(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
INDEPENDENT AUDITOR'S REPORT

Deloitte.

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(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Verusa Holding A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Verusa Holding A.Ş. ("Verusa Holding" or the "Company") and its subsidiaries (will be together referred as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

2) Basis for Opinion

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

Deloitte.

3) Key Audit Matters

Key audit matters are the most important issues in the independent audit of the consolidated financial statements for the current period based on our professional judgment. As a whole, key audit matters are dealt with within the framework of the independent audit of the consolidated financial statements and our opinion on the consolidated financial statements; therefore, we do not provide a separate opinion on these matters.

Key Audit Matters	How was the matter addressed in the audit?
Notation of financial investments in the consolidated financial statements and important information disclosed	
As at 31 December 2018, the fair value of the financial investments amounting to TL 228.976.936 has been determined by the independent valuation companies and details are disclosed in Note 25. Due to the fact that the valuation methods used in the valuation of financial investments contain significant estimates and assumptions, the valuation of financial investments is considered as the key audit matter.	During our audit, the following audit procedures were applied to determine the fair value of the financial investments and to analyze the impairement: The professional documents, competencies and objectivity of the appraisers assigned by the Company Management were evaluated within the scope of our independent audit work. The appropriateness of the valuation methods used by the appraisers in the valuation reports related to the financial investments were evaluated within the scope of our independent audit work. The audit of the validity of the assumptions used by the appraisers in the valuation is in the scope of our independent audit. Due to the existence of the judgements used in the valuation reports as well as alternative estimations and valuation methods, whether the value appraised by the appraisers is within an acceptable range is evaluated by the independent audit team based on the inquiries and conclusions made by the appraisers working within the audit network we are a member of. In addition, the appropriateness of the information included in the consolidated financial statements and explanatory footnotes, the extent and adequacy of the information has been questioned by taking into consideration the importance of the information for the financial statement readers.

4) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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.

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

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

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

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

- 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 auditor's report. However, future events or conditions may cause the Group's 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 23 February 2019.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company's set of accounts and consolidated financial statements prepared for the period 1 January-31 December 2018 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

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

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Özkan Yıldırım
Partner

İstanbul, 23 February 2019

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VERUSA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

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

ASSETS	Notes	Audited Current Year 31 December 2018	Audited Prior Year 31 December 2017
Current Assets		**296.471.898**	**275.839.328**
Cash and cash equivalents	29	8.049.622	2.598.392
Financial investments	25	259.119.222	254.276.295
Trade receivables	7	17.119.091	8.791.780
- Trade receivables from related parties	*6*	-	*91.840*
- Trade receivables from third parties		*17.119.091*	*8.699.940*
Other receivables	9	1.202.201	3.417.467
- Other receivables from related parties	*6*	-	*3.013.103*
- Other receivables from third parties		*1.202.201*	*404.364*
Inventories	10	6.934.224	4.449.394
Prepaid expenses	8	410.048	173.364
Assets related to current assets	23	139.548	-
Other current assets	14	3.497.942	2.132.636
Non-Current Assets		**106.213.898**	**64.592.359**
Other receivables		481.965	262.909
- Other receivables from third parties	*9*	*481.965*	*262.909*
Financial investments	25	14.401.260	3.325.381
Investments accounted through equity method	4	7.711.603	6.384.505
Property, plant and equipment	12	62.609.626	41.948.058
Intangible assets	13	133.429	167.354
Investment property	27	13.148.960	8.040.000
Prepaid expenses	8	136.473	5.077
Deferred tax assets	23	4.460.241	869.177
Other non current assets	14	3.130.341	3.589.898
TOTAL ASSETS		**402.685.796**	**340.431.687**

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

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

LIABILITIES AND EQUITY	Notes	Audited Current Year 31 December 2018	Audited Prior Year 31 December 2017
Current Liabilities		**27.742.530**	**49.351.979**
Short-term borrowings	25	4.313.676	10.302.986
Short-term portion of long term borrowings	25	6.459.500	8.330.915
Trade payables	7	12.934.393	25.330.887
- Trade payables to related parties	*6*	*5.638.365*	*877.016*
- Trade payables to third parties		*7.296.028*	*24.453.871*
Payables related to employee benefits	15	733.957	579.048
Other Payables	9	218.359	1.845.106
- Other payables to related parties	*6*	*14.162*	*1.656.996*
- Other payables to third parties		*204.197*	*188.110*
Current tax liablities	23	-	60.736
Short-term provisions		351.383	810.252
- Short-term provisions for employee benefits	*15*	*351.383*	*487.331*
- Other shert-term provisions	*28*	-	*322.921*
Other current liabilities	14	2.731.262	2.092.049
Non-Current Liabilities		**49.583.220**	**25.353.435**
Long-term borrowings	25	13.984.562	16.605.875
Other payables		*25.086.774*	*912.374*
- Other payables to third parties		*515.026*	*912.374*
- Other payables to related parties	*6*	*24.571.748*	-
Deferred tax liablities	23	*9.589.166*	*6.665.710*
Long-term provisions		*922.718*	*1.169.476*
- Long-term provisions for employee benefits	*15*	*922.718*	*1.169.476*
EQUITY		**325.360.046**	**265.726.273**
Equity Attributable to Owners of the Company		**251.278.104**	**201.540.312**
Share capital	17	70.000.000	70.000.000
Share premium	17	3.430.552	3.208.425
Revaluation increases / (decreases) of property, plant and equipment		14.058.259	3.013.248
Defined benefit plans re-measurement gains / (losses)		-	(27.139)
Share premium		12.360.510	11.828.772
Retrieved shares (-)		(4.597.090)	(4.597.090)
Other reserves	17	32.655.004	32.655.004
Retained earnings		79.645.578	71.015.172
Net profit of the year		43.725.291	14.443.920
Non-Controlling interests		**74.081.942**	**64.185.961**
TOTAL LIABILITIES AND EQUITY		**402.685.796**	**340.431.687**

VERUSA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018

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

	Notes	Audited Current Year 1 January - 31 Deccember 2018	Audited Prior Year 1 January - 31 Deccember 2017
PROFIT OR LOSS			
Revenue	18	95.706.318	85.514.495
Cost of sales (-)	18	(85.393.551)	(86.321.095)
Gross profit		**10.312.767**	**(806.600)**
Administrative expenses (-)	19	(10.349.911)	(10.724.294)
Marketing expenses (-)	19	(2.294.254)	(2.390.435)
Other income from operating activities	20	63.790.297	43.324.105
Other expenses from operating activities (-)	20	(785.730)	(1.204.681)
Operating profit		**60.673.169**	**28.198.095**
Share of profit/loss of invesments accounted for using the equity method	4	1.327.098	303.529
Profit / loss (-) from investment activities	22	4.899.652	(31.433)
Operating profit before finance expense		**66.899.919**	**28.470.191**
Finance income	21	243.370	2.891.095
Finance expense (-)	21	(13.846.062)	(8.988.435)
Profit before tax		**53.297.227**	**22.372.851**
Tax expense		**939.970**	**(2.059.324)**
Current tax expense	23	(1.035.693)	(401.442)
Deferred tax expense	23	1.975.663	(1.657.882)
PROFIT FOR THE YEAR		**54.237.197**	**20.313.527**
Profit for the year attributable to			
Non-controlling interests		10.511.906	5.869.607
Owners of the Company		43.725.291	14.443.920
		54.237.197	20.313.527
Earnings per share			
Earnings per share	24	0,62	0,21
Other comprehensive income		**11.526.591**	**(144.224)**
Revaluation profit / losss (-) of tangible assets		12.720.048	
Defined benefit plans re-measurement gains / (losses)		114.598	(35.349)
Revaluation increases (decreases) of tangible assets, tax effect		(1.308.055)	(108.875)
Total comprehensive income		**65.763.788**	**20.169.303**
Total comprehensive income/(loss) attributable to:			
		65.763.788	**20.169.303**
Non-controlling interests		12.756.944	5.768.078
Owners of the Company		53.006.844	14.401.225

VERUSA HOLDİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018

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

									Retained earnings				
	Notes	Share capital	Share premium	Revaluation increases / (decreases) of property, plant and equipment	Defined benefit plans re-measurement gains / (losses)	Share premium	Treasury shares (-)	Other reserves	Retained earnings	Net profit of the year	Equity Attributable to Owners of the Company	Non-Controlling interests	Total
Balances of 1 January 2017		**70.000.000**	**2.586.400**	-	-	**13.521.268**	**(4.416.306)**	**32.619.545**	**47.690.257**	**38.975.686**	**200.976.850**	**38.340.062**	**239.316.912**
Other corrections		-	28.702	3.507.467	(19.204)	-	(25.448)	-	(15.282.668)	6.843.408	(4.947.743)	11.249.688	6.301.945
Transfers		-	816.820	-	-	-	-	-	45.002.274	(45.819.094)	-	-	-
Increase / decrease due to changes in proportion of ownership interest in subsidaries that does not result in loss of control	3	-	(223.497)	(461.989)	2.530	(1.692.496)	3.352	35.459	4.051.628	-	1.714.987	10.959.528	12.674.515
Due to redemption of shares increase / (decreasse)	3	-	-	-	-	-	(158.688)	-	-	-	(158.688)	-	(158.688)
Dividends	17	-	-	-	-	-	-	-	(10.446.319)	-	(10.446.319)	(2.131.395)	(12.577.714)
Total comprehensive income		-	-	(32.230)	(10.465)	-	-	-	-	14.443.920	14.401.225	5.768.078	20.169.303
Balances as of 31 December 2017		**70.000.000**	**3.208.425**	**3.013.248**	**(27.139)**	**11.828.772**	**(4.597.090)**	**32.655.004**	**71.015.172**	**14.443.920**	**201.540.312**	**64.185.961**	**265.726.273**
Balances of 1 January 2018		**70.000.000**	**3.208.425**	**3.013.248**	**(27.139)**	**11.828.772**	**(4.597.090)**	**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)	-	-	-
Increase / decrease due to changes in proportion of ownership interest in subsidaries that does not result in loss of control	3	-	122.133	1.790.597	-	531.738	-	-	(4.663.520)	-	(2.219.052)	(2.521.931)	(4.740.983)
Dividends	17	-	-	-	-	-	-	-	(1.050.000)	-	(1.050.000)	(339.032)	(1.389.032)
Total comprehensive income		-	-	9.254.414	27.139	-	-	-	-	43.725.291	53.006.844	12.756.944	65.763.788
Balances as of 31 December 2018		**70.000.000**	**3.430.552**	**14.058.259**	**-**	**12.360.510**	**(4.597.090)**	**32.655.004**	**79.645.578**	**43.725.291**	**251.278.104**	**74.081.942**	**325.360.046**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 1 JANUARY - 31 DECEMBER 2018

