being impaired due to the payment performance of the previous periods. They have been working with the relevant customer for a long period and there is no unpaid, high balance with high importance.

Liquidity risk management

Conservative liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims maintaining flexibility in funding by keeping committed credit lines available.

31 December 2019	Carrying value	Total Contracted Cash Outflows (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	5 years + (IV)
Non-derivative financials liabilities						
Bank loans	18,150,218	19,787,473	2,152,025	7,258,422	10,377,026	-
Trade payables	2,998,725	2,998,725	2,998,725	-	-	-
Trade payables to related parties	-	-	-	-	-	-
Other payables	780,554	780,554	780,554	-	-	-
Other payables to related parties	42,445,019	72,137,683	-	-	72,137,683	-
Total liabilities	**64,374,516**	**95,704,435**	**5,931,304**	**7,258,422**	**82,514,709**	**-**

31 December 2018	Carrying value	Total Contracted Cash Outflows (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	5 years + (IV)
Non-derivative financials liabilities						
Bank loans	24,757,738	28,253,524	6,281,949	7,060,463	14,501,259	409,853
Trade payables	7,296,028	7,296,028	7,296,028	-	-	-
Trade payables to related parties	5,638,365	5,638,365	5,638,365	-	-	-
Other payables	204,197	204,197	204,197	-	-	-
Other payables to related parties	24,585,910	32,500,000	-	-	32,500,000	-
Total liabilities	**62,482,238**	**73,892,114**	**19,420,539**	**7,060,463**	**47,001,259**	**409,853**

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk management

Transactions denominated in foreign currencies result in foreign currency risk.

The Group is exposed to currency risk due to the volatility of the exchange rate used in the conversion of foreign currency denominated assets and liabilities into Turkish Lira. Exchange risk is caused by the recorded assets and liabilities and future commercial transactions. In this framework, the Group controls this risk through a natural method of offsetting foreign currency assets and liabilities. The management analyzes the foreign exchange position of the Group and ensures that measures are taken where necessary.

The breakdown of the Group's monetary and non-monetary assets and monetary and non-monetary liabilities in foreign currencies as of 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019		
	TL Equivalent (Functional Currency)	**US Dollar**	**EURO**
1. Trade Receivables	5,577,069	759,031	160,628
2a. Monetary Finacial Assets	2,831,801	463,283	12,000
2b. Non-monetary Financial Assets	-	-	-
3. Other	38,611	6,500	-
4. Current assets	**8,447,481**	**1,228,814**	**172,628**
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-monetary financial assets	-	-	-
7. Other	-	-	-
8. Non-current assets	**-**	**-**	**-**
9. TOTAL ASSETS	**8,447,481**	**1,228,814**	**172,628**
10. Payables	125,444	14,735	5,701
11. Financial Liabilities	5,614,910	-	844,271
12a. Monetary Other Liabilities	458,486	75,971	1,083
12b. Non-Monetary Other Liabilities	-	-	-
13. Current Liabilities	**6,198,840**	**90,706**	**851,055**
14. Payables	-	-	-
15. Financial Liabilities	9,846,972	-	1,480,614
16a. Monetary Other Liabilities	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-
17. Non-current Liabilities	9,846,972	-	1,480,614
18. TOTAL LIABILITES	**16,045,812**	**90,706**	**2,331,669**
19. Off-balance Sheet Derivative Instruments off-balance sheet	-	-	-
19.a Amount of active foreign derivative currency off-balance sheet	-	-	-
19.b. Amount of passive foreign derivative currency off-balance sheet	-	-	-
20. Net Foreign Currency Assets/Liabilities Position (9-18+19)	**(7,598,331)**	**1,138,108**	**(2,159,041)**
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	**(7,636,943)**	**1,131,608**	**(2,159,041)**
22. Total fair value of financial instruments used for foreign currency hedge	**-**	**-**	**-**
23. Amount of hedged portion of foreign currency assets	**-**	**-**	**-**
24. Amount of hedged portion of foreign exchange liabilities	**-**	**-**	**-**

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk management (cont'd)

