

**NUROL HOLDING A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF JANUARY 1 - JUNE 30, 2020
TOGETHER WITH THE LIMITED INDEPENDENT AUDITOR'S REPORT**

As Bagimsiz Denetim ve YMM A.Ş.
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REF: 2020-190820-SPK-003



**NUROL HOLDİNG A.Ş. AND ITS SUBSIDIARIES
LIMITED INDEPENDENT AUDITOR'S REPORT
AS OF 30 JUNE 2020**

To the Shareholders and the Board of Directors of
Nurol Holding A.Ş.
Ankara

Opinion

We have audited the accompanying consolidated financial statements of Nurol Holding A.Ş. (“the Company”) and its subsidiaries, (together “the Group”), which comprise the consolidated balance sheet as at 30 June 2020 and the consolidated statements of income, comprehensive income, changes in equity and cash flow for the years then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards (“IAS 34”). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Limited Audit

We have conducted our review in accordance with International Standard on Review Engagements (ISRE 2410), “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, we do not express an audit opinion.

Attention to Matters

1- The Group is affected by the chaos ongoing in Libya since the first quarter of 2011 and Iraq since July 2014. Due to the unfavorable progress in these two countries and increasing geopolitics risks in the Middle East, the risk perception for Turkey has deteriorated. The Group decided to cease its construction activities in Libya and Iraq partially because of the compelling reasons.

The Group management has classified the assets and liabilities of Nurol Libya Branch as discontinued operations in the accompanying financial statements as of 30 June 2020 and in accordance with TFRS 5 (Note 38). Nurol Erbil and Baghdad projects have been completed as of the end of 2018, and most of the collections have been made.

2- The limited independent audit reports of the financial statements of FNSS Savunma Sistemleri A.Ş., Nurol Gayrimenkul Yatırım Ortaklığı A.Ş., Nurol Yatırım Bankası A.Ş. and Tümad Madencilik Sanayi ve Ticaret A.Ş., one of the consolidated subsidiaries of the Group, for the accounting period of January 01 - June 30, 2020 were made by other audit firms and limited independent audit reports prepared by the other audit firms do not contain a qualified result.



Attention to Matters (Continued)

3- The Group reassessed the methodologies of foreign currency conversion and recalculated adjustments of the consolidated financial statements for the years ending on December 31, 2019 and December 31, 2018. The consolidated financial statements for the period ending on June 30, 2019 were also rearranged due to the restatement of the previous year-end consolidated financial statements "Accounting Policies, Changes in Accounting Estimates and Errors" (IAS 8). Explanations regarding the rearrangement of the previous period financial statements of the Group are included in Note 40.

Conclusion

Based on our review, the financial statements give a true and fair view of the financial position of the Company as of 01 January - 30 June 2020 and its financial performance accordance with International Financial Reporting Standards ("IAS 34").

As Bağımsız Denetim ve YMM A.Ş.
(Member of **NEXIA INTERNATIONAL**)

Osman Tuğrul ÖZSÜT,
Engaged Partner, Chief Auditor



19 August 2020
İstanbul, Turkey

Nurol Holding A.Ş. and its Subsidiaries

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NUROL HOLDİNG A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE PERIOD JUNE 30, 2020 AND DECEMBER 31, 2019
(All amounts in thousands unless otherwise indicated)

ASSETS	Note	Reviewed	Reviewed	Audited	Audited
		Current Period	Current Period	Prior Period	Prior Period
		30 June 2020	30 June 2020	31 December 2019	31 December 2019
		TL	USD	TL	USD
Current Assets					
Cash and cash equivalents	6	1,751,634	256,005	1,789,905	301,321
Financial investments	8	16,561	2,420	20,910	3,520
Trade receivables					
- Due from related parties	5	47,684	6,969	36,212	6,096
- Other trade receivables	7	2,198,114	321,258	2,424,349	408,126
Other receivables					
- Due from related parties	5	179,740	26,269	149,399	25,150
- Other receivables	13	30,216	4,416	31,052	5,227
Receivables from financial sector activities	9	1,283,813	187,632	1,581,014	266,155
Derivate financial instruments		125,769	18,381	41,754	7,029
Inventories	14	2,248,969	328,691	1,809,183	304,566
Unbilled contract costs	17	3,359,472	490,993	3,134,060	527,602
Prepaid expenses	15	220,948	32,292	179,501	30,218
Current income tax asset	34	160,792	23,500	165,561	27,871
Other current assets	27	415,004	60,654	422,149	71,066
Total non current assets prior to discontinued operations		12,038,716	1,759,480	11,785,049	1,983,947
Discontinued operations	38	166,441	24,326	141,401	23,804
Total Current Assets		12,205,157	1,783,806	11,926,450	2,007,751
Non Current Assets					
Financial investments	8	-	-	-	-
Trade receivables					
- Due from related parties	5	-	-	-	-
- Other trade receivables	7	3,621	529	7,491	1,261
Other receivables					
- Due from related parties	5	29,807	4,356	-	-
- Other receivables	13	19,883	2,906	9,032	1,520
Receivables from financial sector activities	9	727,867	106,379	617,310	103,921
Derivate financial instruments		340,042	49,698	304,514	51,263
Investments	18	4,803	702	4,803	809
Investments recognized using the equity method	19	4,141,524	605,291	3,498,388	588,934
Investment properties	22	2,911,990	425,593	2,902,417	488,606
Property, plant and equipment	21	3,873,422	566,108	3,590,052	604,366
Intangible assets					
- Goodwill	20	73,537	10,748	73,537	12,380
- Other intangible assets	24	423,613	61,912	403,027	67,847
Prepaid taxes and funds	34	239,014	34,932	333,835	56,199
Prepaid expenses	15	20,382	2,979	16,965	2,856
Deferred tax assets	34	653,235	95,471	1,182,468	199,062
Discontinued operations	38	-	-	-	-
Total Non Current Assets		13,462,740	1,967,604	12,943,839	2,179,024
TOTAL ASSETS		25,667,897	3,751,410	24,870,289	4,186,775

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

NUROL HOLDİNG A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
FOR THE PERIOD JUNE 30, 2020 AND DECEMBER 31, 2019
(All amounts in thousands unless otherwise indicated)

LIABILITIES	Note	Reviewed	Reviewed	Audited	Audited
		Current Period 30 June 2020	Current Period 30 June 2020	Prior Period 31 December 2019	Prior Period 31 December 2019
		TL	USD	TL	USD
Current Liabilities					
Financial liabilities	10	5,659,387	827,130	4,009,905	675,045
Funds borrowed	11	1,249,711	182,648	904,639	152,291
Debt securities issued	12	1,232,696	180,161	1,263,268	212,664
Trade payables					
- Due to related parties	5	26,458	3,867	288	48
- Other trade payables	7	2,651,889	387,578	3,082,573	518,934
Liabilities for employee benefits	26	56,162	8,208	32,943	5,546
Other payables					
- Due to related parties	5	66,144	9,667	13,308	2,240
- Other payables	13	46,653	6,818	59,087	9,947
Derivative financial instruments		52,607	7,689	51,096	8,602
Advances received	16	1,010,911	147,746	882,889	148,630
Deferred income	15	2,234	327	909	153
Current income tax liabilities	34	36,107	5,277	21,091	3,551
Deferred contract revenue	17	77,932	11,390	115,330	19,415
Short term provisions					
- Provisions for employee benefits	26	30,013	4,386	24,558	4,134
- Other short-term provisions	25	361,912	52,894	311,919	52,510
Other current liabilities	27	89,917	13,142	76,892	12,944
Total non current assets prior to discontinued operations		12,650,733	1,848,928	10,850,695	1,826,654
Discontinued operations	38	-	-	-	-
Total Current Liabilities		12,650,733	1,848,928	10,850,695	1,826,654
Non Current Liabilities					
Financial liabilities	10	6,782,293	991,244	7,638,737	1,285,939
Debt securities issued	12	404,384	59,101	390,305	65,706
Trade payables					
- Due to related parties	5	-	-	-	-
- Other trade payables	7	587,581	85,876	509,955	85,848
Other payables					
- Due to related parties	5	-	-	-	-
- Other payables	13	374	55	419	71
Advances received	16	908,070	132,716	828,350	139,448
Deferred income	15	34	5	227	38
Long term provisions					
- Provisions for employee benefits	26	50,120	7,325	45,415	7,645
- Other long-term provisions	25	63,144	9,229	44,960	7,569
Other non current liabilities	27	43,990	6,429	38,667	6,509
Deferred tax liabilities	34	340,658	49,788	908,874	153,004
Discontinued operations	38	-	-	-	-
Total Non Current Liabilities		9,180,648	1,341,768	10,405,909	1,751,777
EQUITY					
Equity Attributable to Owners of the Parent					
Share capital	28	713,216	104,238	713,216	120,066
Other comprehensive income/expense to be reclassified to profit					
- Currency translation differences	28	1,578,107	230,643	1,008,237	169,731
Other comprehensive income/expense not to be reclassified to profit					
- Actuarial gain / (loss)	28	1,818	266	3,089	520
- Currency translation differences	28	-	-	-	-
- Revaluation and reclassification gains / (loss)	28	1,116,933	163,242	846,933	142,577
- Change in fair value of available-for-sale financial assets	28	81,320	11,885	45,028	7,580
Restricted reserves	28	585,011	85,500	696,327	117,223
Hedge accounting from cash flow risk		240,879	35,205	167,292	28,163
Prior years' profit/(loss)	28	(599,406)	(87,604)	(354,736)	(59,718)
Net profit/(loss) for the period		(271,901)	(42,000)	40,905	7,213
Translation difference		-	2,261	-	(327)
Non-Controlling Interests	28	390,539	57,078	447,394	75,316
Total Equity		3,836,516	560,714	3,613,685	608,344
Commitments and contingencies		-	-	-	-
TOTAL LIABILITIES AND EQUITY		25,667,897	3,751,410	24,870,289	4,186,775

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

NUROL HOLDING A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIOD JUNE 30,2020 AND JUNE 30,2019
(All amounts in thousands unless otherwise indicated)

	Note	Reviewed	Reviewed	Reviewed	Reviewed
		Current Period 1 January - 30 June 2020	Current Period 1 January - 30 June 2020	Prior Period 1 January - 30 June 2019	Prior Period 1 January - 30 June 2019
		TL	USD	TL	USD
Sales income	29	3.077.361	475.349	3.678.196	654.516
Income of financial sector activities	29	236.761	36.572	219.231	39.011
		3.314.122	511.921	3.897.427	693.527
Cost of sales (-)	29	(2.342.022)	(361.764)	(2.810.455)	(500.106)
Cost of financial sector activities (-)	29	(96.175)	(14.856)	(142.832)	(25.416)
		(2.438.197)	(376.620)	(2.953.287)	(525.522)
Gross profit from business activities		735.339	113.585	867.741	154.410
Gross profit from financial sector activities		140.586	21.716	76.399	13.595
Gross profit		875.925	135.301	944.140	168.005
General administrative expenses (-)	30	(191.317)	(29.552)	(157.002)	(27.938)
Marketing, selling and distribution expenses (-)	30	(45.356)	(7.006)	(61.771)	(10.992)
Research and development expenses (-)	30	(29.598)	(4.572)	(32.904)	(5.855)
Income from other operating activities	31	19.712	3.045	23.618	4.203
Expenses from other operating activities (-)	31	(36.157)	(5.585)	(22.652)	(4.031)
Shares from the profits of investments valued using the equity method	19	642.424	99.233	233.930	41.627
Operating profit		1.235.633	190.864	927.359	165.019
Income from investing activities	32	6.855	1.059	13.032	2.319
Expenses from investing activities (-)	32	(33.756)	(5.214)	(751)	(134)
Operating profit before financial income / (expenses)		1.208.732	186.709	939.640	167.204
Financial income	33	561.912	86.797	411.840	73.285
Financial expenses (-)	33	(2.004.941)	(309.696)	(1.577.190)	(280.653)
Profit / (loss) before tax from continued operations		(234.297)	(36.190)	(225.710)	(40.164)
Tax expenses from continued operations					
Tax	34	(17.271)	(2.668)	(11.047)	(1.966)
Deferred tax charge	34	(53.401)	(8.249)	84.074	14.961
Profit / (loss) from continued operations		(304.969)	(47.107)	(152.683)	(27.169)
Loss from discontinued operations	38	(628)	(97)	(3.983)	(709)
PROFIT FOR THE PERIOD		(305.597)	(47.204)	(156.666)	(27.878)
Distribution of profit					
Non-controlling interest		(33.696)	(5.204)	19.045	3.389
Equity holders of the parent		(271.901)	(42.000)	(175.711)	(31.267)
EBITDA		1.541.537	238.116	1.099.582	195.665