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

A. Cash flows from operating activities	**Notes**	**Audited Current Year 1 January - 31 December 2018**	**Audited Prior Year 1 January - 31 December 2017**
Profit for the year		**54.237.197**	**20.313.527**
Adjustments to reconcile profit for the year			
-Adjustments related to depreciation and amortization expenses	12, 13	1.709.940	1.634.024
-Adjustments related to provision for/reversal for employee benefit termination	15	408.162	1.093.845
-Adjustments related to impairment of receivables	7	(1.098.546)	926.246
-Adjustments related to provisions		-	(10.499)
-Adjustments related to tax expense	23	(939.970)	2.059.324
-Adjustments related to interest income and expenses	20, 21	5.383.408	5.775.778
-Adjustments related to cancellation of impairment of tangible assets		(759.508)	(383.859)
-Adjustments related to other provisions (cancellations)	28	(322.921)	-
-Adjustments related to unrealized currency translation differences	25	5.615.892	3.601.431
-Adjustments related to (gain)/loss on fair value	20	(50.472.224)	(40.760.073)
-Adjustments related to undistributed profits of subsidiaries	4	(1.327.098)	(303.529)
-Adjustments related to losses (gains) from disposal of tangible assets	22	(39.156)	-
-Adjustments related to the disposal of joint ventures, subsidiaries and financial investments or gains arising from changes in their shares	18, 20	(531.183)	100.631
-Adjustments related to non-cash items		(4.100.588)	6.385.179
Changes in working capital			
-Adjustments related to (increase) / decrease trade receivables	7	(7.228.765)	1.434.093
-Adjustments related to (increase) / decrease in inventories	10	(2.484.830)	1.104.406
-Adjustments related to (increase) / decrease in trade payables	7	(12.396.494)	747.166
-Adjustments related to (increase) / decrease in prepaid expenses	8	(368.080)	(135.945)
-Adjustments related to increase / (decrease) in other assets	14	1.731.624	2.417.931
-Adjustments related to increase in other debts related to activities		22.501.201	598.138
-Increase in other liabilities related to activities	14	639.213	990.116
-Adjustments related to increase in other receivables related to operations		1.996.210	15.651.349
-Increase / (decrease) in payables due to employee benefits		154.909	336.004
Cash generated/(used) from operations		**12.308.393**	**23.575.283**
Payments made under the provisions for employee benefits		(629.818)	(324.790)
Income taxes paid	23	(1.235.977)	(340.706)
Participation (profit) share and cash inflows from other financial instruments	25	32.447.228	1.962.551
Interest received		8.163.726	2.874.160
		51.053.552	**27.746.498**
B. Cash Flows from Investing Activities			
Payments for purchase of tangible and intangible assets	12, 13	(8.936.836)	(1.221.360)
Purchases of investment property	27	(1.008.372)	-
Cash inflows arising from disposal of tangibles		117.965	78.582
Cash outflows for acquisition of additional shares of subsidiaries, (net)	3	(4.740.983)	12.591.281
Cash outflows arising from acquisitions or capital increases in subsidiaries and/or joint ventures		-	(19.481.589)
		(14.568.226)	**(8.033.086)**
C. Cash Flows from Financing Activities			
Cash outflows for borrowings	25	(15.856.213)	(281.644)
Interest paid		(13.788.851)	(8.098.176)
Dividends paid		(1.389.032)	(12.577.714)
Cash outflows for the acquisition of own shares	17	-	(180.784)
		(31.034.096)	**(21.138.318)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**5.451.230**	**(1.424.906)**
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	29	**2.598.392**	**4.023.298**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (A+B+C+D)	29	**8.049.622**	**2.598.392**

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, chemistry, iron and steel, telecommunication, technology 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 2018, the share capital of the Group is TL 70.000.000 (31 December 2017: TL 70.000.000).

As of 31 December 2018, the average number of employees of the Group is 102 (31 December 2017: 67 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;

31 December 2018

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	Energy Generation	-
İklimya Elektrik Üretim A.Ş.	Turkey	Energy Generation	-
Acıselsan Acıpayam Selüloz San. ve Tic. A.Ş.	Turkey	Cellulose Production	BIST

(*) In the Board of Directors meeting held on 25 December 2018, corporate name of Standard Enerji Üretim A.Ş. has been changed to Standard Boksit Maden İşletmeleri 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 electricty taken from the other electricity producers and commercial companies in Turkey and / or from the electric pool system to the customers. A total of 572.308 shares (5,72%) of Haluk Sert were purchased on 13 December 2017. After the share transfer transaction, the share of Verusa Holding A.Ş. in Ata Elektrik is increased from 94,28% to 100%.

(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 2018, 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-energy sector. In the Board of Directors meeting held on 25 December 2018, corporate name of Standard Enerji Üretim A.Ş. has been changed to Standard Boksit Maden İşletmeleri A.Ş..

Pamukova Elektrik Üretim A.Ş. ("Pamukova Elektrik") was established in 2015 and operates in the energy sector. The paid-capital of Pamukova Elektrik is TL 70.000.000 as of 31 December 2018. Verusaturk holds 51% and Verusa Holding A.Ş. holds 49% of the shares of Pamukova Elektrik while Verusa Holding A.Ş. has 82,48% of effective participation rate as of 31 December 2018. The subsidiary of the Group, Pamukova Elektrik has invested in Enda Enerji Holding A.Ş. through cash increase amounting from a capital of TL 234.000.000 to TL 300.000.000. As of 31 December 2018, the share of Verusa Holding A.Ş. is 7,32% amounting to TL 21.973.240 and the share of Pamukova Elektrik is 19,50% amounting to TL 58.500.000.

İklimya Elektrik Üretim A.Ş. ("İklimya Elektrik") has acquired by Pamukova Elektrik by 94,4% on 26 October 2015. Previously, İklimya Elektrik was purchased by Ata Elektrik by 5,59% on 22 October 2015. The effective participation rate of the Group in İklimya Elektrik is 83,46% as of 31 December 2018.

Acıselsan Acıpayam Selüloz San. ve Tic. A.Ş. ("Acıselsan") was established on 12 April 1973 in Denizli Turkey. The Group purchased 5.071.148,653 shares of Acıselsan from Verusaturk via BIST for a total price of TL 13.742.812,85 with a price of TL 2,71 per share pursuant to the letter of Republic of Turkey Prime Ministry Capital Markets Board dated 16 June 2017. Acıselsan has been included in the consolidated financial statements of the Group as of 31 December 2018 with a participation rate of 47,30%.

Subsidiaries included in the full consolidation by the equity method in the accompanying consolidated financial statements;

Company Name	**Country**	**Area of Activity**	**Stock Exchanges**
Innoted Teknoloji A.Ş.	Turkey	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.

The Group acquired 40% of the shares representing the capital of Innoted in April 2011 and increased its participation rate from 40% to 46,67% by capital increase on 29 May 2014. Therefore, the capital share of the Group increased from TL 1.400.000 to TL 1.680.000 and the ownership ratio of the Group increased to 46,67% in the general assembly of Innoted. As of 31 December 2018, the Group has TL 1.680.000 of the total paid-in capital of TL 3.600.000 in Innoted.

1. GENERAL INFORMATION (cont'd)

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

The Group acquired 40,75% of the shares representing the capital of Aldem Çelik in June 2012 and obtained a voting right by 40,75% in the general assembly of the subsidiary. Aldem Çelik Endüstri San. ve Tic. A.Ş. operates on production, processing, projected, sales, purchases, import and export of every kind of steel.

Approval of the financial statements

The consolidated financial statements have been approved by the Board of Directors and authorized for issue on 23 February 2019. 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 TFRS

The Company and its subsidiaries in Turkey prepare their books and accompanying financial statements in accordance with the accounting standards stated by Turkish Trade Act ("TTA") 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 2018	31 December 2017	31 December 2018	31 December 2017
Ata Elektrik	100,00	100,00	100,00	100,00
Verusaturk	65,64	62,59	65,64	62,59
Standard	100,00	100,00	100,00	100,00
Pamukova	82,48	80,92	100,00	100,00
İklimya	83,46	81,99	100,00	100,00
Acıselsan	47,30	29,60	47,30	47,30

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 subsidiaries

Participations

	Group's effective shares (%)		Effective Shareholding and Voting Rights	
Investments	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Innoted	46,67	46,67	46,67	46,67
Aldem	40,75	40,75	40,75	40,75

Subsidiary 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 subsidiaries (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.