	31 December 2018		
	TL Equivalent (Functional Currency)	**US Dollar**	**EURO**
1. Trade Receivables	3,408,549	484,788	142,338
2a. Monetary Finacial Assets	152,587	29,004	-
2b. Non-monetary Financial Assets	-	-	-
3. Other	34,196	6,500	-
4. Current assets	**3,595,332**	**520,292**	**142,338**
8. Non-current assets	**-**	**-**	**-**
9. TOTAL ASSETS	**3,595,332**	**520,292**	**142,338**
10. Payables	131,727	18,736	5,500
11. Financial Liabilities	5,147,522	-	853,822
12a. Monetary Other Liabilities	230,748	43,861	-
12b. Non-Monetary Other Liabilities	-	-	-
13. Current Liabilities	**5,509,997**	**62,597**	**859,322**
14. Payables	-	-	-
15. Financial Liabilities	13,984,562	-	2,319,626
16a. Monetary Other Liabilities	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-
17. Non-current Liabilities	**13,984,562**	**-**	**2,319,626**
18. TOTAL LIABILITES	**19,494,559**	**62,597**	**3,178,948**
19. Off-balance Sheet Derivative Instruments Net Asset/Liability Position (19a-19b)	**-**	**-**	**-**
19.a Amount of active foreign derivative currency off-balance sheet	**-**	**-**	**-**
19.b. Amount of passive foreign derivative currency off-balance sheet	**-**	**-**	**-**
20. Net Foreign Currency Assets/Liabilities Position (9-18+19)	**(15,899,227)**	**457,695**	**(3,036,610)**
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	**(15,933,423)**	**451,195**	**(3,036,610)**

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk management (cont'd)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in US Dollar and EURO against TRY 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity.

	31 December 2019	
	Profit / Loss	
	Revaluation of foreign currency	Depreciation of foreign currency
In case of a 10% increase in US Dollar against TL		
-US Dollar net asset / liability	676,059	(676,059)
In case of a 10% increase in EURO against TL		
-EURO net asset / liability	(1,435,892)	1,435,892
TOTAL	**(759,833)**	**759,833**

	31 December 2018	
	Profit / Loss	
	Revaluation of foreign currency	Depreciation of foreign currency
In case of a 10% increase in US Dollar against TL		
-US Dollar net asset / liability	240,789	(240,789)
In case of a 10% increase in EURO against TL		
-EURO net asset / liability	(1,830,712)	1,830,712
TOTAL	**(1,589,923)**	**1,589,923**

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities are determined where there is no observable market data.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Foreign currency risk management (cont'd)

Fair value of financial instruments(cont'd) :

31 December 2019	Financial assets at amortized costs	Financial assets through profit and loss	Financial liabilities at amortized costs	Carrying value	Note
Financial assets					
Cash and cash equivalents	39,120,942	-	-	39,120,942	29
Trade receivables	19,802,213	-	-	19,802,213	7
Other receivables	1,964,654	-	-	1,964,654	9
Financial investments	128,026	312,882,544	-	313,010,570	25
Financial liabilities					
Borrowings	-	-	18,150,218	18,150,218	25
Trade payables	-	-	2,998,725	2,998,725	7
Trade payables to related parties	-	-	-	-	6
Other financial liabilities	-	-	1,551,749	1,551,749	14
Other payables to related parties	-	-	42,445,019	42,445,019	6

31 December 2018	Loans and receivables (including cash and cash equivalents)	Financial assets through profit and loss	Financial liabilities at amortized costs	Carrying value	Note
Financial assets					
Cash and cash equivalents	8,049,622	-	-	8,049,622	29
Trade receivables	17,119,091	-	-	17,119,091	7
Other receivables	1,684,166	-	-	1,684,166	9
Financial investments	283,886	273,236,596	-	273,520,482	25
Financial liabilities					
Borrowings	-	-	24,757,738	24,757,738	25
Trade payables	-	-	7,296,028	7,296,028	7
Trade payables to related parties	-	-	5,638,365	5,638,365	6
Other financial liabilities	-	-	1,235,649	1,235,649	14
Other payables	-	-	24,585,910	24,585,910	9

Financial assets

The fair values of balances denominated in foreign currencies, which are converted at period-end exchange rates, are considered to approximate their carrying values.

The fair values of financial assets carried at cost, including cash and bank deposits, are considered to approximate their carrying values due to their short-term nature and negligible credit losses. The fair values of financial investments are estimated based on market prices at the balance sheet date.

Trade receivables from electricity sales are valued at amortized cost using the effective interest method and are considered to approximate their fair values including the related provisions for doubtful receivables.

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

Financial liabilities

The fair value of bank borrowings and other monetary liabilities is considered to approximate their carrying value. Long-term loans denominated in foreign currencies are converted at period-end exchange rates and accordingly their fair value approximates their carrying value. Trade payables are valued at amortized cost using the effective interest method and are thus considered to approximate their fair values.