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

NUROL HOLDİNG A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD JUNE 30,2020 AND JUNE 30,2019

(All amounts in thousands unless otherwise indicated)

	Reviewed Current Period 1 January - 30 June 2020	Reviewed Prior Period 1 January - 30 June 2019
	TL	TL
Other Comprehensive Income		
Loss for the Period	(305,597)	(156,666)
Other Comprehensive Income / (Expense):		
Items not to be reclassified to profit or loss	62,240	(12,875)
Revaluation of tangible fixed assets	(80)	(314)
Change in fair value of available-for-sale financial assets	36,292	9,544
Exception of real estate and investment sales earning	(165)	(165)
Actuarial gains / loss on defined benefit plans	(1,474)	(6,300)
Correction of prior year losses	(1,025)	(7,250)
Exit effect from consolidation	28,692	(8,390)
Items to be reclassified to profit or loss	611,664	263,035
Currency translation differences	499,187	182,720
Change in fair value of available-for-sale financial assets	36,292	30,057
Tübitak incentive fund	17	5
Hedge accounting from cash flow risk	73,587	50,253
Nurol Holding Gemad consolidation	2,581	--
Other Comprehensive Income / (Expense):	673,904	250,160
Total Comprehensive Income / (Expense):	368,307	93,494
Distribution of Total Comprehensive Income	368,307	93,494
- Non controlling interest	(33,696)	19,045
- Equity holders of the parent	402,003	74,449

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

NUROL HOLDING A.S. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD JUNE 30, 2020 AND JUNE 30, 2019

(All amounts in thousands unless otherwise indicated)

	Share capital	Actuarial gain / (loss)	Revaluation and acquisition / (losses)	Foreign currency translation differences	Change in fair value of available-for-sale financial assets	Restricted reserves	Hedge accounting from cash flow risk	Prior years' income	Net profit / (loss) for the period	Equity attributable to holders of the parent	Non controlling interests	Total
Balance at 1 January 2019	713,216	284	851,771	743,969	11,909	275,265	80,776	150,564	113,728	2,941,482	303,476	3,244,958
Transfer to general reserves	--	--	--	--	--	--	--	113,728	(113,728)	--	--	--
Transfer from general reserves	--	--	--	--	--	26,576	--	(26,576)	--	--	--	--
Dividends paid	--	--	--	--	--	--	--	(61,724)	--	(61,724)	--	(61,724)
Change in fair value of available-for-sale financial assets	--	--	--	--	9,544	--	--	--	--	9,544	--	9,544
Exit effect from consolidation (Kulup Salima)	--	(304)	(2,619)	--	--	--	--	32,980	--	30,057	--	30,057
Effect of changes in IAS 19 "Employee Termination Benefits" standard (Note 2)	--	(6,315)	--	--	--	--	--	--	--	(6,315)	15	(6,300)
Revaluation of property, plant and equipment	--	--	--	--	--	(314)	--	--	--	(314)	--	(314)
Tübitak incentive fund	--	--	--	--	--	5	--	--	--	5	--	5
Increase / decrease due to repurchase transactions of shares	--	--	(2,219)	--	--	2,219	--	(2,219)	--	(2,219)	--	(2,219)
Hedge accounting from cash flow risk	--	--	--	--	--	--	50,253	--	--	50,253	--	50,253
Correction of prior year losses	--	--	--	--	--	--	--	(7,250)	--	(7,250)	--	(7,250)
Exception of real estate and investment sales earnings	--	--	--	--	--	(165)	--	--	--	(165)	--	(165)
Foreign currency translation differences	--	--	--	182,720	--	--	--	--	--	182,720	--	182,720
Sales of NuroI Makina shares	--	--	--	--	--	108,812	--	(108,812)	--	--	--	--
Sale and Leaseback (NuroI Plaza)	--	--	--	--	--	271,306	--	(279,696)	--	(8,390)	--	(8,390)
Minority interest	--	--	--	--	--	--	--	(64,377)	--	(64,377)	67,356	2,979
Net loss for the period	--	--	--	--	--	--	--	--	(175,711)	(175,711)	19,045	(156,666)
Balance at 30 June 2019	713,216	(6,335)	846,933	926,689	21,453	683,704	131,029	(253,382)	(175,711)	2,887,596	389,892	3,277,488

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

NUROL HOLDING A.S. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD JUNE 30,2020 AND JUNE 30,2019

(All amounts in thousands unless otherwise indicated)

	Share capital	Actuarial gain / (loss)	Revaluation and classification / acquisition / (losses)	Foreign currency translation differences	Change in fair value of available-for-sale financial assets	Restricted reserves	Equity attributable to equity holders of the parent	Prior years' income	Net profit / (loss) for the period	Equity attributable to equity holders of the parent	Non controlling interests	Total
Balance at 1 January 2020	713,216	3,089	846,933	1,008,237	45,028	696,327	167,292	(354,736)	40,905	3,166,291	447,394	3,613,685
Transfer to general reserves	--	--	270,000	60,000	--	--	--	40,905	(40,905)	330,000	--	330,000
Transfer from general reserves	--	--	--	--	--	(111,088)	--	(218,912)	--	(330,000)	--	(330,000)
Dividends paid	--	--	--	--	--	--	--	(109,025)	--	(109,025)	--	(109,025)
Change in fair value of available-for-sale financial assets	--	--	--	--	36,292	--	--	--	--	36,292	--	36,292
Exit effect from consolidation (Nurol Arabia)	--	--	--	10,683	--	--	--	18,009	--	28,692	--	28,692
Effect of changes in IAS 19 "Employee Termination Benefits" standard (Note 2)	--	(1,646)	--	--	--	--	--	--	--	(1,646)	172	(1,474)
Revaluation of property, plant and equipment	--	--	--	--	--	(80)	--	--	--	(80)	--	(80)
Tübitak incentive fund	--	--	--	--	--	17	--	--	--	17	--	17
Increase / decrease due to repurchase transactions of shares	--	--	--	--	--	--	--	--	--	--	--	--
Hedge accounting from cash flow risk	--	--	--	--	--	--	73,587	--	--	73,587	--	73,587
Correction of prior year losses	--	--	--	--	--	--	--	(1,025)	--	(1,025)	--	(1,025)
Exception of real estate and investment sales earnings	--	--	--	--	--	(165)	--	--	--	(165)	--	(165)
Foreign currency translation differences	--	--	--	499,187	--	--	--	--	--	499,187	--	499,187
Nurol Holding Gemad consolidation	--	375	--	--	--	--	--	2,206	--	2,581	--	2,581
Minority interest	--	--	--	--	--	--	--	23,172	--	23,172	(23,331)	(159)
Net loss for the period	--	--	--	--	--	--	--	--	(271,901)	(271,901)	(33,696)	(305,597)
Balance at 30 June 2020	713,216	1,818	1,116,933	1,578,107	81,320	585,011	240,879	(599,406)	(271,901)	3,445,977	390,539	3,836,516

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

NUROL HOLDİNG A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD JUNE 30,2020 AND JUNE 30,2019
(All amounts in thousands unless otherwise indicated)

	Reviewed Current Period 1 January - 30 June 2020	Reviewed Prior Period 1 January - 30 June 2019
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit / (loss) for the period	(271,901)	(175,711)
<u>Adjustments to reconcile net cash generated</u>		
Depreciation and amortization charge	307,162	172,807
Provision for employee termination benefits	4,705	19,053
Revaluation of property, plant and equipment (Dubai LLC)	(80)	(314)
Period profit from investments recognized using the equity method	(642,424)	(233,930)
Revaluation of investment property	--	--
Minority interest	(33,696)	19,045
Deferred tax asset / liability, (net)	(38,983)	(118,124)
Foreign currency translation differences	499,187	182,720
<u>Changes in net working capital</u>		
Increases/decreases in inventories	(439,786)	(671,753)
Increases/decreases in trade receivables	218,633	(108,693)
Increases/decreases in other receivables	(70,163)	29,097
Changes in receivables from costs on ongoing construction contracts	(225,412)	1,840,966
Increases / decreases in prepaid expenses	(44,864)	(2,072,858)
Increases / decreases in other current assets	7,145	(33,544)
Increases/decreases in trade payables	(326,888)	593,950
Increases/decreases in other receivables	77,733	58,375
Changes in receivables from costs on uncompleted construction contracts	(37,398)	(9,537)
Increase/decreases related to other liabilities in relation with advances received	207,742	2,005
Actuarial gains/loss	(1,474)	(6,619)
Current income tax paid	119,689	18,481
Other current provisions	55,448	27,274
Other non current provisions	18,184	42,422
Discontinued operations	(25,040)	96,203
Net Cash Flows Generated From / (Used in) Operating Activities	(642,481)	(328,685)
B. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash flows generated from/used in current financial liabilities	1,649,482	1,094,584
Cash flows generated from/used in non current financial liabilities	(856,444)	277,624
Cash flows generated from/used in financial sector activities	515,223	(230,434)
Cash flows generated from/used in derivative financial instruments, net	(118,032)	(95,629)
Change in fair value of available-for-sale financial assets	36,292	9,544
Dividends paid	(109,025)	(61,724)
Correction of prior years losses	(1,025)	(7,250)
Impact of adopting IFRS 9	--	--
Hedge accounting from cash flow risk	73,587	50,253
Increases / decreases due to share repurchase transactions	--	(2,219)
Net Cash Flows Generated from Financing Activities	1,190,058	1,034,749
C. CASH FLOWS FROM INVESTMENT ACTIVITIES		
Proceeds from sales and acquisition of subsidiaries	--	--
Proceeds from investments recognized using the equity method	(712)	(286)
Financial investments	4,349	(68,210)
Change in fair value of available-for-sale financial assets (Kulüp Salima)	-	30,057
Exit effect from consolidation (Nurol Arabia)	28,692	--
Changes in property, plant and equipment	(495,445)	(635,352)
Changes in intangible assets	(115,592)	(39,427)
Changes in investment properties	(9,573)	(28,176)
Tübitak incentive fund	17	5
Exception of real estate and investment sales earnings	(165)	(165)
Nurol Holding Gemad consolidation	2,581	--
Sell and Leaseback (Nurol Plaza)	--	(8,390)
Net Cash Flows Used in Investment Activities	(585,848)	(749,944)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(38,271)	(43,880)
D.CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	1,789,905	1,358,210
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1,751,634	1,134,330

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

NUROL HOLDİNG A.Ş. AND ITS SUBSIDIARIES
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1. Organization and Nature of Activities of the Group

Nurol Holding A.Ş. (“the Company” or “Nurol Holding”) was established on 6 June 1989 under the name of Nurol Yatırım Holding A.Ş. On 4 September 1996, the Company changed its corporate name to Nurol Holding A.Ş.