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.

In the new standard amendments and interpretations effective from 1 January 2018, the Group has applied accounting policy changes resulting from the first time adoption of "TFRS 15" and "TFRS 9" in accordance with the relevant provisions of the relevant standards.

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

2.4 New and Amended Turkish Financial Reporting Standards

New and amended Turkish Financial Reporting Standards that are effective for the current year

TFRS 9 Financial Instruments

(a) Classification and measurement of financial assets

In the current year, the Group has applied TFRS 9 Financial Instruments and the related consequential amendments to other TFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of TFRS 9 allow an entity not to restate the comparative financial statements. As a result of the first-time adoption of TFRS 9, the cumulative effect due to the first time adoption of TFRS 9 by the Group is recognised in retained earnings as of 1 January 2018 and the comparatives have not been restated accordingly.

TFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied TFRS 9 in accordance with the transition provisions set out in TFRS 9.

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of TFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of TFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

All recognised financial assets that are within the scope of TFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

There are no changes in the measurement of the debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, as such changes in the fair value of the such financial assets are recognized in the consolidated statement of profit or loss.

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

2.4 New and Amended Turkish Financial Reporting Standards (cont'd)

New and amended Turkish Financial Reporting Standards that are effective for the current year (cont'd)

TFRS 9 Financial Instruments (cont'd)

(a) Classification and measurement of financial assets (cont'd)

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of TFRS 9 does not have a significant affect on the Group's financial assets with regards to their classification and measurement.

In relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under TMS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Specifically, TFRS 9 requires the Group to recognise a loss allowance for expected credit losses on.

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

2.4 New and Amended Turkish Financial Reporting Standards (cont'd)

New and amended Turkish Financial Reporting Standards that are effective for the current year (cont'd)

TFRS 9 Financial Instruments (cont'd)

(a) Classification and measurement of financial assets (cont'd)

In particular, TFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses ("ECL") if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. TFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

(b) Impairment of financial assets

Impairment

There are no financial assets measured at amortized cost which are subject to the provisions of the provisions of TFRS 9.

The Group utilizes a simplified approach permitted by TFRS 9 for trade receivables, due from related parties, and other receivables.

In this context, the Group has classified these assets according to their risk levels and maturities in order to measure the expected credit losses on trade receivables, due from related parties and other receivables. The expected amount of credit losses calculated within this scope does not have a significant effect on the consolidated financial statements of the Group.

(c) Classification and measurement of financial liabilities

A significant change introduced by TFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

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

2.4 New and Amended Turkish Financial Reporting Standards (cont'd)

New and amended Turkish Financial Reporting Standards that are effective for the current year (cont'd)

TFRS 9 Financial Instruments (cont'd)

(c) Classification and measurement of financial liabilities (cont'd)

Specifically, TFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under TMS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of TFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

Impact of application of TFRS 15 Revenue from Contracts with Customers

Impact on the Financial Statements

In the current year, the Group has applied TFRS 15 Revenue from Contracts with Customers which is effective for an annual period that begins on or after 1 January 2018. TFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in TFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below.

The accounting policies of the Group regarding its revenue items are explained in detail in *Note 2*. The application of TFRS 15 did not have a significant effect on the financial position and / or financial performance of the Group.

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

2.4 New and Amended Turkish Financial Reporting Standards (cont'd)

New and amended Turkish Financial Reporting Standards that are effective for the current year (cont'd)

TFRS Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
  - If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

Amendments to TAS 40 *Transfers of Investment Property*

Amendments to TAS 40 have no impact on the Group's consolidated financial statements.

Annual Improvements to TFRS Standards 2014–2016 Cycle: TAS 28

Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. Annual improvements to TFRS Standards 2014-2016 cycle have no impact on the Group's consolidated financial statements.

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

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

2.4 New and Amended Turkish Financial Reporting Standards

New and revised TFRS Standards in issue but not yet effective

At the date of authorisation of these consolidated financial statements, The Group has not applied the following new and revised TFRS Standards that have been issued but are not yet effective:

TFRS 16	Leases
Amendments to TMS 28	*Long-term Interests in Associates and Joint Ventures*[1]
TFRS Comment 23	*Uncertainty over Income Tax Treatments*[1]
TFRS 10 *Consolidated Financial Statements* and TMS 28 (amendments)	*Sale of Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to *TMS 19 Employee Benefits*	*Plan Amendment, Curtailment or Settlement* [1]
Annual Improvements to TFRS Standards 2015–2017 Cycle	*Amendments to TFRS 3 Business Combinations, TFRS 11 Joint Arrangements, TMS 12 Income Taxes and TMS 23 Borrowing Costs* [1]

[1] Effective from periods on or after 1 January 2019.

The Group Management does not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods, except as noted below:

Amendments to TAS 28 *Long-term Interests in Associates and Joint Ventures*

This amendment clarifies that an entity applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

TFRS Interpretation 23 *Uncertainty over Income Tax Treatments*

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under TAS 12.

Amendments to TAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify the impact of the changes in defined benefit plans (splits into defined benefit plans and defined contribution plans) on the recognition of those defined benefit plans.

Annual Improvements to TFRS Standards 2015–2017 Cycle

Annual Improvements to TFRS Standards 2015–2017 Cycle include amendments to TFRS 3 Business Combinations and TFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, TAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and TAS 23 Borrowing Costs in capitalized borrowing costs.

The Group Management believes that the application of these amendments does not have a significant impact on the Group's consolidated financial statements.

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)

Accounting policy which has been implemented for revenue until 31 December 2017

Revenue is measured at the fair value of the consideration received or receivable. Net sales is reduced for estimated and realized customer returns, rebates, commissions and taxes related with sales.

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 (implemented form as of 1 January 2018)

<u>Financial assets</u>

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

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 recognised in profit or loss and is included in the "finance income – interest income" line item (Note 21).

(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.

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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	50
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: holding activities, venture capital, cellulose manufacturing, electricity wholesale and energy. These distinctions form the basis for financial reporting, according to departments.

Statement of Cash Flows

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

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.

Implemented Accounting Policies for Financial Instruments until 31 December 2017

Financial assets

The Company classifies its financial assets as loans and receivables. The classification is determined at initial recognition based on the purpose and nature of the acquisition of the financial asset. Financial assets purchased and sold in the normal course are recorded on the transaction date. Financial assets are measured at fair value at initial recognition. During initial recognition of financial assets or financial liabilities that are not accounted for at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial asset are added to the fair value.

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.

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".

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

2.5 Summary of Significant Accounting Policies (cont'd)

Recognition and derecognition of financial assets

The Company recognizes financial assets and liabilities only if it becomes a party to the contract of financial instruments. The Company derecognizes a financial asset or a related party if the contractual rights to the financial assets are transferred to another party. In the event that all risks and attainments arising from the ownership of the asset are not transferred to another party and the Company has control over the asset, the Company continues to recognize the remaining portion of the asset and the liabilities that are due and payable. In the event that the Company retains all the risks and attainments arising from the ownership of a transferred asset, the financial asset is continued to be accounted for and a receivable which is subject to a collateral against the transferred financial asset is also recognized for the proceeds. The Company derecognizes a financial liability only if its liability is eliminated, canceled or expires.

Financial liabilities

A financial liability is measured at fair value at initial recognition. During initial recognition of financial liabilities that are not accounted for at fair value through profit or loss, transaction costs directly attributable to the carrying of the related financial liability are added to the fair value. Financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

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.

Deferred taxes related to investment proporties

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.

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

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

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 in 1 February 2019 for EPİAŞ, and 18 February 2018 for Enda Enerji Holding A.Ş. In the valuation studies, discounted cash flows ("DCF"), discounted dividend flow ("DDF") 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.

For the fair value calculation of Enda Enerji Holding A.Ş., sum of the parts method is used and an adjusted net asset value is calculated. Subsidiaries and investments measured at cost in the unaudited consolidated financial statements of Pamukova Elektrik Üretim A.Ş. as at 31 December 2018 have been adjusted to reflect their fair values along with the other adsutments in assets and liabilities and the fair value of the adjusted net asset value for Pamukova Elektrik Üretim A.Ş. is calculated.

For the calculation of the fair value of EPİAŞ, discounted cash flows and discounted dividend flows methods have been used.

For the fair value calculation of the subsidiaries and investments of Pamukova Elektrik Üretim A.Ş., , discounted cash flows ("DCF"), discounted dividend flow ("DDF") 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.

3. EXPLANATIONS OF CHANGES IN SHAREHOLDERS EQUITY

2018: The Group was consolidating Acıselsan Acıpayam Selüloz San. Tic. A.Ş. with 29,60% effective controll 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.

2017: In December 2017, the Group acquired 94,22% of the shares representing Ata Elektrik Enerjisi Toptan Satış A.Ş. ("subsidiary") capital. As of 13 December 2017, the share rate has increased to 100%.

Verusa Holding A.Ş. has sold 4.954.328 shares of Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş. shares between the dates of 25 April 2017 and 1 June 2017 in the price range of 2,50 – 3,02 TL. With this transaction, Verusa Holding A.Ş.'s share in the Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş.'s capital has reached the 62,59% limit as of 31 December 2017. 2,87% shares of Investco also act together with Verusa Holding. In addition, a total of 572,308 shares (5,72%) of the shares owned by Haluk Sert in Ata were purchased on 13 December 2017, and after the transfer of shares, the share of Verusa in Ata capital was increased from 94,28% to 100%.