Fair value hiearchy of financial assets and liabilities that are measured at fair value:

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial Assets	Fair Value		Fair Value Hierarchy	Valuation Techniques	Significant observable inputs	Relationship of observable inputs to fair value
	31 December 2019	31 December 2018				
Shares traded on the stock exchange	11,551,480	29,858,400	Level 1	Market value		
Shares not traded on the stock exchange	1,260	1,260	Level 2 (*)	Fair Value		
Shares not traded on the stock exchange	18,026,400	14,400,000	Level 3	Discounted Cash Flow	Considering the income approach, 17.15% weighted average capital cost and 5% final growth rate were used in TL.	
Shares not traded on the stock exchange	283,303,404	228,976,936	Level 3	Net Asset Value, Peer Value and Discounted Cash Flow	Total value was found using different valuation techniques at different rates. As announced at PDP on 24 December 2019, the fair value impact has been increased due to Enda's planned public offering. Considering the precedent method, 10% liquidity discount was applied with weighted average EBITDA multipliers of similar publicly traded companies (31 December 2018: 15%). Considering the income approach, the weighted average cost of capital, which is calculated between 7,21% and 8,93% in US dollars, was used during the license period for each of the subsidiaries and affiliates subject to the valuation study (31 December 2018: 7% In the range of 7 to 9.71%). Along with the production amount; Since the power plants are within the scope of Yekdem, fixed electricity sales prices were used during the Yekdem period and then the estimated electricity sales prices were used. The expiration years of the power plants' license periods are between 2044 and 2057, and the YEKDEM period is between 2020 and 2026.	The fair value decreases when the liquidity rate increases. As the weighted average cost of capital increases, the fair value decreases.

(*) The purchase price deems to reflect the fair value of the shares.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

First level financial assets at fair value through profit or loss

Trading purpose	**1 January - 31 December 2019**	**1 January - 31 December 2018**
Opening balance, 1 January	29,858,400	500
Sales	(29,858,400)	-
Purchases	8,531,863	-
Total gain/loss charged to profit/loss	3,019,617	9,237,437
Transfer (from first level)	-	20,620,463
Closing balance, 31 December	11,551,480	29,858,400

Third level financial assets at fair value through profit or loss

Trading purpose	**1 January - 31 December 2019**	**1 January - 31 December 2018**
Opening balance, 1 January	228,976,936	251,354,536
Sales	-	(31,915,545)
Total gain/loss charged to profit/loss	54,326,468	30,158,408
Transfer (to first level)	-	(20,620,463)
Closing balance, 31 December	283,303,404	228,976,936

27. INVESTMENT PROPERTIES

	Lands
Opening balance as of 1 January 2018	8,040,000
Increases from changes in fair value	4,100,588
Additions	1,008,372
Closing balance as of 31 December 2018	13,148,960
Opening balance as of 1 January 2019	13,148,960
Changes in group structure	5,628,192
Increases from changes in fair value	122,848
Closing balance as of 31 December 2019	18,900,000

Fair value measurements of the Company's investment properties

As of 31 December 2019 and 2018, the fair value of the investment properties of the Company is determined by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. and the management of the Company. Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. is authorized by the CMB and provides real estate valuation services in accordance with the capital market legislation. As of 31 December 2019, the fair value of the land is determined by market comparative approach reflecting the current transaction prices for similar properties.

As of current period, the company did not use a different technique.

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

27. INVESTMENT PROPERTIES (cont'd)

As of 31 December 2019, the fair value hierarchy of the Company's investment properties and the related assets are shown in the following table:

		Fair value at the reporting date		
	31 December 2019	1. Level TL	2. Level TL	3. Level TL
Lands	18,900,000	-	18,900,000	-

		Fair value at the reporting date		
	31 December 2018	1. Level TL	2. Level TL	3. Level TL
Lands	13,148,960	-	13,148,960	-

There has been no transition between 1st and 2nd level in the current period.

28. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

As of December 31, 2019, the "urgent expropriation" process of the land, on which the hydroelectric power plant owned by Tortum Elektik Üretim A.Ş, has been started with EMRA. As of the reporting date, the expropriation process of this land is ongoing. According to the opinion of the Company Management, no provision has been made in the financial statements prepared as of 31 December 2019 in order to fulfill the obligation regarding the lawsuits filed during this process, since the possibility of the resources containing economic benefits is not probable and measurable.

29. NOTES ON STATEMENT OF CASH FLOWS

	31 December 2019	**31 December 2018**
Cash on hand	3,753	4,542
Cash at banks	39,070,236	8,042,572
Demand deposit	15,981,236	3,321,572
Time deposits up to 3 months maturity	23,089,000	4,721,000
Other cash equivalents	46,953	2,508
	39,120,942	**8,049,622**

Cash and cash equivalents included in the consolidated cash flow statement as at 31 December 2019 and 2018 are as follows:

Original Currency	Maturity	Interest Rate	Original Amount	31 December 2019
Turkish Lira	January 2020	% 7.5 - % 9.5	23,089,000	23,089,000
EUR	January 2020	% 0.05	1,650,000	10,973,490
				34,062,490

Original Currency	Maturity	Interest Rate	Original Amount	31 December 2018
Turkish Lira	January 2019	%21.5	4,721,000	4,721,000

30. EVENTS AFTER REPORTING PERIOD

None noted.