Since its establishment, Nurol Holding A.Ş. has been coordinating the activities of its group companies operating especially in the fields of construction and contracting and other various sectors such as defense, machinery, energy, mining, manufacturing, tourism, trade and finance to name a few.

The Company is a member of Nurol Group. The Company is controlled by the “Çarmıklı” family members.

The registered office address of the Company is Arjantin Caddesi, No:7, Gaziosmanpaşa Ankara.

Consolidated financial statements were approved for publication by the Board of Directors of the Group on 19 August 2020. The General Assembly and the relevant legal institutions have the right to change the financial statements arranged in accordance with the legal legislation and these consolidated financial statements.

Consolidated Subsidiaries

As of 30 June 2020 and 31 December 2019, the subsidiaries included in consolidation and the effective rates of ownership is as follows:

	Ownership rate (%)	
	30.06.2020	31.12.2019
Construction Group:		
Nurol İnşaat ve Ticaret A.Ş.	99.89	99.89
Nurol Gayrimenkul Yatırım Ortaklığı A.Ş. (*)	92.94	89.84
Energy Group:		
Nurol Enerji Üretim ve Pazarlama A.Ş.	99.85	99.85
Enova Enerji Üretim A.Ş.	49.96	49.96
Nurol Solar Enerji Üretim A.Ş.	99.70	99.70
Nurol Grup Elektrik Toptan Satış A.Ş.	80.00	80.00
Nurol Göksu Elektrik Üretim A.Ş.	100.00	100.00
Enova Elektrik Enerjisi Toptan Satış A.Ş.	50.00	50.00
Manufacturing Group:		
FNSS Savunma Sistemleri A.Ş.	51.00	51.00
Tümad Madencilik Sanayi ve Ticaret A.Ş.	100.00	100.00
Nurol Teknoloji Sanayi ve Madencilik Ticaret A.Ş.	99.83	99.83
Nurol Makina Sanayi A.Ş.	99.99	99.99
Nurol İleri Teknoloji Savunma Ürünleri Madencilik Sanayi Tic. A.Ş.	70.00	70.00
Gemad Madencilik Sanayi ve Ticaret A.Ş. (**)	-	100.00
Service Group:		
Nurol İşletme ve Gayrimenkul Yönetim A.Ş.	99.90	99.90
Botim İşletme Yönetim ve Ticaret A.Ş.	75.00	75.00
Nurol Havacılık A.Ş.	99.99	99.99
Nurol Sigorta Aracılık Hizmetleri A.Ş.	99.70	99.70
Nurol BAE Systems Hava Sistemleri A.Ş.	51.00	51.00
Finance Group:		
Nurol Yatırım Bankası A.Ş.(***)	96.33	95.69

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1. Organization and Nature of Activities of the Group (Continued)

	Ownership rate (%)	
	30.06.2020	31.12.2019
Tourism Group:		
Nurol Otelcilik ve Turizm İşletmeleri A.Ş.	99.99	99.99
Turser Turizm Servis ve Ticaret A.Ş.	99.99	99.99
Bosfor Turizm İşletmecilik A.Ş.	99.99	99.99

(*) Nurol Gavrimenkul Yatırım Ortaklığı A.Ş. (“Nurol Gavrimenkul”)

Pursuant to the Board of Directors resolution dated 5 March 2020 and numbered 4, the Company's issued capital of 205,000,000 TL, each consisting of shares with a nominal value of 1 TL, provided that it remains within the registered capital ceiling of 400,000,000 TL, with a total sales revenue of 360,000,000 TL, the pre-emptive rights of the current shareholders were completely restricted and increased by TL 90,000,000 in cash, completely and free from any collusion, to TL 295,000,000; Group B shares to be issued due to capital increase are non-privileged and tradable on the stock exchange, the sale price of the shares is determined as 4 TL, all of the shares with a nominal value of 90,000,000 TL, which will be increased in private, without public offering, to Nurol Holding on the Borsa İstanbul A.Ş. share market, it was decided to be sold by sale method and on March 17, 2020, it was sold to Nurol Holding through a wholesale transaction on the stock exchange share market with the allocated sales method. The new version of the capital increase has been registered by the Istanbul Trade Registry Office on April 16, 2020.

In addition, Nurol Holding A.Ş., which will participate in the capital increase subject to the approval of the Capital Markets Board, within the framework of the allocated capital increase decided by the Board of Directors of the Company dated December 18, 2018; TL 360,000,000 was paid to the Company's accounts as a capital advance on December 30, 2019 and the related amount and the due debts of the Company arising from the cash payments made to Nurol Holding and the interest amounts calculated for these debts have been paid.

() Gemad Madencilik Sanayi ve Ticaret A.Ş. (“Gemad Madencilik”)**

According to the provisions of subparagraph A of paragraph 1 of Article 155 and Article 156 of the Turkish Commercial Code numbered 6102, it was decided to merge all the shares of Gemad Madencilik Sanayi ve Ticaret A.Ş. with all of its assets and liabilities by Nurol Holding without liquidation with the Board of Directors Decision dated 19 December 2020 and numbered 2019/16. The decision of the Board of Directors has been announced in the Turkish Trade Registry Gazette dated April 3, 2020 and numbered 10051.

(*) Nurol Yatırım Bankası A.Ş. (“Nurol Bank”)**

Based on the decision taken at the Ordinary General Assembly held on 22 June 2020, the share capital of the Bank was increased to TL 360.000.000, fully covered by internal resources. The Ordinary General Assembly Decision has been announced in the Turkish Trade Registry Gazette No. 10109 dated 1 July 2020.

For the purpose of the consolidated financial statements, Nurol Holding A.Ş. and its consolidated subsidiaries will be referred to as “the Group”.

Among the companies in the Group, the parent company, directly or indirectly, has a share of 50% and more than 50%, or subsidiaries with right of voting or control power over their operations are fully included in the consolidation. It is assumed that there is control power if financial and business policies can be managed. The Group is fully effective in the management of the companies mentioned above. These subsidiaries were consolidated according to Consolidated Financial Statements and Accounting of Subsidiaries numbered 27 of International Accounting Standards.

Investments recognized using the equity method

- **Otoyol Yatırım ve İşletme A.Ş.:** The Company was established in 20 September 2010, in Ankara to construct Gebze-Orhangazi-Izmir Highway (including transition and connection roads of Izmir Bay), operate, and transfer at the end of time. Project is designed with build - operate - transfer model. Nurol İnşaat owns 25.95% of the shares of Otoyol Yatırım ve İşletme A.Ş. (31 December 2019: 25.95%) and is listed in the accompanying consolidated financial statements within the investments recognized using the equity method.

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1. Organization and Nature of Activities of the Group (Continued)

- **FNSS Middle East Co. Ltd.:** FNSS Savunma Sistemleri A.Ş. a subsidiary of Nuro Holding has invested in the Company located in Saudi Arabia in 2014. FNSS Savunma Sistemleri A.Ş., owns 50% of FNSS Middle East Co. and has been included in the accompanying consolidated financial statements using the equity method.

Joint operations consolidated using the proportional consolidation method

As of 30 June 2020 and 31 December 2019, the shareholding of the Group’s joint operations included in the consolidation have been provided below. Joint operations have been included using the partial consolidation method and their net assets and operations have been included in the accompanying financial statements using the proportional consolidation method.

	Joint Ventures (%)	
	30.06.2020	31.12.2019
Nuro - Cengiz Joint Venture	50	50
Nuro - Cengiz Hasankeyf Joint Venture	50	50
Gama - Nuro Joint Venture	50	50
Nuro - Özeltin - Makyol - Astaldi - Göçay Joint Venture (NÖMAYG)	25.17	25.17
Nuro - Yüksel - Özka - YDA Joint Venture	25	25
Nuro - Yüksel - YDA - Özka Joint Venture	40	40
Özgün - Nuro Joint Venture	50	50
Nuro - Gülermak Joint Venture	50	50
Nuro - Gülermak-Makyol Joint Venture	33.33	33.33
Nuro-Mesa Joint Venture	50	50
Nuro-Gülsan Joint Venture	50	50

As of 30 June 2020 and 31 December 2019, the breakdown of personnel employed within the Group is as follows:

	Number of personnel	
	30.06.2020	31.12.2019
Nuro İnşaat ve Ticaret A.Ş.	9,491	11,139
Nuro Gayrimenkul Yatırım Ortaklığı A.Ş.	55	53
Nuro Enerji Üretim ve Pazarlama A.Ş.	3	3
Enova Enerji Üretim A.Ş.	31	35
Nuro Göksu Elektrik Üretim A.Ş.	18	18
Enova Elektrik Enerjisi Toptan Satış A.Ş.	6	4
FNSS Savunma Sistemleri A.Ş.	977	1,044
Tümad Madencilik Sanayi ve Ticaret A.Ş.	846	804
Nuro Teknoloji Sanayi ve Madencilik Ticaret A.Ş.	218	135
Nuro Makina Sanayi A.Ş.	540	554
Karum Yönetim ve Ticaret A.Ş.	21	21
Botim İşletme Yönetim ve Ticaret A.Ş.	16	16
Nuro Havacılık A.Ş.	13	13
Nuro Sigorta Aracılık Hizmetleri A.Ş.	11	11
Nuro BAE Systems Hava Sistemleri A.Ş.	52	41
Turser Turizm Servis ve Ticaret A.Ş.	7	6
Bosfor Turizm İşletmecilik A.Ş.	15	16
Nuro Holding A.Ş.	137	138
Nuro Yatırım Bankası A.Ş.	63	66
	12,520	14,117

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1. Organization and Nature of Activities of the Group (Continued)

The Group has operations primarily in construction, followed by defense industries, finance, tourism, mining, real estate, marketing and manufacturing industries through 22 companies, 11 joint operations and 9 foreign branches and subsidiaries within Nurool Group Companies.

The operations of the consolidated entities in the accompanying consolidated financial statements are summarized below:

Nurool İnşaat ve Ticaret A.Ş. (“Nurool İnşaat”):

Nurool İnşaat ve Ticaret A.Ş. (“Nurool İnşaat”) mainly operating in construction sector was established in 1966. The Group is engaged in construction of infrastructure and superstructure projects, dams, hydroelectric power plants, hotels, cooperative housing, turnkey production and industrial facilities and sewage treatment plant facilities.