Based on Capital Market Board's ("CMB") letter of 16 June 2017, the Group has fully consolidated to Acıselsan Acıpayam Selüloz San. ve Tic. A.Ş. , which was recognized under "financial investments" in the accompanying consolidated financial statements in the previous period. The transaction is accounted as at of 1 January 2017.

On 26 May 2017 and 29 May 2017, the Group acquired its share in the stock exchange in accordance with the announcement of the Capital Markets Board on 21 July 2016.

(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 2018**	**31 December 2017**	**1 January - 31 December 2018**	**1 January - 31 December 2017**	**31 December 2018**	**31 Decemebr 2017**
Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş.	İstanbul	34,36%	37,41%	3.261.124	3.264.371	41.425.740	39.149.374
Pamukova Elektrik Üretim A.Ş.	İstanbul	17,52%	19,08%	3.151.331	2.903.787	17.013.169	14.623.115
Acıselsan Acıpayam Selüloz San. Ve Tic. A.Ş.	Denizli	52,70%	70,40%	4.824.397	868.297	16.713.631	12.219.514
İklimya Elektrik Üretim A.Ş.	İstanbul	16,54%	18,34%	1.520.092	(1.268.377)	(1.070.598)	(1.806.042)
				12.756.944	**5.768.078**	**74.081.942**	**64.185.961**

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

4) INTERESTS IN OTHER ENTITIES (cont'd)

a) Subsidiaries (cont'd)

The Group has 47,30% share rate on Acıselsan's equity at the reporting date. The Group decided to fully consolidate Acıselsan as of 1 January 2017 with an ownership rate of 29,6%. Before the consolidation, Acıselsan was accounted for as a financial asset through profit and loss in the accompanying consolidated financial statements. On 24 October 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%.

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.

	31 December 2018 Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş.	31 December 2017 Verusaturk Girişim Sermayesi Yatırım Ortaklığı A.Ş.
Current assets	162.837.336	143.280.377
Non-current assets	28.945	21.656.533
Current liabilities	121.803	5.720.539
Non-current liabilities	60.951	14.488.277
Equity attributable to main shareholding	121.257.787	105.578.720
Non-controlling shares	41.425.740	39.149.374

	1 January - 31 December 2018	1 January - 31 December 2017
Revenue	32.447.228	21.164.595
Expenses	(20.851.215)	2.473.301
Eliminations for consolidation	(2.104.187)	(25.095.647)
Profit / (loss) for the period	9.491.826	(1.457.751)
Profit/loss for the period attributable to:		
Main shares of the Company	6.230.702	14.794.959
Non-controlling shares	3.261.124	3.264.371
Profit / (loss) for the period	9.491.826	18.059.330
Total comprehensive income attributable to:		
Main shares of the Company	6.230.702	14.794.959
Non-controlling shares	3.261.124	3.264.371
Total comprehensive income	9.491.826	18.059.330
Cash inflows/(outflows) from operating activities	3.573.438	7.641.441
Cash inflows/(outflows) from investing activities	-	-
Cash flows from financing activities	(3.547.076)	(7.654.050)
NET INCREASE IN CASH AND CASH EQUIVALENTS	26.362	(12.605)

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

4. INTERESTS IN OTHER ENTITIES (cont'd)

a) Subsidiaries (cont'd)

	31 December 2018 Pamukova Elektrik Üretim A.Ş.	31 December 2017 Pamukova Elektrik Üretim A.Ş.
Current assets	169.842.769	148.107.954
Non-current assets	23.840.662	38.088.009
Current liabilities	13.163.612	20.343.652
Non-current liabilities	5.774.674	19.286.096
Equity attributable to main shareholding	157.731.976	131.943.100
Non-controlling shares	17.013.169	14.623.115

	1 January - 31 December 2018	1 January - 31 December 2017
Revenue	-	1.071.987
Expenses	17.984.830	14.147.021
Profit / (loss) for the period	17.984.830	15.219.008
Profit/loss for the period attributable to:		
Main shares of the Company	14.833.499	12.315.221
Non-controlling shares	3.151.331	2.903.787
Profit / (loss) for the period	17.984.830	15.219.008
Total comprehensive income attributable to:		
Main shares of the Company	14.833.499	12.315.221
Non-controlling shares	3.151.331	2.903.787
Total comprehensive income	17.984.830	15.219.008

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

4. INTERESTS IN OTHER ENTITIES (cont'd)

a) Subsidiaries (cont'd)

	31 December 2018 İklimya Elektrik Üretim A.Ş.	31 December 2017 İklimya Elektrik Üretim A.Ş.
Current assets	2.549.309	127.038
Non-current assets	51.905.204	38.085.658
Current liabilities	8.583.712	10.871.920
Non-current liabilities	14.042.546	14.398.983
Equity attributable to main shareholding	14.815.086	12.941.793
Non-controlling shares	(1.070.598)	(1.806.042)

	1 January - 31 December 2018	1 January - 31 December 2017
Revenue	3.172.477	1.071.987
Expenses	(4.570.661)	(8.112.838)
(Profit) / loss for the period	(1.398.184)	(7.040.851)
Profit/loss for the period attributable to:		
Main shares of the Company	(1.166.887)	(5.772.794)
Non-controlling shares	(231.297)	(1.268.377)
Profit / (loss) for the period	(1.398.184)	(7.041.171)
Total comprehensive income attributable to:		
Main shares of the Company	7.668.819	(5.772.794)
Non-controlling shares	1.520.092	(1.268.377)
Total comprehensive income	9.188.911	(7.041.171)

(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 2018 and 2017 are as follows:

Associates	Place of incorporation	Functionl currency	31 December 2018	%	31 December 2017
Aldem Çelik Endüstri San. ve Tic. A.Ş.	İstanbul	Turkish Lira	7.001.572	40,75	5.843.458
Innoted Teknoloji A.Ş.	İstanbul	Turkish Lira	710.031	46,67	541.047
Toplam			7.711.603		6.384.505

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 2018	31 December 2017
Current assets	19.651.801	18.457.677
Non-current assets	14.185.001	12.894.086
Current liabilities	(14.191.259)	(13.116.160)
Non-current liabilities	(2.463.152)	(3.895.455)
	17.182.391	**14.340.148**

	1 January - 31 December 2018	1 January - 31 December 2017
Revenue	37.464.908	23.294.256
Profit / (loss) for the period	**2.841.998**	**1.528.199**
Group's shares on participations' losses	1.158.114	622.741

	31 December 2018	31 December 2017
Net assets of subsidiary	17.182.391	14.340.148
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.	**7.001.572**	**5.843.458**

(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 2018**	**31 December 2017**
Current assets	303.396	258.595
Non-current assets	2.640.620	1.969.385
Current liabilities	(1.421.362)	(1.045.043)
Non-current liabilities	(1.268)	(23.633)
	1.521.386	**1.159.304**

	1 January - 31 December 2018	**1 January - 31 December 2017**
Revenue	166.080	157.288
Profit / (loss) for the period	**362.083**	**(398.475)**
Group's shares on participations' losses	168.984	(185.969)

	31 December 2018	**31 December 2017**
Net assets of subsidiary	1.521.386	1.159.304
Group's share of Innoted Teknoloji A.Ş. (%)	46,67	46,67
Net book value of Group's share of Innoted Teknoloji A.Ş.	**710.031**	**541.047**

5. OPERATING SEGMENTS

In terms of managerial accounting, the Group is divided into four groups of activities; holding activities, venture capital, wholesale electricity power and energy production. These divisions form the basis of financial reporting in accordance with the following sections.

(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)	(24.777.277)	(28.114.241)	(1.526.528)	940.040	(85.393.551)
Gross profit	**-**	**531.683**	**7.195.047**	**1.052.262**	**1.645.949**	**(112.174)**	**10.312.767**
Marketing expenses (-)	-	-	(1.833.801)	(362.922)	(97.531)	-	(2.294.254)
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)

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

	1 January - 31 December 2017						
	Holding Operations	Venture Fund	Cellulose Production	Wholesale of electricity energy	Generation of Energy	Eliminations	Total
Revenue	-	-	21.164.595	63.277.913	1.071.987	-	85.514.495
Operating income	**-**	**-**	**21.164.595**	**63.277.913**	**1.071.987**	**-**	**85.514.495**
Cost of sales (-)	-	-	(17.530.256)	(66.928.675)	(1.862.164)	-	(86.321.095)
Gross profit	**-**	**-**	**3.634.339**	**(3.650.762)**	**(790.177)**	**-**	**(806.600)**
Marketing expenses (-)	-	-	(1.773.652)	(580.990)	(35.793)	-	(2.390.435)
Administrative expenses (-)	(2.326.438)	(2.112.922)	(1.063.540)	(3.004.815)	(2.216.579)	-	(10.724.294)
Income from other operating activities	11.920.354	25.242.473	703.215	374.221	23.084.074	(18.000.232)	43.324.105
Expense from other operating activities (-)	(2.619)	(580.943)	(205.065)	(30.006)	(386.048)	-	(1.204.681)
Operating profit/(loss)	**9.591.297**	**22.548.608**	**1.295.297**	**(6.892.352)**	**19.655.477**	**(18.001.264)**	**28.198.095**
Shares in the profits / (losses) of investments accounted for using the equity method	-	-	-	-	-	303.529	303.529
Income from investing activities	-	-	728.475	-	(759.908)	-	(31.433)
Finance income	971.294	975.572	299.193	1.123.507	1.562.919	(2.041.390)	2.891.095
Finance expense	(1.930.194)	(760.099)	(182.033)	(2.203.188)	(5.987.425)	2.074.504	(8.988.435)
Profit / (loss) before tax	**8.632.397**	**22.764.081**	**2.140.932**	**(7.972.033)**	**14.471.063**	**(17.664.621)**	**22.372.851**
Tax expense	(412.726)	-	(301.757)	(435.095)	(909.746)	-	(2.059.324)
Profit / (loss) for the period	**8.219.671**	**22.764.081**	**1.839.175**	**(8.407.128)**	**13.561.317**	**(17.664.621)**	**20.313.527**