Ongoing projects of the Nurool İnşaat are as follows:

- Arifiye Sincan Tunnel Construction (Nurool İnşaat)
- Eyiste Viaduct Project (Nurool İnşaat)
- Silifke-Mut Road Construction Work (Nurool İnşaat)
- Gebze Orhangazi İzmir Highway (İzmit Gulf Crossing and Connection Roads Included) Build-Operate-Transfer Project (Nömayg Joint Venture)
- Gebze Orhangazi İzmir Highway, Balıkesir-Kırkağaç-Akhisar Sector (Nömayg Joint Venture).
- Ilisu Dam and Hydroelectric Power Plant Facilities Construction Project (Nurool Cengiz Joint Venture)
- Hasankeyf Group Highway Bridges Project (Nurool Cengiz Joint Venture)
- Ordu Highway Project (Nurool Yüksel Özka YDA Joint Venture),
- Yeşilyaka Project (Mesa Nurool Joint Venture)
- Ümraniye-Ataşehir-Göztepe Metro Project (Gülermak Nurool Makyol Joint Venture)
- Yusufeli Group Dam Bridges Project (Nurool Gülsan Joint Venture)
- Boukhroufa Dam (Algeria),
- Souk Tlata Dam (Algeria),
- East-West-Highway – Tzi Ouzu City Connecting Highway (Algeria),
- Corniche Tower Project (Abu Dhabi),
- P20 The Cove Dubai Bay Building Project (Dubai),
- GA09 Golf Landscape Apartments Project (Dubai),
- P32 Parcel Dubai Bay Building Project (Dubai),
- GA14 Golf Link Villas Project (Dubai),
- Vista Beach Tower Project (Dubai),
- Algarabolli Misuratah Divided Road Construction Project
- Al Fateh University Economics and Law Departments Buildings Construction Project
- Al Fateh University Physical Education Department Building Construction Project
- Al Fateh University B Campus Infrastructure Works Construction Project
- Baghdad Al Sadr City Stadium (Iraq),
- Sulaimaniya Silo Complex (Iraq),
- El Jadida Safi Highway Package No. 3
- El Jadida Safi Highway Package No. 4

Nurool Gayrimenkul Yatırım Ortaklığı A.Ş. (“Nurool Gayrimenkul”)

Nurool Gayrimenkul Yatırım Ortaklığı Anonim Şirketi was established on September 3, 1997 based in Istanbul. The Company has been established to invest in real estate-based capital market instruments, to create and develop real estate portfolios. The Company is obliged to comply with the regulations of the Capital Market Board, its operating principles, portfolio investment policies and regulations. In December 1999, 49% of the Company’s shares were offered to public as of 30 June 2019 and 7.05% (31 December 2018: 10.15%) of the Company’s shares were traded on the Borsa Istanbul A.Ş. The company has three completed projects open for sale in Istanbul as Nurool Tower, Nurool Life and Nurool Park.

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1. Organization and Nature of Activities of the Group (Continued)

Nurol Enerji Üretim ve Pazarlama A.Ş. (“Nurol Enerji”)

Nurol Enerji, was established on 18 August 1998 with the change of name of Lamaş Kalıp Makina Sanayi A.Ş. The Company operates in the energy sector in order to realize and invest in various power plant projects in the field of energy production based on various sources such as hydro, coal, solar, wind and natural gas. The Company is structured to participate in the business development and new power generation facilities within the framework of the Energy Market legislation. Based on the belief that renewable energy sources are based on renewable energy sources, Enova Enerji Üretim A.Ş. and Nurol Göksu Elektrik Üretim A.Ş. has established several new hydroelectric power plant investments. The company is developing various wind and solar power plant projects in the field of renewable energy production. For this purpose, Nurol Solar Energy Production and Marketing Inc. was established. The Company is interested in LPG which is another important energy source for Turkey and working on projects for importing, storage and distribution of LPG. On the other hand, in parallel with its energy production activities, Nurol Grup Toptan was established to wholesale and free consumers in the field of electricity trade.

Enova Enerji Üretim A.Ş. (“Enova Enerji”)

Enova Enerji Üretim A.Ş. was established in 2003 under the partnership of Nurol and Özaltın with a share of 50% each. Within the scope of the license for 49 years granted by EMRA in 2006, Ceyhan HEPP Project construction on the Ceylan River in Osmaniye has been completed with an investment of USD 160,000,000 between years 2007-2010 and has begun energy trade as of June 2010. The plant has an installed capacity of 63,468 MW and an annual capacity of 259,000,000 kWh.

Nurol Solar Enerji Üretim ve Pazarlama A.Ş. (“Solar Enerji”)

Nurol Solar Energy was established on June 21, 2011, with the aim of building and operating solar-based or additional fuel-reinforced electricity facilities in order to benefit from solar energy.

Nurol Grup Elektrik Dağıtım A.Ş. (“Grup Elektrik”)

Nurol Grup Elektrik Toptan Satış A.Ş. was established on October 13, 2010 in order to operate in the field of wholesale and direct sales of electrical energy and/or wholesales of capacity to free consumers in accordance with the legislation relating to the electricity market. In accordance with Electricity Market Law numbered 4628 and the relevant legislation, the Company has obtained a 20 year, wholesale license on January 26, 2011 in accordance with the decision of the Energy Market Regulatory Authority.

Nurol Göksu Elektrik Üretim A.Ş. (“Nurol Göksu”)

Nurol Göksu was established in 2013 and the Company took operating rights of Göksu Hydroelectric Power Plant through privatization for 49 years. Nurol Göksu Hydroelectric Power Plant in the province of Konya on the River Goksu, has been taken into operation in 1959 for the purpose of utilizing 81 m river fall type. Nurol Göksu Power Plant had 10.8 MW installed capacity which has increased to 11.2 MW through EMRA application and produces in average 65 million kW/h energy annually with a very high rate of capacity utilization in a consistent manner.

Enova Elektrik Enerjisi Toptan Satış A.Ş. (“Enova Toptan”)

Özaltın Makro Elektrik Enerjisi Toptan Satış A.Ş. was established on 20 November 2009 at Arjantin Caddesi No.9 Gaziosmanpaşa / Ankara. The Company changed its title to Enova Elektrik Enerjisi Toptan Satış A.Ş. on September 23, 2011. According to the Company’s articles of incorporation the Company’s main activity is to engage in the wholesales of electrical energy and / or capacity and sales directly to eligible consumers. In accordance with the Electricity Market Law No. 4628 and the relevant legislation, the Company has obtained a wholesale license numbered ETS / 2550-9 / 1620, dated May 6, 2010 with the decision of the Energy Market Regulatory Board.

FNSS Savunma Sistemleri A.Ş. (“FNSS”)

FNSS Savunma Sistemleri A.Ş. is a leading manufacturer and supplier for armoured vehicles and weapon systems for the Turkish Armed Forces. FNSS is a Turkish based joint venture between Nurol İnşaat ve Ticaret A.Ş. (51%) and BAE Systems Land & Armaments L.P. (“BAE Systems”) (49%).

The Company was formed in connection with the desire of the Government of the Republic of Turkey to supply armoured vehicles for the Turkish Army which should, as much as possible, be fabricated and assembled in Turkey. Besides, according to the agreement, the Company has the right to export armoured vehicles outside Turkey. The Company established a branch in Saudi Arabia in 2005 in order to manage its operations related to contracts with the Saudi Arabian Government.

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1. Organization and Nature of Activities of the Group (Continued)

FNSS Savunma Sistemleri A.Ş. (“FNSS”) (Continued)

FNSS exports mainly to United Arab Emirates, Malaysia, Oman, Saudi Arabia and Philippines. Main products of the Company are as follows;

- Armoured Vehicle (ZMA, ZMA-15, ZMA-30 and KAPLAN) and Enhanced Armoured Personnel Carrier (GZPT)
- PARS 4x4, 6x6 and 8x8 Armoured Wheeled Vehicle
- Armoured Rescue Vehicle and modernized Armoured Personnel Carrier
- Foot Soldier Armoured Carrier Vehicle and M113 Armoured Personnel Carrier
- M113 Armoured Personnel Carrier modernization and new generation ACV-S
- Mobile Floating Attack Bridge (SAMUR) and Amphibian Bulwark Machinery (KUNDUZ).

Tümad Madencilik Sanayi ve Ticaret A.Ş. (“Tümad Madencilik”)

Tümad Madencilik Sanayi ve Ticaret A.Ş. (“the Company”) was established in Istanbul in 1989 and opened a branch in Ankara at the end of 2011 and moved its headquarters to Ankara in 2013. The Company’s strategy is to make large-scale mining projects by making advanced searches on potential mining fields and to begin production when it is feasible to operate economically. The Company has a total of 20.315 hectares operating and research area in Turkey.

The company started the İvrindi Gold and Silver Mine Enrichment Project in İvrindi district of Balıkesir province in 2012. The construction phase of the project was completed in 2019 and the operation phase started gold production in August 2019. Basic and detailed engineering works, construction and installation works have been completed in the İvrindi Project. Mining activities started and continues in 2019 in line with the facility commissioning date. The project is aimed to operate at full capacity in 2020. The ore produced by the open pit method is processed in the heap leach process plant with an annual capacity of 7.7 mtons.

The company started to implement the Lapseki Gold and Silver Mine Enrichment Project in the county of Lapseki in Çanakkale province in 2014. The construction phase of the project was completed in 2016 and the operation phase of the project started gold production in December 2017. Mining activities continue in Kestanelik and S quarries at Lapseki Plant. In addition, in 2019, the underground mine was commissioned and ore production started. The ores taken from the open pits and underground mine are fed to the production facility and the facility is operating at full capacity. The capacity of the facility, where 750,000 tons / year of production is made with tank leaching, will be increased with optimizations.

Nurol Teknoloji Sanayi ve Madencilik Ticaret A.Ş. (“Nurol Teknoloji”)

Nurol Teknoloji Sanayi ve Madencilik Ticaret A.Ş. which is a part of Nurol Group of Companies, was established with national capabilities in 2008 to produce ballistic ceramics and use them in personal protection and vehicle platform applications. The Company also manufactures personal protection products such as ballistic protective vests and ballistic protective shields, as well as armour systems for air land and sea platforms.

The Company operates in the research-development and production activities in the field of material technologies which include advanced technology ballistic ceramic materials and crusher rotor tips.

The Company primarily provides the security forces and the defense industry in the country with various armour needs in all areas and hybrid armour system solutions. In addition, suitable and successful solutions and sales are provided for international inquiries for ballistic projection.

The Company operates in three factories located in Gölbaşı, Kazan and Şaşmaz in Ankara, has a Facility Security, NATO Secret, National Secret, 17025 Ballistic Test Laboratory Accreditation.

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1. Organization and Nature of Activities of the Group (Continued)

Nurol Makina ve Sanayi A.Ş. (“Nurol Makina”)

Nurol Makina ve Sanayi A.Ş. (“the Company” or “Nurol Makina”) has been continuing its operations as two businesses, namely Kazan Branch and Sincan Branch until the end of 2018. Kazan Branch activities has been ended in accordance with the Board of Directors’ decision dated November 9, 2018 and numbered 2018/9 and the Trade Registry Disclosure was realized on November 20, 2018 in accordance with the decision.

Nurol Makina ve Sanayi A.Ş., Makina İşletmeleri / Sincan Branch:

Nurol Makina ve Sanayi A.Ş. was established in 1976 as a company operating under Nurol Holding in order to establish turn-key industrial plants and to carry out large-scale contracting works on steel construction and machinery manufacturing. With the establishment of the Undersecretariat for Defense Industries, the Company also began its activities in the field of defense industry.

Nurol Makina began its operations in 1992 in Sincan First Ankara Organized Industrial Zone. Nurol Makina has an open area of 65.000 m² and a closed area of 25.000 m², has carried out many important projects so far and continues its activities with its experienced staff. The Company designs and manufactures the following facilities:

- Advanced testing and measurement equipment,
- Four and five axis CNC machine tools,
- Large size lasers and plasma cutting machines,
- Horizontal and vertical lathes,
- Hydraulic and eccentric presses of various capacities, including 2000 tonnes,
- 3D Coordinate gauge (CMM) and a wide range of measuring instruments,
- Various welding equipment,
- Paint shop,
- Assembly lines,
- Vehicle test track and pool

Design and production of Nurol Makina is carried out with the help of advanced engineering software. The Company makes the products with Computer Aided Design (CAD), Computer Aided Manufacturing (CAM), Enterprise Resource Planning (ERP) systems and advanced technology machines and testing infrastructure.

The Company has more than 25 years of experience in the defense industry; 4x4 segment Armoured Combat Vehicle, Armoured Personnel Carrier and Special Purpose Platform designs and produces the original system.