(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 2018 and 2017 are as follows:

	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)

	31 December 2017						
Balance Sheet	**Holding Operations**	**Venture Fund**	**Cellulose Production**	**Wholesale of electricity energy**	**Generation of Energy**	**Eliminations**	**Total**
Total assets	156.095.345	136.829.843	28.317.573	17.603.912	187.338.605	(185.753.591)	340.431.687
Liabilities	(24.003.240)	(3.068.285)	(5.131.523)	(19.919.943)	(39.065.345)	16.482.922	(74.705.414)
Equity attributable to equity holders of the parent	(132.092.106)	(121.542.044)	(23.186.049)	2.316.031	(148.273.261)	221.237.117	(201.540.312)
Non-controlling interests	-	(12.219.514)	-	-	-	(51.966.447)	(64.185.961)

(*) 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 2018 and 2017 are as follows:

	31 December 2018					
	Holding Activities	**Venture Fund**	**Cellulose Production**	**Wholesale of electricity energy**	**Generation of Energy**	**Total**
Investment expenses	19.068	-	2.117.808	-	6.674.461	8.936.836
Depreciation and amortization expenses for the period	(3.565)	(21.192)	(398.441)	(30.404)	(1.256.338)	(1.709.940)

	31 December 2017					
	Holding Activities	**Venture Fund**	**Cellulose Production**	**Wholesale of electricity energy**	**Generation of Energy**	**Total**
Investment expenses	7.987	-	989.825	-	79.324	1.077.136
Depreciation and amortization expenses for the period	(6.100)	(15.523)	243.716	(68.946)	(1.256.346)	(1.103.199)

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

6. RELATED PARTY DISCLOSURES

	31 December 2018			
	Payables			
	Current		Non-current	
Balances with related parties	**Trade**	**Non-trade**	**Trade**	**Non-trade**
Shareholders				
Investco Holding (*)	5.366.160	-	-	24.571.748
Financial Investments				
Enerji Piyasaları İşletmeleri A.Ş. (**)	272.205	-	-	-
Other	-	14.162	-	-
	5.638.365	**14.162**	**-**	**24.571.748**

	31 December 2017			
	Receivables		Payables	
	Current		Non-current	
Balances with related parties	**Trade**	**Non-trade**	**Trade**	**Non-trade**
Shareholders				
Investco Holding (*)	91.840	3.007.197	8.024	743.906
Financial Investments				
Enerji Piyasaları İşletmeleri A.Ş. (**)	-	-	868.992	-
Other	-	5.906	-	913.090
	91.840	**3.013.103**	**877.016**	**1.656.996**

(*) The amount allocated to Investco Holding A.Ş. within the framework of the mutual finance relationship between the Group Companies. The interest rate of the Company is 18,27%.

(**) The mentioned commercial debt is due to the market operation activity of EPİAŞ to Ata Elektrik Enerjisi Toptan Satış A.Ş., the subsidiary of the Group, the operation of wholesale electricity markets and the financial settlement transactions of the activities carried out in these markets and other financial transactions related to these 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 2018				
Transaction with related parties	**Service income**	**Service expense**	**Interest income**	**Interest expense**	**Rediscount income**
Shareholders					
Investco Holding A.Ş.	6.674	228.304	69804	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**

	1 January - 31 December 2017			
Transaction with related parties	**Service income**	**Service expense**	**Interest expense**	**Interest income**
Shareholders				
Investco Holding A.Ş.	5.503	198.300	43.958	1.429.595
Financial Investments				
Enerji Piyasaları İşletmeleri A.Ş. (**)	-	38.852.291	-	-
Other				
Nar Yatırım A.Ş.	221.903	-	-	-
Escort Teknoloji Yatırım A.Ş.	69.431	-	207.807	-
Güngör Sert	13.874	-	-	-
	310.711	**39.050.591**	**251.765**	**1.429.595**

(*) Energy revenues from Acıselsan Acıpayam Seluloz Üretim A.Ş. and short-term trade receivables; It consists of the sale of electricity supplied by Ata Elektrik Enerjisi Toptan Satış A.Ş..

(**) The energy revenues obtained from Enerji Piyasaları İşletmeleri A.Ş. originate from the sale of electricity supplied by Ata Elektrik Enerjisi Toptan Sarış A.Ş. to the energy market and the service expenses from the activities related to the market operations of Enerji Piyasaları İşletmeleri A.Ş..

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

6. RELATED PARTY DISCLOSURES (cont'd)

The detail of compensation of key management personnel as of 31 December 2018 and 2017 is as follows:

	1 January-31 December 2018	1 January-31 December 2017
Salaries and other short-term benefits (*)	2.481.873	2.501.927
	2.481.873	2.501.927

(*) 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.

7. TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as of 31 December 2018 and 2017 are as follows:

Short-term trade receivables	31 December 2018	31 December 2017
Trade receivables	18.979.224	11.751.592
-Trade receivables from related parties (Note: 6)	-	*91.840*
-Other receivables	18.979.224	*11.659.752*
Notes receivable	50.000	161.353
Provision for doubtful receivables (-)	(1.860.133)	(2.959.812)
	17.119.091	**8.791.780**

Movement of doubtful receivables	1 January-31 December 2018	1 January-31 December 2017
Opening balance	2.959.812	1.892.093
(Cancelled provision) / charge for the period (Not: 19 - 20)	(1.098.546)	926.246
Amounts from acquisition of subsidiary	-	151.972
Collections	-	(10.499)
Uncollectible receivables	(1.133)	-
Closing	**1.860.133**	**2.959.812**

Doubtful receivables are consisting from group's subsidiaries as Ata Elektrik Enerjisi Toptan Satış A.Ş., İklimya Elektrik Üretim A.Ş. and Acıselsan Acıpayam Selüloz Sanayi ve Tic. A.Ş.

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

7. TRADE RECEIVABLES AND PAYABLES (cont'd)

The details of trade receivables as of 31 December 2018 and 2017 are as follows::

	31 December 2018	31 December 2017
Trade payables	12.851.444	25.120.780
- Trade payables to related parties	5.638.365	877.016
- Trade payables to third parties	7.152.079	9.460.405
Other trade payables	82.949	210.107
	12.934.393	**25.330.887**

The average maturity of undue trade receivables is 61 days (31 December 2017: 61 days). The effective interest rate applied to the trade receivables of the Group is 18% (31 December 2017: 13%).

8. PREPAID EXPENSES AND DEFERRED INCOME

The details of prepaid expenses and deferred income as of 31 December 2018 and 2017 are as follows:

Short-term prepaid expenses	31 December 2018	31 December 2017
Advances given for purchases	325.008	164.986
Prepaid expenses	85.040	8.378
	410.048	**173.364**

Long-term prepaid expenses	31 December 2018	31 December 2017
Prepaid expenses	136.473	5.077
	136.473	**5.077**

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

9. OTHER RECEIVABLES AND PAYABLES

Other current receivables	**31 December 2018**	**31 December 2017**
Other receivables from related parties (Note: 6)	-	3.013.103
Deposits and guarantees given	910.363	147.927
Due from personnel	-	13.153
Receivables from tax offices	233.985	2.651
Other receivables	57.853	240.633
	1.202.201	**3.417.467**

Other non-current receivables	**31 December 2018**	**31 December 2017**
Deposits and guarantees given	481.965	262.909
	481.965	**262.909**

	31 December 2018	**31 December 2017**
Other payables to related parties (Note: 6)	14.162	1.656.996
Deposits and guarantees received	12.000	12.000
Other	192.197	176.110
	218.359	**1.845.106**

Other non-current liablities	**31 December 2018**	**31 December 2017**
Other payables to related parties (Note: 6)	24.571.748	-
	24.571.748	**-**

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

10. INVENTORIES

	31 December 2018	31 December 2017
Raw material	5.915.130	3.644.737
Work in process	431.758	403.781
Finished goods	583.386	384.790
Other	3.950	16.086
	6.934.224	**4.449.394**

11. COMMITMENTS

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**

31 December 2017	**TL Equivalent**	**TL**	**EUR**	**USD**
CPM given on behalf on fully consolidated companies				
-Pledge	35.759.579	13.070.231	4.672.250	422.016
Total	**35.759.579**	**13.070.231**	**4.672.250**	**422.016**

The ratio of the other CPM given by the Group to the Group's equity is zero as of 31 December 2018 and 2017.

(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 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 fund and reversal of impairment	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**

Depreciation expense of TL 173.322 (31 December 2017: TL 145.193) has been charged in 'general administrative expenses', TL 34.204 (31 December 2017: Nil) in 'marketing expenses' and TL 1.502.414 (31 December 2017: TL 1.416.901) in 'cost of goods sold'.