Nurol Makina ve Sanayi A.Ş. / Tuzla Serbest Bölge Şube:

Nurol Makina ve Sanayi A.Ş. Tuzla Free Zone Branch was established on June 20, 2019, taking into account the developing needs based in Istanbul, in order to deliver the products that have been produced, after the acceptance process by the customer is completed, and to receive the products in the fastest way according to the customer's own international transportation.

In Nurol Makina ve Sanayi A.Ş. Tuzla Free Zone Branch, no activity such as production or assembly has been carried out yet, and it may be possible to expand the fields of activity considering the developing needs in the future.

Nurol Makina, with its existing and new products, continues to increase its domestic and international activities in the fields of defense and homeland security, primarily to meet the needs of the Turkish Armed Forces and General Directorate of Security.

Nurol İleri Teknoloji Savunma Ürünleri Madencilik Sanayi Ticaret A.Ş. (“Nurol İleri Teknoloji”)

The main operating activities of Nurol İleri Teknoloji includes design research and development the field of electricity machinery, defense, chemistry, environmental, agricultural, food, material, geological, construction and software engineering. The Company performs research and development operations and contracting in this field for private and government organizations both domestically and overseas.

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1. Organization and Nature of Activities of the Group (Continued)

Nurol İleri Teknoloji Savunma Ürünleri Madencilik Sanayi Ticaret A.Ş. (“Nurol İleri Teknoloji”) (Continued)

The Company is involved in the trading and production of materials, equipments, hardware, software, machinery used in construction, industry and engineering fields along with the components, accessories, spare parts, working process, merchandises and raw materials and to established, operate and trade industrial plants and contracting and tender operations in this field.

Nurol İşletme ve Gayrimenkul Yönetim A.Ş. (“Nurol İşletme”, former “Karum Yönetim”)

Karum Yönetim was founded in Ankara in 1991 to manage Karum Trade and Shopping Centre. The headquarters of the Company is located in Ankara. Karum Yönetim ve Ticaret A.Ş. changed its title as Karum Gayrimenkul Yönetim ve Ticaret A.Ş. in 2010. In 2011, the Company established a partnership with RGM Turkey Gayrimenkul Yönetim ve İşletme A.Ş. which is partner with German RGM Company and headquartered in Istanbul and transferred Nurol Residence and Nurol Plaza enterprises to RGM Turkey A.Ş. The management of Karum Trade and Shopping Centre was left in 2011. On April 22, 2014, the trade name was changed to Nurol İşletme ve Gayrimenkul Yönetim A.Ş.

The ongoing operations are as follows:

- Karum Parking Lot
- Real Estate Administration
- Sheraton Hotel Parking Lot (Branch has been closed, service is provided for the Sheraton Parking Lot belonging to Turser Turizm A.Ş. in accordance with the parking service agreement)

Botim İşletme Yönetim ve Ticaret A.Ş. (“Botim İşletme”)

Botim İşletme was founded in 1997 in Ankara to execute the managerial activities of Bodrum Oasis Shopping and Entertainment Mall which was constructed by Nurol İnşaat ve Ticaret A.Ş. The Company which operates in the entertainment sector and executes, maintenance, landscape, security and cleaning services of the Oasis Shopping and Entertainment Mall which began operations on 7 April 1998 and is situated on a land of 50 acres consisting of 248 independent trading units.

Nurol Havacılık A.Ş. (“Nurol Havacılık”)

Nurol Havacılık was established in 1997 with headquarters in Ankara to provide flight services to its customers. The Company renders services with the FALCON 2000 LX aircraft named TC SGO Çağrı both to Nurol Group Companies and other customers. Corporate flight services carried out by the Company to domestic and international destinations take place under the supervision of the European and Turkish Civil Aviation authorities. Falcon LX is a corporate aircraft with 10 VIP seating capacity. The Company’s hangar and terminal facilities at Ankara Esenboğa Airport were completed in August 1998 and started to provide technical and hangar services to air taxi and aviation company passengers as well as to VIP aircrafts.

Nurol Sigorta Aracılık Hizmetleri A.Ş. (“Nurol Sigorta”)

Nurol Sigorta was established in 1994 to operate and provide services in all insurance branches. The Company operates as an authorized agency for Anadolu Sigorta A.Ş., Anadolu Hayat Emeklilik A.Ş., and Axa Sigorta A.Ş., Axa Hayat ve Emeklilik A.Ş., Gulf Sigorta A.Ş., Eureka Sigorta A.Ş., Chubb European Group Ltd., HDI Sigorta A.Ş., Dubai Starr Sigorta A.Ş., Generali Sigorta A.Ş., Groupama Sigorta A.Ş., Mapfre Sigorta A.Ş., Acibadem Sigorta A.Ş., Zurich Sigorta A.Ş. and Ray Sigorta A.Ş.

Nurol BAE Systems Hava Sistemleri A.Ş. (“Nurol BAE”)

Nurol BAE Systems Hava Sistemleri A.Ş. (“Nurol BAE”) was established in 2015 with 51% Nurol Holding and 49% BAE Systems partnership. The Company started its activities in 2016. The main activity of the Company includes design and development, engineering and business development studies, system development and production, advanced technology system integration for critical issues that may cause loss of aircraft in case of failure such as aircraft, flight control systems, fuel control systems and air conditioning systems.

The company has HUMS and Virtual Reality software projects. The employer of the HUMS project is FNSS and the Virtual Reality Project is BAE Systems Limited.

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1. Organization and Nature of Activities of the Group (Continued)

Nurol Yatırım Bankası A.Ş. (“Nurol Bank”)

Nurol Yatırım Bankası A.Ş., was established and began banking operations in May 1999 by the permission of the council of Ministers Decree No. 98/11565 dated August 6, 1998 as an “investment bank”.

The bank is established, under the condition to get the necessary permissions from the authorities, to be active in capital markets, to use the resources provided with the use of capital market instruments to invest, for the purpose of managements to meet effective management and healthier financial structure including mergers and acquisitions issues by giving consultancy services making investment banking and to be active in all areas related to investment banking. The Nurol Group is the capital group for direct or indirect dominance in the bank’s capital.

Nurol Otelcilik ve Turizm İşletmeleri A.Ş. (“Nurol Otelcilik”)

Nurol Otelcilik was welcomed to the sector with the opening of its first business Hotel Asena in Kuşadası in 1989. The headquarters of the Company is located in Ankara. Hotel Asena continues its operations in Kuşadası Kadınlar Beach with its 3 star Tourism Hotel Certificate and 103 rooms and 215 bed accommodation facilities in domestic and foreign markets. In 2006 the Hotel was leased and the Company only receives rent income.

Turser Turizm Servis ve Ticaret A.Ş. (“Turser Turizm”)

Turser Turizm Servis Yayıncılık ve Ticaret A.Ş. (“Turser Turizm”) was established in 1993 with its headquarters located in Ankara. Turser Turizm is the owner of Sheraton Ankara Hotel & Convention Center and Lugal a Luxury Collection Hotel in Ankara. The Hotel has been operated by the Starwood Eame License and Services Company BVBA (“Operator”), who became a subsidiary of Marriott International Inc as of September 23, 2016, in line with the Operating Services Agreement (“OSA”), Sheraton Ankara Hotel & Convention Center System License and Technical Assistance Agreement, the Luxury Collection Hotel Ankara System License and Technical Assistance Agreement and Centralized Services Agreement which were signed on December 4, 2009 as a result of the written agreement of the parties.

Bosfor Turizm İşletmecilik A.Ş. (“Bosfor Turizm”)

Bosfor Turizm began to operate in tourism sector in 1980 after obtaining a group “A” license from the Ministry of Tourism. In 1995, all shares of the company were bought by Nurol Group and the Company became a fully owned subsidiary of Nurol Group. The Company’s headquarter is located in Ankara. The Company provides services such as selling international and domestic plane tickets, incoming-outgoing-ingoing tour operating services, individual and group tour organizations, visa services, hotel and motel reservations, transfer services from/to airports, guiding services, organizations of dealer conventions inside and outside the country, congresses and seminars, short term and long term leasing of chauffeured and non-chauffeured vehicles, fleet, yacht and depending on the number of passengers private aircrafts and helicopters, motivational trips and day to day vicinity trips.

2. Basis of Presentation of Financial Statements

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with Turkey Accounting Standards / Turkey Financial Reporting Standards (“IAS / IFRS”) promulgated by the Public Oversight Accounting and Auditing Standards Board (“POA”) and have been prepared in accordance with the addition and comment on them.

The Group prepares its statutory financial statements and keeping of accounting records based on the Uniform Chart of Accounts issued by the Turkish Commercial Code (“TCC”), tax legislation and the Republic of Turkey Ministry of Finance.

The Group maintains its books of account and prepares its statutory financial statements in accordance with the principles of Turkish Commercial Code and tax legislations. The consolidated financial statements are based on these statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with principles announced by Public Oversight, Accounting and Auditing Standards Board (“POA”).

Consolidated financial statements have been prepared on the basis of historical cost, except for the financial assets and liabilities shown with their fair values.

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2. Basis of Presentation of Financial Statements (Continued)

Measurement and Presentation Currency

Management has determined the Group's functional currency to be the Turkish Lira ("TL") as it reflects the economic substance of the underlying events and circumstances of the Group. The accompanying financial statements of each entity are presented in Turkish Lira, which is the functional currency of the consolidated financial statements of the Group.

The functional and reporting currency of Tümad Madencilik and NuroL Makina has been accepted as Turkish Lira on December 31, 2017 and earlier. The functional currency of the companies has been changed to USD within the scope of TAS 21 "Effects of Changes in Exchange Rates" as of January 1, 2018.

Both Tümad Madencilik and NuroL Makina make an evaluation within the framework of the principles specified in TMS 21; they started to generate revenue in 2017 and all of its revenues were in US dollars. Since the research, development, investment and production expenditures are tracked in USD and the currency in which the financing costs are realized is USD, the Management shall use the functional and presentation currency for these two companies, taking into account the indicators in paragraph 9 of TAS 21. The functional currency was changed to US Dollars for both companies in 2018.

Going Concern Assumption

Consolidated financial statements have been prepared on the basis of going concern under the assumption that the Group will benefit from its assets and fulfill its obligations in the next year and within the natural flow of its activities.

Comparatives and Restatement of Prior Year Financial Statements

In order to enable the determination of financial status and performance trends, the current period financial statements of the Group are prepared in comparison with the previous period. Comparative information is reclassified when necessary in order to comply with the presentation of the current period financial statements.

Translation of Financial Statements of Subsidiaries Operating in Foreign Countries

In the financial statements of subsidiaries, business partnerships and affiliates operating in foreign countries, prepared in accordance with the Group accounting policies; its assets and liabilities are converted to TL using the exchange rate at the balance sheet date, and income and expenses using the average exchange rate. Differences arising from the use of closing and average exchange rates are followed under the "foreign currency translation differences" item in equity.

Declaration of Compliance to TAS

The accompanying consolidated financial statements have been prepared in accordance with Turkey Accounting Standards / Turkey Financial Reporting Standards ("IAS / IFRS") promulgated by the Public Oversight Accounting and Auditing Standards Board ("POA") and have been prepared in accordance with the addition and comment on them.

Changes in Accounting Policies

If the effects of transactions and events on the financial status, performance or cash flows of the Group are of a nature that will result in a more appropriate and reliable presentation in the consolidated financial statements, the accounting policies are changed. If optional changes in accounting policies affect previous periods, the policy is applied retrospectively to the financial statements as if it had always been in use. Accounting policy changes resulting from the implementation of a new standard are applied retrospectively or prospectively in accordance with the transitional provisions of the said standard, if any. Changes without any transition provision are applied retrospectively.

Changes in Accounting Estimates and Errors

The Group captures, values and presents financial statements of similar transactions, events and circumstances consistently. Significant accounting errors detected are applied retrospectively and the financial statements of the previous period are revised. The Group applied its accounting policies consistently with the previous year.

Tümad Madencilik and NuroL Makina prepared the financial statements for the previous periods until the date of 31 December 2017 in Turkish Lira as the functional and presentation currency.

As of January 01, 2018, it has been changed to USD within the scope of TAS 21 "The Effects of Change in Exchange Rates".

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2. Basis of Presentation of Financial Statements (Continued)

Changes in Accounting Estimates and Errors (Continued)

IAS 21 Effects of changes in exchange rates defines the standard functional currency as the currency of the basic economic environment in which the entity operates. The primary economic environment in which an enterprise operates is the environment in which cash is generally generated and spent. Valid currency; the currency that most affects the sales of goods and services, labor and so on. the currency in which the expenses are realized, the currency of the cash obtained from the financing activities, etc. are determined by the management taking into account the issues and the expected future changes in these elements. The management reviews the accounting estimates regarding the functional currency and the policies applied in each balance sheet period. In this context, in the assessment made as of December 2018, it was decided to change the functional currency to US Dollars as of January 1, 2018, taking into account the realizations in the last year and future expectations. The effects of this change in accounting estimates made as a result of the change in forward-looking expectations have been applied prospectively in accordance with IAS 21 paragraphs 35-37. In other words, all items of the enterprise are converted to the new functional currency using the exchange rate on 31 December 2011, which is the date of change, and the amounts that occur after conversion are considered as historical costs for non-monetary items.

The companies subject to consolidation as of 30 June 2020 have been included in the accompanying financial statements in accordance with the consolidation principles. Within the companies subject to consolidation, whose financial statements are audited by third party supervisory authorities, regulations regarding the financial statement data for the period of 30 June 2019 have been made. The relevant regulations are formed as a result of the evaluations made considering the useful lives realized within the assets, the types of tangible fixed assets, their residual / net values and their purposes. (Note 40)

Changes in accounting estimates are applied in the current period if the change is related to only one period, and if it is related to future periods, it is applied both in the period in which the change is made and in future significance. Significant estimates used in the preparation of the consolidated financial statements for the period ended 30 June 2020 are consistent with the estimates applied during the preparation of the consolidated financial statements for the period ended 31 December 2019.

New and Revised Turkey Financial Reporting Standards

a) Changes and comments effective from 2020

TFRS 3 (Amendments)	<i>Business Description</i>
TMS 1 and TMS 8 (Amendments)	<i>Materiality Definition</i>
TFRS 9, TMS 39 and TFRS 7	<i>(Amendments) Benchmark Interest Rate Reform</i>
TFRS 16 (Amendments)	<i>Lease Concessions regarding COVID-19</i>
<i>Changes Regarding References to the Conceptual Framework in TFRS</i>	

Definition of a Business (Amendments to TFRS 3)

The definition of "business" is important, as the accounting for the acquisition of an activity and asset group changes depending on whether the group is a business group or just an asset group. The definition of "business" in the standard of TFRS 3 Business Combinations has been changed. With the change in question:

- Confirming that an enterprise should include inputs and a process; It has been clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquires a business or a group of assets.

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2. Basis of Presentation of Financial Statements (Continued)

New and Revised International Financial Reporting Standards

a. Changes and comments effective from 2020

Definition of Material (Amendments to TAS 1 and TAS 8)

Changes in the materiality definition (changes in TMS 1 and TMS 8) clarify the definition of "materiality" and revise the definition and standards used in the Conceptual Framework.

TFRS 9, TAS 39 and TFRS 7 (Amendments) Benchmark Interest Rate Reform

These amendments clarify that companies may continue to apply certain provisions of hedge accounting under the assumption that the benchmark interest rate underlying the cash flows of the hedged item or hedging instrument will not change as a result of the benchmark interest rate reform.

TFRS 16 (Amendments) Privileges Granted in Lease Payments Related to COVID-19

With the said amendment, the Company may choose not to evaluate whether the lease concession made due to COVID-19 is a change in the lease. The envisaged facilitating practice will only apply for lease privileges granted due to the COVID-19 outbreak and only when all of the following conditions are met:

- The change in the lease payments causes the rental price to be revised and the revised price is substantially the same or lower than the rental price immediately before the change,
- Any reduction in lease payments only affects payments that normally expire on or before 30 June 2021; and
- The other terms and conditions of the lease did not change significantly.

Concessions Recognized in Lease Payments Regarding COVID-19-Changes Regarding TFRS 16 will be applied by the tenants in the annual accounting periods starting from 1 June 2020 or after, but early implementation is allowed.

The group has preferred to implement a facilitator for all lease concessions that meet the above criteria. There are no lease concessions related to COVID-19 before January 1, 2020.

Conceptual Framework (Amendments) Amendments in TFRSs Regarding References to the Conceptual Framework

Amendments regarding the references made to the Conceptual Framework in TFRS; it has changed the relevant paragraphs of TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, TFRS Comment 12, TFRS Comment 19, TFRS Comment 20, TFRS Comment 22, TAS Comment 32. These changes are applied in the annual accounting periods beginning on or after 1 January 2020. If all other changes made by the Amendments Regarding References to the Conceptual Framework in TFRS are applied, early application is allowed.

b. Standards not yet enacted and changes and interpretations to existing previous standards

The group has not yet implemented the following standards that have not yet come into force, and the following changes and interpretations to existing previous standards:

TFRS 17	<i>Insurance Contracts</i>
TAS 1 (Amendments)	<i>Classification of Liabilities as Short or Long Term</i>
TFRS 3 (Amendments)	<i>References to Conceptual Framework</i>
TAS 16 (Amendments)	<i>Tangible Fixed Assets - Intended Earnings Before Use</i>
TAS 37 (Amendments)	<i>Economically Disadvantaged Contracts Contract Execution Cost</i>
Annual Improvements to TFRS	<i>Amendments to TFRS 1, TFRS 9 and TAS 41 2018 - 2020</i>

2. Basis of Presentation of Financial Statements (Continued)

New and Revised International Financial Reporting Standards (Continued)

b. Standards not yet enacted and changes and interpretations to existing previous standards (continued)

TFRS 17 Insurance contracts

TFRS 17 requires insurance liabilities to be measured at a current coverage value and provides a more streamlined measurement and presentation approach for all insurance contracts. These requirements are designed to achieve consistent, principle-based accounting in insurance contracts. TFRS 17 will replace TFRS 4 Insurance Contracts as of January 1, 2021.

TAS 1 (Amendments) Classification of Liabilities as Short or Long Term

The purpose of these amendments is to ensure that the requirements of the standard are consistently applied by helping companies to decide whether the debts and other liabilities in the statement of financial position and without a certain maturity should be classified as short-term (expected to be paid within a year) or long-term.

Although these changes made in TAS 1 will be applied in the annual accounting periods starting from January 1, 2022 or after, early application is also allowed.

References to TFRS 3 (Amendments) Conceptual Framework

This amendment updates a reference to the Conceptual Framework for Financial Reporting in TFRS 3 without significantly changing the provisions of the standard.

These amendments are valid for annual accounting periods starting on or after January 1, 2022. Early implementation is allowed by applying it together with other reference updates made so far in the Conceptual Framework.

TAS 16 (Amendments) Tangible Fixed Assets - Intended Earnings Before Use

These amendments do not allow the deduction of the revenues from the sales of the produced items from the cost of the related asset while the relevant tangible fixed asset is brought to the required place and condition for the management to operate in the intended conditions, and require such sales revenues and related costs to be reflected in profit or loss.

These amendments are applied in annual accounting periods starting on or after January 1, 2022. Early application is allowed.

TAS 37 (Amendments) Economically Disadvantaged Contracts - Cost of Contract Fulfillment

With the amendment made in TAS 37, it is stipulated that the estimated contract fulfillment costs in order to determine whether the contract is an economically disadvantaged contract consist of both the variable costs incurred to fulfill the contract and the amounts distributed from other costs directly related to the fulfillment of the contract.

This amendment is applied in annual accounting periods starting on January 1, 2022 or after. Early application is allowed.

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2. Basis of Presentation of Financial Statements (Continued)

New and Revised International Financial Reporting Standards (Continued)

b. Standards not yet enacted and changes and interpretations to existing previous standards (continued)

Annual Improvements to TFRSs 2018 - 2020

Amendment to First Application of Turkey Financial Reporting Standards TFRS 1

With the amendment to TFRS 1, the subsidiary that started to apply TFRSs at a later date than the parent company in paragraph D16 (a) of the standard, including the cumulative translation differences in the scope of the exemption for the measurement of assets and liabilities, and application costs of the starters have been reduced.

Amendment to TFRS 9 Financial Instruments

This amendment clarified the fees considered in the assessment of derecognition of a financial liability. The borrower includes fees paid or received between the debtor and the creditor, including any fees paid or received by the debtor or creditor on behalf of others.

Amendment to TAS 41 Agricultural Activities

With this amendment, the provision in the 22nd paragraph of TAS 41 that requires not including the cash flows arising from taxation in the calculation in determining the fair value was removed. The amendment has harmonized the relevant provisions of the standard with the provisions of TFRS 13.

Amendments made to TFRS 1, TFRS 9 and TAS 41 are applied in the annual accounting periods starting from 1 January 2022 or after. Early application is allowed.

The impact of the mentioned standards, changes and improvements on the consolidated financial status and performance of the Group is evaluated.

Summary of Important Accounting Policies

Principles of Consolidation

Consolidated financial statements include the parent company Nuro Holding and the companies that the companies directly or jointly control or have a significant influence on the management. During the preparation of the financial statements of the companies included in the scope of consolidation, necessary corrections and classifications were made in terms of compliance with the Financial Reporting Standards of the POA and the accounting policies and presentation styles applied by. The operating results of subsidiaries are included or excluded from the effective date of the transactions in accordance with the purchase or disposal transactions.

Subsidiaries

Consolidated financial statements include the financial statements of the companies controlled by the Group and its subsidiaries.

Subsidiaries refer to the Companies in which the Group has the authority to exercise more than 50% of the voting right and control the financial and operating policies in line with the interests of the Group. The balance sheets and income statements of the subsidiaries have been consolidated using the full consolidation method, and the registered participation values of the shares owned by the Group and the subsidiaries have been netted off with the relevant equity. Intra-group transactions and balances between the group and its subsidiaries have been netted off during the consolidation process. The registered values of the shares owned by the Group and the dividends arising from them have been netted off from the relevant equity and income statement accounts. Control is provided if the Group meets the following conditions:

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2. Basis of Presentation of Financial Statements (Continued)

Summary of Significant Accounting Policies

Principles of Consolidation (Continued)

Subsidiaries (Continued)

Control is achieved when the Group:

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

The Group reassesses whether or not it controls an investee when if facts and circumstances arise there are changes to one or more of the three elements of control listed above.

Even though the Group has voting rights less than a majority, if it has ability to manage the operation of the investee unintentionally, then the Group assess that it has control over that investee. The Group considers all relevant facts and circumstances in assessing whether or not the Group’s voting rights in an investee are sufficient to give it power, including:

- comparison of voting rights of the Company and the others,
- potential voting rights held by the Company, and others,
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate the Company has, or does have, the current ability to direct the relevant activities at the time that decisions need to be made (including voting patterns at previous shareholders’ meeting).

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. 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.

Each item of profit or loss and 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 results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to along with the Group accounting policies into line with the Company’s accounting policies. All intragroup assets and liabilities, equity, income and expenses, profits and losses and cash flows relating to transactions between members of the Group are eliminated during consolidation. The interests of the minority shareholders in the net assets and operating results of the Subsidiaries are shown as “non-controlling interests” in the consolidated financial statements.