(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 2017	-	-	-	662.215	233.631	39.532.029	32.124	415.567	40.875.566
Change in group structure	2.230.000	4.138.530	2.124.703	252.192	169.911	-	129.090	58.505	9.102.931
Additions	-	-	5.070	198.431	93.971	35.930	-	624.949	958.351
Revalution fund	290.000	289.654	-	-	-	-	-	-	579.654
Disposals	-	-	-	(267.011)	-	-	-	-	(267.011)
Impairment (-)	-	-	-	-	(419)	(759.489)	-	-	(759.908)
Transfers	-	-	340.251	-	-	-	16.460	(356.711)	-
Closing balance as of 31 December 2017	**2.520.000**	**4.428.184**	**2.470.024**	**845.827**	**497.094**	**38.808.470**	**177.674**	**742.310**	**50.489.583**
Accumulated Depreciation									
Opening balances of 1 January 2017	-	-	-	(273.762)	(163.742)	(3.259.233)	(9.218)	-	(3.705.955)
Change in group structure	-	(2.143.753)	(826.567)	(147.698)	(117.052)	-	(70.948)	-	(3.306.018)
Revalution fund	-	(155.887)	-	-	-	-	-	-	(155.887)
Charge of the year	-	(83.120)	(126.457)	(143.827)	(41.394)	(1.151.020)	(16.276)	-	(1.562.094)
Disposals	-	-	-	188.429	-	-	-	-	188.429
Closing balance as of 31 December 2017	**-**	**(2.382.760)**	**(953.024)**	**(376.858)**	**(322.188)**	**(4.410.253)**	**(96.442)**	**-**	**(8.541.525)**
Carrying values ass of 31 December 2017	**2.520.000**	**2.045.424**	**1.517.000**	**468.969**	**174.906**	**34.398.217**	**81.232**	**742.310**	**41.948.058**

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

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 2017: 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 2018, 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 reflecting the current transaction prices for similar properties. In determining the fair value of the buildings, the cost approach that reflects the age and age of obsolescence that the market participant will undertake to build similar assets is used. In the current period, there was no significant change in market conditions and no valuation was used.

The information about the land, building and hydro power plant owned by the Company as of 31 December 2018 and 2017 and the fair value hierarchy for the related assets are shown in the following table:

		Fair value as at 31 December 2018		
	31 December 2018	Level 1 TL	Level 2 TL	Level 3 TL
Land	3.968.669	-	3.968.669	-
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 2017	398.415
Change in group structure	76.391
Additions	50.328
Closing balance as of 31 December 2017	**525.134**
Accumulated Depreciation	
Balances of 1 January 2017	(258.352)
Change in group structure	(27.498)
Charge of the year	(71.930)
Closing balance as of 31 December 2017	**(357.780)**
Carrying values as of 31 December 2017	**167.354**

The useful lives of intangible assets are as follows::

	Economic life
Rights	3 - 5 years

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 2018 and 31 December 2017 are as follows:

Other current assets	31 December 2018	31 December 2017
VAT carried forward	2.726.909	1.513.544
Job advances	424.771	374.400
Personnel advances	66.727	139.454
Other VAT	263.905	105.238
Other	15.630	-
	3.497.942	**2.132.636**

Other non-current assets	31 December 2018	31 December 2017
Other VAT	3.130.341	3.583.552
Prepaid expenses	-	6.346
	3.130.341	**3.589.898**

Other current liabilities	31 December 2018	31 December 2017
Taxes and funds payables	1.495.613	1.473.748
Advances received	239.358	257.987
Other payables and liabilities (*)	996.291	360.314
	2.731.262	**2.092.049**

(*) Balance consists of payables amounting to TL 603.794 to TRT tax label fund and TL 392.497 from deferred public debts (31 December 2017: TL 360.314).

15. EMPLOYEE BENEFITS

Payables related to employee benefits	31 December 2018	31 December 2017
Social security premiums paid	346.113	486.487
Termination benefits paid	387.844	92.561
	733.957	**579.048**

(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 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Short-term provision for employee benefits	351.383	487.331
	351.383	**487.331**

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 (20 years for women), 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 2018 of TL 5.434,42 (2017: TL:4.732,48).

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 2018, 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 5,45 % real discount rate (31 December 2015:3,74%) calculated by using 10% annual inflation rate and 16% discount rate. Ceiling amount of TL 6.017,60 which is in effect since 1 January 2017 is used in the calculation of Groups' provision for retirement pay liability (1 January 2017: TL 5.001,76). . Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 10% for employees with 0-15 years of service, and 0% for those with 16 or more years of service (31 December 2017: 15,82% for employees with 0-15 years of service , and 0% for those with 16 or more years of service).

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 125.288 or decrease by TL 106.695.

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 34.437 or increase TL 39.605.

(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 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Opening	1.169.476	246.779
Service cost	453.960	672.150
Interest expense	43.698	32.169
Actuarial loss	(114.598)	44.186
Payments	(241.974)	(232.229)
Severance pay (*)	(387.844)	(92.561)
Change in group structure	-	498.982
Closing	**922.718**	**1.169.476**

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

16. EXPENSES BY NATURE

	1 January-31 December 2018	1 January-31 December 2017
Personnel expenses	(7.291.414)	(6.926.145)
Consulting expenses	(1.312.299)	(1.048.650)
Transportation expenses	(1.062.215)	(1.184.618)
Provision for doubtful receivables (Note: 7)	-	(926.246)
Rent expenses	(997.038)	(827.556)
Export expenses	(311.511)	(292.394)
Taxes and funds	(250.205)	(370.307)
Depreciation and amortization expenses (Note: 12, 13)	(207.526)	(217.123)
Travel, accomodation and transportation expenses	(147.485)	(65.010)
Insurance expenses	(75.179)	(72.880)
Communication expenses	(47.207)	(21.701)
Maintanance expenses	(42.980)	(37.900)
Electricity, water, natural gas expenses	(26.227)	(132.887)
Dealer premium expenses	(915)	(80.307)
Premium expenses	-	(164.020)
Other expenses	(871.964)	(746.985)
	(12.644.165)	**(13.114.729)**

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

17. SHARE CAPITAL,RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 31 December 2018 and 2017 the share capital held is as follows::

Shareholders	%	31 December 2018	%	31 December 2017
Investco Holding A.Ş.	65,16%	45.611.282	69,55%	48.683.140
Public Shares	34,84%	24.388.718	30,45%	21.316.860
Authorised capital	**100**	**70.000.000**	**100**	**70.000.000**

As of 31 December 2018, the issued capital of the Company is TL 70.000.000 (31 December 2017: TL 70.000.000). This capital consists of 70.000.000 shares each with a nominal value of TL 1 (31 December 2017: 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 2017: 14.000.000 shares) and 56.000.000 shares for group B (31 December 2017: 56.000.000 shares).

b) Share premiums

	31 December 2018	31 December 2017
Legal reserves	3.430.552	3.208.425
Other reserves	32.655.004	32.655.004
	36.085.556	**35.863.429**

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 2018 legal reserves of the Group is TL 3.430.552 (31 December 2017: TL 3.208.425).

Other reserves

Other reserves of the Group as of 31 December 2018 and 2017, 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 can not be subject to profit distribution.

c) Dividends

In 2018, the shareholders paid a dividend of TL 0,02 (share dividend of TL 1.050.000) per share (2017: TL 0,15 dividend per share (TL 10.446.319 total dividend)).

The Group recognizes the profit share and bonus on the basis of a method that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group provides a provision where there is a contractual obligation or a past practice that creates an implied liability.

(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 2018 and 2017 are presented below:

Sales	1 January- 31 December 2018	1 January- 31 December 2017
Venture capital investment sales	32.447.228	-
Domestic sales (*)	38.118.039	68.452.264
Export sales (**)	25.758.469	17.511.135
Sales returns (-)	(617.418)	(448.904)
	95.706.318	**85.514.495**

(*) Domestic sales consist of sales of Ata Elektrik Enerjisi Toptan Satış A.Ş. and İklimya 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 2018	1 January- 31 December 2017
Cost of venture capital investments	(31.915.545)	-
Cost of energy and cellulose sales	(53.478.006)	(86.321.095)
	(85.393.551)	**(86.321.095)**

19. ADMINISTRATIVE AND MARKETING EXPENSES

	1 January- 31 December 2018	1 January- 31 December 2017
Marketing expenses	(2.294.254)	(2.390.435)
General administrative expenses	(10.349.911)	(10.724.294)
	(12.644.165)	**(13.114.729)**

Marketing expenses	1 January- 31 December 2018	1 January- 31 December 2017
Transportation expenses	(1.062.215)	(1.184.618)
Personnel expenses	(549.427)	(659.257)
Export expenses	(311.511)	(292.394)
Insurance expenses	(75.179)	(69.391)
Travel, accomodation and transportation expenses	(39.546)	(35.104)
Depreciation and amortization expenses (Note: 12, 13)	(34.204)	-
Rent expenses	(2.705)	(17.829)
Dealer premium expenses	(915)	(80.307)
Maintanance expenses	-	(6.526)
Other expenses	(218.552)	(45.009)
	(2.294.254)	**(2.390.435)**

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

19. ADMINISTRATIVE AND MARKETING EXPENSES (cont'd)

General administrative expenses	1 January- 31 December 2018	1 January- 31 December 2017
Personnel expenses	(6.741.987)	(6.266.888)
Consulting expenses	(1.312.299)	(1.048.650)
Provision for doubtful receivables (Note: 7)	-	(926.246)
Rent expenses	(994.333)	(809.727)
Taxes and funds	(250.205)	(370.307)
Depreciation and amortization expenses (Note: 12, 13)	(173.322)	(217.123)
Travel, accomodation and transportation expenses	(107.939)	(29.906)
Communication expenses	(47.207)	(21.701)
Maintanance expenses	(42.980)	(31.374)
Electricity, water, natural gas expenses	(26.227)	(132.887)
Premium expenses	-	(164.020)
Other expenses	(653.412)	(705.465)
	(10.349.911)	**(10.724.294)**

20. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other operating income:	1 January- 31 December 2018	1 January- 31 December 2017
Gain on revaluation on financial investments	50.472.224	41.236.869
Discount income (Note: 6)	7.928.252	-
Foreign exchange gains from operations	3.174.484	730.369
Provision for doubtful receivables (Note: 7)	1.098.546	-
Dividend income	663.044	835.858
Reversal of provision for legal cases (Note: 28)	322.921	-
Rediscount income	17.031	10.499
Other income	113.795	510.510
	63.790.297	**43.324.105**

Other operating expenses	1 January- 31 December 2018	1 January- 31 December 2017
Foreign exchange loss from operations	(474.367)	(203.993)
Loss on revaluation on financial investments	(500)	(476.796)
Loss on purchase-sale of financial investments	-	(100.631)
Other expenses	(310.863)	(423.261)
	(785.730)	**(1.204.681)**

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

21. FINANCE INCOME / EXPENSES

	1 January-31 December 2018	1 January-31 December 2017
Interest expense	(13.547.134)	(8.649.938)
Commision expense	(298.928)	(338.497)
	(13.846.062)	**(8.988.435)**

	1 January-31 December 2018	1 January-31 December 2017
Interest income	235.474	2.874.160
Commision income	7.896	16.935
	243.370	**2.891.095**

22. INCOME / EXPENSE FROM INVESTMENT ACTIVITIES

	1 January-31 December 2018	1 January-31 December 2017
Fair value increase of investment property	4.100.588	720.000
Reversal of / (impairment of) fixed assets	759.908	(759.908)
Other	39.156	8.475
	4.899.652	**(31.433)**

23. TAXATION ON INCOME

Current tax liabilities / (assets)	31 December 2018	31 December 2017
Current tax provision	1.035.693	401.442
Less: Prepaid taxes and funds	(1.175.241)	(340.706)
	(139.548)	**60.736**

Tax expense on the income statement:

Tax expense comprises	1 January-31 December 2018	1 January-31 December 2017
Current tax expenses	(1.035.693)	(401.442)
Deferred tax income / (expenses)	1.975.663	(1.657.882)
Total tax benefit / (expense)	**939.970**	**(2.059.324)**

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

23. TAXATION ON INCOME (cont'd)

	1 January-31 December 2018	1 January-31 December 2017
Profit for the period	53.297.227	22.372.851
	22,00%	**20,00%**
Tax at the domestic income tax rate of 22% (2017: %20)	11.725.390	4.474.570
Tax effects of:		
- valuation differences on securities that is exempt from taxation	(7.295.728)	(1.163.224)
- expenses thaht are not deductible in determining taxable profit	24.098	15.070
- equity method accounting of investment	(292.072)	(87.354)
- deferred tax assets that are not recognized as deferred tax assets beforehand are considered as deferred tax assets	(2.683.506)	-
- tax rate change from %20 to %22	995.022	-
- unused tax losses and tax offsets not recognised as deferred tax assets (*)	(2.551.123)	(4.993.245)
- previously unrecognised and unusual tax losses and tax offsets now recognised deferred tax assets	(1.184.376)	3.236.489
- other	322.325	577.018
	(939.970)	**2.059.324**

(*) 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 2018 is 22% (2017: 20%) for the Group.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2018 is 22%. (2017: 20%). 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 (2017: 20%).

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 2018**	**31 December 2017**
	Deferred tax	
Net differences on depreciation of property, plant and equipment / amortization of other intangible assets	(374.427)	474.539
Revaluation of financial instruments (*)	(8.518.038)	(7.156.946)
Tax losses carried forward	3.161.800	88.255
Provision for doubtful receivables	222.242	506.840
Provision for legal expenses	-	64.584
Provision for employee benefit obligations	172.353	225.893
Provision for unused vacation expense	60.888	55.308
Other	146.257	(55.006)
	(5.128.925)	**(5.796.533)**

(*) The balance consists of the deferred tax effect 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 2018 deferred tax asset is TL 4.460.241 (31 December 2017: TL 869.177). Deferred tax liability is TL 9.589.166 (31 December 2017: TL 6.665.710).

Movements of deferred tax asset/(liability) balances during the years ended 31 December 2018 and 2017 are as follows:

Deferred tax assets / (liability) movement:	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Opening balance as of 1 Januaary	(5.796.533)	(2.994.888)
Charged to profit or loss	1.975.663	(1.657.882)
Charged to equity	(1.308.055)	(523.805)
Effect of the acquisition of subsidiary	-	(619.958)
Closing balance as of 31 December	**(5.128.925)**	**(5.796.533)**

Expiration schedule of carry forward tax losses is as follows:

	31 December 2018	**31 December 2017**
Expiring in 2019	432.397	1.212.719
Expiring in 2020	3.068.091	3.068.091
Expiring in 2021	4.500.061	5.349.505
Expiring in 2022	6.520.330	6.978.845
Expiring in 2023	2.884.921	-
	17.405.801	16.609.160

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

24. EARNINGS PER SHARE

Earning per share	1 January- 31 December 2018	1 January- 31 December 2017
Amount of share	70.000.000	70.000.000
Net profit of the main shareholding	43.725.291	14.443.920
Earning per share	**0,62**	**0,21**

25. FINANCIAL INSTRUMENTS

Financial Investments

The detail of current and non-current financial investments as of 31 December 2018 and 2017 is as follows:

Current financial investments	31 December 2018	31 December 2017
Financial assets at fair value through profit or loss	258.835.336	251.355.036
Blocked deposits (*)	283.886	2.921.259
	259.119.222	**254.276.295**

(*) Blocked deposits amounting to TL 283.886 in cash and cash equivalents of Ata Elektrik Energisi Toptan Satış A.Ş., a subsidiary of the Group, are included in current financial investments (2017: TL 2.921.259).

Financial assets at fair value through profit or loss

	31 December 2018	31 December 2017
Share certificate		
Shares traded on the stock exchange	29.858.400	500
Shares non-traded on the stock exchange	228.976.936	251.354.536
	258.835.336	**251.355.036**

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

25. FINANCIAL INSTRUMENTS (cont'd)

Type	Share Rate %	31 December 2018	Share Rate %	31 December 2017
Shares traded on the stock exchange				
Kafein Yazılım Hizmetleri Tic. A.Ş. (*)	% 22,76	29.858.400	-	-
Other	% 0,002	-	% 0,002	500
		29.858.400		**500**

Private Shares (not-traded on the stock exchange)	Share Rate %	31 December 2018	Effective Share Rate %	31 December 2017
Enda Enerji Holding A.Ş. (**)	%26,82	228.976.936	% 26,82	198.818.528
Kafein Yazılım Hizmetleri Tic. A.Ş. (*)	-	-	% 39,00	20.620.463
Profreight Taşımacılık Hizmetleri A.Ş. (***)	-	-	% 44,00	11.982.625
Smartiks Yazılım A.Ş. (****)	-	-	% 40,00	19.932.920
		228.976.936		**251.354.536**

(*) Kafein Yazılım Hiz. Tic. A.Ş.'s shares have started to be traded on Borsa Istanbul on May 16, 2018. Financial assets at fair value through profit and loss are classified as financial assets at 31 December 2018. The Company's financial investments are valued at the prices quoted in Borsa Istanbul. As of December 31, 2018, the closing price of Kafein Yazılım Hiz. Tic. A.Ş. on Borsa Istanbul is TL 6.96.

(**) The fair value of Enda Enerji Holding A.Ş., which the Group has classified as venture capital investment at fair value through profit or loss, is TRY 228.976.936 and the fair value is calculated on the basis of the values in the report.

(***) A total of 3.250.000 shares of 44% of Profreight Taşımacılık Hizmetleri A.Ş. owned under the venture capital investments were sold for a total of TL 12.500.000 on March 8, 2018 amounting to TL 3,55 per share.

(****) The capital of Smartiks Yazılım A.Ş., which is a fully paid-in capital of TL 18.500.000, is among the venture capital investments. The total of 7,400,000 shares owned by the Company has been sold on May 16, 2018, amounting to TL 2,6955 per share.

A total of 7.400.000 shares of 40% of Smartiks owned under the venture capital investments were sold for a total of TL 19,947,228 on 16 May 2018, amounting to TL 2,6955 per share.

Non-current financial investments	31 December 2018	31 December 2017
EPİAŞ - Enerji Piyasaları İşletme A.Ş. (*)	14.400.000	3.324.121
Other	1.260	1.260
	14.401.260	**3.325.381**

(*) The company is not traded on the stock exchange. The fair value of Enerji Piyasaları İşletme A.Ş., which is classified as non-current financial investments at fair value through profit or loss, is TL 14.400.000 and the fair value has been calculated based on the values stated in the valuation report issued by an independent valuation company authorized by CMB.