Subsidiaries, of which financial statements and operating results, either individually or cumulatively not material with respect to consolidated financial statements as of 30 June 2020, are not included in the scope of consolidation, but classified as available-for-sale financial assets.

Joint Ventures

Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by the Group and its subsidiaries together with one or more other parties. As explained in Note 1 the Group’s interest in joint ventures is accounted for by way of proportionate consolidation; in other words, the Group includes its share of the assets, liabilities, income and expenses of each joint venture in the relevant components of the financial statements. Proportionate consolidation method principally has the similar procedures as the line by line consolidation method.

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2. Basis of Presentation of Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Principles of Consolidation (Continued)

Investments

Investments are accounted for using the equity method. Investments are companies in which the Group has voting power between 20% and 50% or the Group has power to participate in the financial and operating policy decisions but not control them. Unrealised gains or losses arising from transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates.

Otoyol Yatırım İşletme A.Ş. and FNSS Middle East Co. LTD. which are the Groups investments were recognized using the equity method. In the equity method, investments are recognized with net asset amount in the consolidated balance sheets and the Group is share resulting from the operations of the investments is included in the consolidated income statements (Note 18).

In the accompanying financial statements, non-consolidated investments and joint ventures are carried at cost. Provision for impairment is set in the case they are carried under cost.

Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the ‘reporting entity’).

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;
- (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).
- (iii) 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 defined 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).

Transaction with related party is a transfer of resources, services or liabilities between the reporting entity and the related party, disregarding it is with or without a value.

Revenue

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.

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Revenue (Continued)

The Group evaluates the goods or services it undertakes in each contract with the customers and determines each commitment to transfer the said goods or services as a separate performance obligation. For each performance obligation, it is determined at the beginning of the contract that the performance obligation will be fulfilled over time or at a certain time. If the Group transfers the control of a good or service over time and thus fulfils the performance obligations related to the related sales over time, it measures the progress of the fulfilment of the performance obligations and recognizes the revenue in the financial statements.

Revenue obtained from sales of goods is accounted for when the conditions below are met:

Construction contracts

Cost of contracts is recognized when incurred. These costs include the costs that relate directly to the specific contract and the costs that are attributable to contract activity in general and can be allocated to the contract and the other costs that are specifically chargeable to the customer under the terms of the contract. A major part of the costs includes the development expenses of the projects.

Where the outcome of a construction contract cannot be estimated reliably, revenue is recognized to the extent of contract costs incurred that it is probable that it will be recoverable. Where the outcome of a construction contract can be estimated reliably, revenue is recognized over the terms of the contract term. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, revenue is recognized to the extent of contract costs incurred that it is probable that it will be recoverable.

Revenue is measured at the fair value of the collected or uncollected receivables. Estimated returns, discounts, and allowances are deducted from afore mentioned value in the contract term. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

The Group uses the “percentage-of-completion method” to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

Each project contract is evaluated by the technical teams regarding the expected change in the upcoming costs and the profitability of the contracts that is determined as of the balance sheet dates.

Besides the amounts of the contracts subjected to escalation as of the reporting date, are estimated based on the contract details.

Government grants, if any, are also taken into consideration while calculating the profitability of the contract. The grants are recognized by offsetting from the costs in accordance with TAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”.

The Group presents the amount as an asset if the gross amounts due from customers for customer work for all contracts in progress for which costs incurred plus recognized profits (less recognized losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within “Trade Receivables”.

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2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)
Revenue (Continued)

Construction contracts (Continued)

The Group presents the amount as a liability if the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognized profits (less recognized losses). Contract costs are recognized as profit or loss in the period they occur as long as they do not create an asset related to future contractual activities. Expected contractual losses are immediately recognized as profit or loss.

Ongoing project works refer to the gross amounts received from clients for the project works related to the project contracts. Ongoing project works are measured by adding to incurred losses the profits received and deducting progress invoices and losses recognized. The gain recognized on the costs and losses recorded over the progress invoice for all project contracts, ongoing project works are recognized under trade and other receivables in the statements of financial position. The difference of contract invoices and recorded loss total that exceeds the cost of earnings recognized is accounted for as deferred revenue in the statement of financial position. Advances received from clients are shown as deferred income / revenue in the financial statements.

Service revenues

Revenue from the service provision contract is accounted for at the stage of completion of the contract.

Installation of software services

The Group provides installation services for a variety of featured software. These services are considered as time-consuming performance obligations. The revenue for installation services is recorded as revenue depending on the stage of completion of the contract. The executives consider that the completion phase determined by the ratio of the time spent on installation to the planned total duration as of the date of the financial statement can be used to reasonably measure the progress towards full performance of these performance obligations under TFRS 15. The payment for the installation of the software services is made after the completion of the installation service and the amounts that are earned as a result of the service provided until the installation service is completed are reflected in the financial statements as a contract asset.

Interest income

Interest income is accrued in the related period at the effective interest rate that reduces the estimated cash inflows from the financial asset to the carrying value of the asset during the expected life of the remaining principal amount. The interest income accrual is not reflected in the records when the collection of loans allocated by the entity becomes suspicious.

Ongoing Project Activities

Project revenue and costs are recognized as revenue and expenses, respectively, when the outcome of a construction contract can be estimated reliably. The percentage of completion method is used to recognize revenue on a project as work progresses by matching contract revenue with project costs incurred based on the proportion of work completed which is determined by the ratio of actual costs incurred through to the end of each reporting period divided by the total estimated project costs of the projects. Contracts to manage, supervise or coordinate the construction activity of others are recognized only to the extent of the fee revenue.

Project costs include all direct material and labour costs and those indirect costs related to contract performance, such as indirect labour, supplies, tools, repairs and depreciation costs. Selling, general and administrative expenses are charged to the income statements as incurred. Provisions for estimated losses on uncompleted contracts are made in full, in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured.

Costs of project contracts represent the costs incurred less the sum of recognized costs (in the income statements) for all contracts in progress. Deferred revenue in excess of costs on uncompleted contracts represents future billings in excess of revenues recognized in the income statement. These cost and deferred revenue are subsequently recognized in the income statement based on completion method which is based on engineering reports.

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2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Revenue (Continued)

Financial income and financing costs

Financial income consists of bank deposit interest income and interest income derived from structured funds, and exchange rate gains on financial assets and liabilities (other than trade receivables and payables), which constitute a return segment used for financing purposes.

Financial expenses include the interest expenses of bank loans. Borrowing costs that are not directly attributable to the acquisition, construction or production of an asset are recognized in profit or loss using the effective interest rate method.

Foreign exchange gains and losses on financial assets and liabilities (other than trade receivables and payables) are reported net in the financial income or financial expenses according to the net position of exchange rate movements. Exchange rate differences and rediscount income on trade receivables and payables are reported in the main operations and exchange rate differences, in other income and rediscount expenses are reported in other expenses from the main operations. Interest income is accounted using the effective interest method. Dividend income is recognized in profit or loss at the date the Group is entitled to receive payment.

Finance sector

Interest income and expenses are recognized in the income statement on an accrual basis. When loans and advances to customers are considered doubtful of collection by management, they are written down to their recoverable amount, and interest income is thereafter recognized based in the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, investment management fees, sales commission and placement fees are recognized as the related services are performed.

Gold sales revenues

Sales revenues consist of a combination of gold and silver dore bars delivered to gold refiners, the significant risks and rewards associated with the product are transferred to such gold refiners, the amount of revenue can be measured reliably and it is highly probable that the economic benefits associated with the transaction will be borne by the Group are taken to the records on the basis of the fair value of the price received or receivable. Net sales represent the invoiced value of the resale product, returns and discounted discounts.

Ballistic and armour products sales

Revenue is considered to be considered when the significant risks and rewards related to the products are transferred to the buyer, it is probable that the economic benefits associated with the sale will flow to the entity and the amount of revenue can be calculated reliably. Revenues and expenses related to the same transaction are taken to the financial statements simultaneously.

Rent income

The hotel has made lease agreements for health club service agreements and offices at the congress center. The determined rent amounts and membership dues are fixed in the contracts. Costs received from customers or members are accounted for as income for the future years, and income earned during the membership or lease period is recognized as income.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories are materials, labor and an appropriate amount for factory overheads. The cost of borrowings is not included in the costs of inventories. The cost of inventories is determined on the weighted average basis for each purchase. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Revenue (Continued)

- Stocks of ongoing housing projects

Inventories comprise of construction costs of housing units (completed and in-progress) and the cost of land used for to these housing projects. Land held for future development of housing projects are also classified as inventory. Cost elements included in inventory are purchase costs, conversion costs and other costs necessary to prepare the asset for its intended use. Unit costs of the inventories are valued at the lower of cost or net realizable value. Housing units which are completed and ready for delivery to customers together with work-in progress costs for housing units which will be completed within a year, are classified as short-term inventories in the financial statements.

- Mine Stocks

Inventories are mainly comprised of ore stockpiles, gold in circuit, dores, chemicals and spare parts. Inventories are valued at the lower of cost and net realizable value. For each mine field, cost of inventory consists of purchase of materials, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of conversion includes direct labor and allocation of fixed and variable production overheads. Stockpiles, gold in circuit and dores are measured by the number of contained gold oz. and the estimated recovery rate based on the processing method. Stockpiles and gold in circuit amounts are verified by periodic surveys. Production overheads for each mine facility, include amortization and depreciation of mining assets in the respective mine field like asset retirement costs, mine development costs and deferred stripping cost, at the relevant stage of production. Inventories are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. The costs of inventories are determined on a weighted average basis for each mine field (Note 14).

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation except the buildings which are carried according to the revaluation model and any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses for the repair of property, plant and equipment are normally charged against income. They are, however, capitalized in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

Gain or losses on disposal of property, plant and equipment are included in the related operating income or expense line item and are determined as the difference between the carrying value and amounts received.

Leased assets are subject to similar amortization procedures, as with the other tangible assets on the shorter of the related leasing period and economic life of the asset.

Cost amounts of property, plant and equipment assets excluding land and construction in progress are subject to amortization by using the straight-line method in accordance with their expected useful life. There is no depreciation allocated for lands due to indefinite useful lives.

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2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment (Continued)

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	<i>Useful Life</i>
Buildings	4-50 years
Land improvements	4-50 years
Machinery and equipment	4-20 years
Motor vehicles	3-5 years
Furniture, fixtures and office equipment	4-50 years

Intangible Assets and Amortization

Intangible assets which are mainly software licenses and mining extraction rights are measured initially at cost. An intangible asset is recognized if it meets the identifiability criterion of intangibles, control exists over the asset; it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the costs can be measured reliably. Intangible assets are carried at cost less accumulated amortization and impairment. Amortization of intangible assets is allocated on a systematic pro-rata basis using the straight-line method over their estimated useful economic lives (3-5 years).

- Energy licenses

In 2013, the Group acquired the operating rights of Göksu Hydroelectric Power Plant through privatization amounting to TL 119,738 thousand (USD 52,500 thousand) for a period of 49 years. Göksu Hydroelectric Power Plant was established within the borders of Konya.

In 2003, the Group established Enova Enerji Üretim A.Ş. in partnership with Özaltın Group for energy production and sales. Enova Enerji Üretim A.Ş. has a production license amounting to TL 22,893 thousand dated December 21, 2006, obtained from the Energy Market Regulatory Board.