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

25. FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities

The details of financial liabilities as of 31 December 2018 and 2017 are as follows:

Financial debts	**31 December 2018**	**31 December 2017**
Short term bank loans	4.313.676	10.302.986
Short-term portion of long-term borrowings	6.459.500	8.330.915
Long-term borrowings	13.984.562	16.605.875
	24.757.738	**35.239.776**

The maturity analysis of bank loans is as follows:

	31 December 2018	**31 December 2017**
To be paid within 1 year	10.773.176	18.633.901
Between 1-2 years	5.050.699	4.240.138
Between 2-3 years	4.575.215	3.786.682
Between 3-4 years	2.525.877	3.786.682
Between 4-5 years	1.414.829	-
5 years and more	417.942	4.792.373
	24.757.738	**35.239.776**

		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**

		31 December 2017	
Currency	**Effective Interest Rate**	**Current**	**Non-current**
TL	%16,43	14.790.821	2.346.797
EUR	%1,04	3.843.080	14.259.078
		18.633.901	**16.605.875**

Reconciliation of obligations arising from financing activities

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

	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
	35.239.776	2.718.500	5.615.892	(241.717)	(18.574.713)	**24.757.738**

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

25. FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities (cont'd)

Reconciliation of obligations arising from financing activities

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

	1 January 2017	Financing cash flows	Foreign currency loss	Interest Accruals	Financing cash out flows	**31 December 2017**
Bank loans	31.325.314	25.700.109	3.601.431	551.762	(25.938.840)	35.239.776
Financial leasing loans	42.913	-	-	-	(42.913)	-
	31.368.227	25.700.109	3.601.431	551.762	(25.981.753)	**35.239.776**

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 2018 and 2017 were as follows:

	31 December 2018	**31 December 2017**
Financial debts (Note 25)	24.757.738	35.239.776
Less: cash and cash equivalents (Note 29)	(8.333.508)	(2.598.392)
Net debt	16.424.230	32.641.384
Total equity	325.360.046	265.726.273
Total capital	341.784.276	298.367.657
Net Debt/Total Capital Ratio	**%4,8**	**%10,9**

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

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. The Group has no floating interest rate borrowings as of 31 December 2018 and 2017.

(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 gurantee.

	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	-	-	-	-	-

	Trade Receivables		Other Receivables		
31 December 2017	**Related Party**	**Other**	**Related Party**	**Other**	**Cash and cash equivalents**
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	91.840	8.699.940	3.013.103	667.273	2.598.392
- Secured portion of the maximum credit risk by guarantees	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	91.840	7.099.296	3.013.103	667.273	2.598.392
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	-	1.600.644	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
D. Net book value of the impaired assets	-	-	-	-	-
-Past due (gross amount)	-	2.959.812	-	-	-
-Impairment (-) (Note 7)	-	(2.959.812)	-	-	-
-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)

	31 December 2018 Trade receivables	31 December 2017 Trade receivables
Past due between 1-30 days	1.619	728.821
Past due between 1-3 months	403.575	1.376.383
Past due between 3-12 months	357.532	-
Past due between 1-5 years	2.069.195	2.455.252
Less: impairment	(1.860.133)	(2.959.812)
Total	**971.788**	**1.600.644**

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 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	28.253.523	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	24.585.910	-	-	32.500.000	-
Total liabilities	**62.482.238**	**65.978.023**	**19.420.539**	**7.060.463**	**47.001.259**	**409.853**

31 December 2017	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	35.239.776	38.328.756	6.309.061	14.136.730	12.853.894	5.029.071
Trade payables	24.453.871	24.453.871	24.453.871	-	-	-
Trade payables to related parties	877.016	877.016	877.016	-	-	-
Other payables	188.110	188.110	188.110	-	-	-
Other payables to related parties	1.656.996	1.656.996	1.656.996	-	-	-
Total liabilities	**62.415.769**	**65.504.749**	**33.485.054**	**14.136.730**	**12.853.894**	**5.029.071**

(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 2018 and 31 December 2017 is as follows:

	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**
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-monetary financial assets	-	-	-
7. Other			-
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 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)	**(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)**
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 2017		
	TL Equivalent (Functional Currency)	**US Dollar**	**EURO**
1. Trade Receivables	-	-	-
2a. Monetary Finacial Assets	64.122	17.000	-
2b. Non-monetary Financial Assets	-	-	-
3. Other	-	-	-
4. Current assets	**64.122**	**17.000**	**-**
8. Non-current assets	**-**	**-**	**-**
9. TOTAL ASSETS	**64.122**	**17.000**	**-**
10. Payables	-	-	-
11. Financial Liabilities	3.843.080	-	851.086
12a. Monetary Other Liabilities	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-
13. Current Liabilities	**3.843.080**	**-**	**851.086**
14. Payables	-	-	-
15. Financial Liabilities	14.259.078	-	3.157.807
16a. Monetary Other Liabilities	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-
17. Non-current Liabilities	**14.259.078**	**-**	**3.157.807**
18. TOTAL LIABILITES	**18.102.158**	**-**	**4.008.893**
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)	**(18.038.036)**	**17.000**	**(4.008.893)**
21. Monetary Items Net Foreign Currency Assets / Liabilities (1+2a+5+6a-10-11-12a-14-15-16a)	**(18.038.036)**	**17.000**	**(4.008.893)**

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 20% increase and decrease in US Dollar and EURO against TL. 20% 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 20% change in foreign currency rates. A positive number below indicates an increase in profit or equity.

	31 December 2018	
	Profit / Loss	
	Revaluation of foreign currency	Depreciation of foreign currency
In case of a 20% increase in US Dollar against TL		
-US Dollar net asset / liability	474.738	(474.738)
In case of a 20% increase in EURO against TL		
-EURO net asset / liability	(3.661.423)	3.661.423
TOTAL	**(3.186.685)**	**3.186.685**

	31 December 2018	
	Profit / Loss	
	Revaluation of foreign currency	Depreciation of foreign currency
In case of a 20% increase in US Dollar against TL		
-US Dollar net asset / liability	12.824	(12.824)
In case of a 20% increase in EURO against TL		
-EURO net asset / liability	(3.620.431)	3.620.431
TOTAL	**(3.607.607)**	**3.607.607**

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 2018	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	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 to related parties	-	-	24.585.910	24.585.910	6

31 December 2017	Loans and receivables (including cash and cash equivalents)	Financial assets	Financial liabilities at amortized costs	Carrying value	Note
Financial assets					
Cash and cash equivalents	2.598.392	-	-	2.598.392	29
Trade receivables	8.699.940	-	-	8.699.940	7
Trade receivables from related parties	91.840	-	-	91.840	6
Other receivables	667.273	-	-	667.273	9
Financial investments	2.921.259	254.680.417	-	257.601.676	25
Financial liabilities					
Borrowings	-	-	35.239.776	35.239.776	25
Trade payables	-	-	24.453.871	24.453.871	7
Trade payables to related parties	-	-	877.016	877.016	6
Other financial liabilities	-	-	618.301	618.301	14
Other payables	-	-	1.656.996	1.656.996	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 2018	31 December 2017				
Shares traded on the stock exchange	29.858.400	500	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	14.400.000	3.324.121	Level 3	Discounted Dividend Flow	Considering the income approach, the weighted average cost of capital calculated in the range of 25.6% to 17.5% in TL was used.	
Shares not traded on the stock exchange	228.976.936	251.354.536	Level 3	Net Asset Value, Peer Value and Discounted Cash Flow	Considering the market approach method, 15% liquidity discount has been applied. Considering the income approach, Weighted Average Capital Cost calculated in the range of 7.7% to 9.71% in US Dollars was used for each of the subsidiaries and affiliates subject to the appraisal study.	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	Financial assets at fair value through profit or loss
	Trading purpose
Opening balance, 1 January (Note: 25)	500
Total gain/loss	
- Charged to profit/loss	9.237.437
Transfer (from first level)	20.620.463
Closing balance, 31 December	29.858.400

Third level financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss
	Trading purpose
Opening balance, 1 January (Note: 25)	251.354.536
Sales (Note 18)	(31.915.545)
Total gain/loss charged to profit/loss	30.158.408
Transfer (to first level)	(20.620.463)
Closing balance, 31 December	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 2017	-
Changes in group structure	7.320.000
Increases from changes in fair value	720.000
Closing balance as of 31 December 2017	8.040.000

Fair value measurements of the Company's investment properties

As of 31 December 2018 and 2017, 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. 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 2018, 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 2018	1. Level TL	2. Level TL	3. Level TL
Lands	13.148.960	-	13.148.960	-

		Fair value at the reporting date		
	31 December 2017	1. Level TL	2. Level TL	3. Level TL
Lands	8.040.000	-	8.040.000	-

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

28. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2018	**31 December 2017**
As of 1 January 2018	322.921	322.921
Additional provision / (cancelled provision) (Note: 19)	(322.921)	-
As of 31 December 2018	**-**	**322.921**

As of 31 December 2017, "urgent expropriation" process of the land, that is İklimya Elektrik Üretim A.Ş.'s power plant building is located, progressed with EMRA. As of reporting date. As of the reporting date, the expropriation process of the land is in progress and the amount of liability is uncertain.

29. NOTES ON STATEMENT OF CASH FLOWS

	31 December 2018	**31 December 2017**
Cash on hand	4.542	5.068
Cash at banks	8.042.572	2.591.003
Demand deposit	3.321.572	*545.573*
Time deposits up to 3 months maturity	4.721.000	*2.045.430*
Other cash equivalents	2.508	2.321
	8.049.622	**2.598.392**

Cash and cash equivalents included in the consolidated cash flow statement as at 31 December 2018 and 2017 are as follows:

Original Currency	Maturity	Interest Rate	Original Amount	31 December 2018
Turkish Lira	January 2019	%21,5	4.721.000	4.721.000
				4.721.000

Original Currency	Maturity	Interest Rate	Original Amount	31 December 2017
US Dollar	January 2018	%1,83	542.281	2.045.430
				2.045.430

30. EVENTS AFTER REPORTING PERIOD

None noted.