- Mining extraction rights and mining exploration, drilling and development expenses

Exploration costs are expensed as incurred when a decision is made that a mining property is capable of commercial production (when the Company management is able to demonstrate that future economic benefits are probable, which will be the establishment of increased and probable reserves at the relevant location) and legal permissions are obtained (e.g. mining license) for a specific area of interest; all further pre-production expenditure, including the costs related to property acquisitions and mineral and surface rights together with evaluation activities such as geological, geochemical studies and drilling for further technical feasibility (such as in-field exploration) in the relevant area of interest are capitalized.

Besides the regular exploration activities in green field zones, the Company continues further drilling activities within the area of operational mines, defined as “exploration during mine”. All related expenditures of “exploration during mine”, are monitored and assessed by each drilling zone at each balance sheet date, and accordingly the Company capitalizes the expenditures of particular drillings only when it is probable to get future economic benefits, namely as proven and probable reserve is established as a result of the those drillings and/ or considering the existence of new or additional proven and probable reserves in the respective mine area (“area of interest”).

Where the Company management considers that there is an impairment indicator such as significant decrease in resource and reserve, serious mine accidents, expiration or permanent cancellation of rights, impairment is assessed and recognized for the amount by which the carrying amount of the asset exceeds its recoverable amounts, which is the higher of fair value less cost to sell or value in use.

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2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Intangible Assets and Amortization (Continued)

- Amortization of acquired mining licenses

According to item 2 of “Reclamation Cost Estimation of the Open Mine at Production Phase” of IFRIC 20, “At the stage of mine development (before production begins), pickling costs are generally activated as part of the depreciated cost of mine establishment, development and construction. These activated costs are then systematically depreciated or amortized, usually using the unit-of-production method, after production has been achieved.” In consideration of this item, the Company depreciated depreciation for the Lapseki area that was producing at the end of 2017 (Note 24).

The Group has 8 mining licenses in total. 6 of which are “Operating License” and the remaining 2 are “Exploration License”. Information on these licenses are as follows:

<u>License</u> <u>(Registration)</u>	<u>Province</u>	<u>County</u>	<u>License</u> <u>Enforcement</u>	<u>Essence</u>	<u>Period</u>
<u>Number</u>			<u>Date</u>		
86082	Çanakkale	Lapseki	4.09.2009	operating license	25 years
86474	Balıkesir	İvrindi	21.01.2014	operating license	30 years
201201358	Balıkesir	Ayvalık	10.10.2012	exploration license	7 years
201400088	Balıkesir	Havran	8.05.2014	exploration license	7 years
17798	Çanakkale	Lapseki	16.12.2019	operating license	10 years
27480	Çanakkale	Lapseki	15.11.2019	operating license	10 years
79099	Çanakkale	Lapseki	16.12.2019	operating license	10 years
69073	Çanakkale	Lapseki	16.12.2019	operating license	10 years

Lapseki Gold and Silver Production Facility has started production in December 2017. Investment of İvrindi Gold and Silver Production Facility has been completed in the first half of 2019.

- Internally generated intangible assets-research and development expenses

For the realization of intangible assets generated internally, the evaluation process as to whether the required criteria are met, the Group allocated the formation of the asset in question in the following phases:

- research phase and
- development phase

With regard to research and development expenses, adjustments have been made in TAS (Turkish Accounting Standards) 38. It is hoped that research and development expenses will have an economic useful life and will be capitalized if it can be measured. Otherwise, if the future benefits cannot be measured and the higher the uncertainty of future benefits, these expenses must be written-off. It can be seen as basic principle for written-off research expenses to be recognized in the period it occurs.

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.

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2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Intangible Assets and Amortization (Continued)

- Internally generated intangible assets-research and development expenses (Continued)

The amount initially recognized for internally generated intangible assets is the sum of 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 charged to 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 acquired separately.

- Software licenses

Software licenses are measured initially at cost. Software licenses are allocated on a pro-rata basis using the straight-line method over their estimated useful lives and are carried at cost less accumulated amortization and impairment. The estimated useful lives of software licenses are 3-22 years.

- Intangible assets acquired

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in accounting estimates for on a prospective basis.

The useful lives of the intangible assets are as follows:

	<u>Useful life</u>
Rights	2-6 years
Computer software	2-3 years
Development expenses	1-5 years

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Expenditures made within the scope of research activities are recognized in profit or loss when they occur.

Intangible assets are carried at cost less accumulated amortization and impairment. Amortization of intangible assets is allocated on a systematic pro-rata basis using the straight-line method over their estimated useful economic lives.

- 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.

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2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

The profit or loss recognized due to the changes in the fair value of an investment property is included in the current year's comprehensive income statement. The profit or loss recognized due to condemnation or disposal of an investment property is the difference between net collection obtained from the disposal of the asset and the book value of the real estate, and it is accounted in the income statement under fair value increase in investment properties.

The borrowing costs related to qualifying assets is also recognized during the construction of the asset, the mentioned capitalization continues until the completion of the construction. Company does not include the daily service expenses related to real estate in the book value of the investment property. Those costs are recognized in the profit or loss statement to the extent that they are realized. Maintenance expenses related to the real estates are recognized in the profit and loss statement in the relevant period.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods, such as discounted cash flow projections. Company considers the conditions resulted with the difference in the determination of the fair value of the investment properties in order to make the most reliable estimation.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure.

Company transfers its investment properties to inventory or fixed assets if and only if a change occurs in use of the investment property:

- Commencement of owner-occupation, for a transfer from investment property to owner occupied property;
- Commencement of development with a view to sale, for a transfer from investment property to inventories;
- End of owner-occupation, for a transfer from owner-occupied property to investment property or
- Commencement of an operating lease to another party, for a transfer from inventories to investment property.

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting in accordance with TAS 16 shall be its fair value at the date of change in use.

If an owner-occupied property becomes an investment property that will be carried at fair value, the Company shall apply TAS 16 up to the date of change in use. The Company shall treat any difference at that date between the carrying amount of the property in accordance with TAS 16 and its fair value in the same way as a revaluation in accordance with TAS 16.

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2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Investment Properties (Continued)

Up to the date when an owner-occupied property becomes an investment property carried at fair value, an entity depreciates the property and recognizes any impairment losses that have occurred. The Company treats any difference at that date between the carrying amount of the property in accordance with TAS 16 and its fair value in the same way as a revaluation in accordance with TAS 16. In other words:

- (a) Any resulting decrease in the carrying amount of the property is recognized in profit or loss. However, to the extent that an amount is included in revaluation surplus for that property, the decrease is recognized in other comprehensive income and reduces the revaluation surplus within equity.
- (b) any resulting increase in the carrying amount is treated as follows:
 - (i) To the extent that the increase reverses a previous impairment loss for that property, the increase is recognized in profit or loss. The amount recognized in profit or loss does not exceed the amount needed to restore the carrying amount to the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized.
 - (ii) Any remaining part of the increase is recognized in other comprehensive income and increases the revaluation surplus within equity. On subsequent disposal of the investment property, the revaluation surplus included in equity may be transferred to retained earnings. The transfer from revaluation surplus to retained earnings is not made through profit or loss.

The investment properties of the Group (except Nurol Gayrimenkul) has been revalued with the expert report given by Demir Gayrimenkul Değerleme ve Danışmanlık A.Ş. in 2016. The valuation difference between the valued amount and the registered amount (according to the appraisal report) has been recorded in the “Tangible Fixed Asset Revaluation” account in the equity in the attached consolidated financial statements (Note 22).

The Batumi Sheraton Hotel which located in the Group’s investment properties, has been revalued in 2018 by Colliers International’s expert appraisal report dated 15 October 2018. The valuation difference between the revalued amount and the carrying amount (according to the appraisal report) is recorded under property, plant and equipment account in the shareholders’ equity in the accompanying consolidated financial statements.

Nurol Gayrimenkul Yatırım Ortaklığı A.Ş. has been subject to valuation of its investment properties every year and included the gains or losses arising from the change in the fair value of the investment properties in the income statement in the period they occurred (Note 32).

Available for Sale Financial Assets

Although Group’s total voting rights are up to 20% or over 20%, Group does not have a significant effect or not significant in terms of consolidated financial statements; not traded in an active market and the fair value of available for sale financial assets cannot be determined reliably, at cost if any, after deducting the provision for depreciation in the consolidated financial statements.

Impairment of Assets

The carrying amounts of the Group’s assets other than goodwill are reviewed at each balance sheet date to determine whether there is any indication of impairment. When an indication of impairment exists, the Group compares the carrying amount of the asset with its net realizable value which is the higher of value in use or fair value less costs to sell. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. An impairment loss is recognized immediately in the comprehensive statement of income.

The increase in carrying value of the assets (or a cash generated unit) due to the reversal of recognized impairment loss shall not exceed the carrying amount of the asset (net of amortization amount) in case where the impairment loss was reflected in the consolidated financial statements in prior periods. Such a reversal is accounted for in the comprehensive statement of income.

2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Finance Leases

The Group - as the lessee

Leases of property, plant and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are included in the property, plant and equipment at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset. An impairment loss is recognized when a decrease in the carrying amount of the leased property is identified. Interest expenses and foreign exchange losses related to the finance lease liabilities are accounted in the consolidated statement of income. Lease payments are deducted from finance lease liabilities.

The Group - as the leaser

Nurol Yatırım Bankası A.Ş. which is subsidiary of the Group recognized as receivables, its net investments related to the leasing. The bank's net investment in the lease income related to leasing activities are allocated to accounting periods to reflect a fixed interest rate.

Borrowing Costs

Borrowings are recognized initially at the proceeds received; net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the statement of income over the period of the borrowings.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Foreign exchange differences relating to borrowings, to the extent that they are regarded as an adjustment to interest costs, are also capitalized. The gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity borrowed funds in its functional currency, and borrowing costs actually incurred on foreign currency borrowings.

Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are initially recognized at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts and currency/interest rate swap instruments. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognized in the consolidated income statement.

The hedging transactions of the Group that qualify for hedge accounting are accounted for as follows:

2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Derivative Financial Instruments and Hedging Activities (Continued)

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of hedged asset or liability attributable to the hedged risk is recorded as part of the carrying value of the hedged asset or liability during the effective hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortized using a recalculated effective interest rate.

Cash flow hedge

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognized in equity as “hedging reserves”. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognized under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognized under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognized in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

Foreign currency hedge of net investments in foreign operations

Gains or losses on the hedging instrument relating to the effective portion of the foreign currency hedge of net investments in foreign operations are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement.

On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the income statement.

Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

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2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Financial Assets

Classification

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Those with maturities greater than 12 months are classified as non-current assets. The Company’s receivables are classified as “trade and other receivables” in the statements of financial position.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the related investments within 12 months of the balance sheet date.

Held to Maturity Financial Assets

Debt securities with fixed maturities, where management has both the intent and the ability to hold to the maturity, excluding the financial assets classified as originated loans and advances to customers are classified as “held-to-maturity financial assets”. Held-to-maturity financial assets are carried at amortized cost using the effective yield method.

Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Loans and receivables are carried at amortized cost using the effective yield method.

Loans and receivables are accounted for at amortized cost using the effective interest rate method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analyzed for translation differences resulting from changes in amortized cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognized in the income statement; translation differences on non-monetary securities are recognized in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in equity. Held-for-trading derivative financial instruments are initially recognized in the financial statements at cost and are subsequently measured at their fair value. Changes in the fair values of held-for-trading derivative financial instruments are included in the statements of income. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models. If the market for a financial asset is not active and the fair value of the financial asset cannot be measured reliably, aforementioned financial assets are accounted for cost minus impairment in the financial statements.

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2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Financial Assets (Continued)

Recognition and Measurement (Continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the statement of income. Impairment losses recognized in the statement of income on equity instruments are not reversed through the statement of income.

Repurchase and Resale Transactions

Securities purchased under agreements to resell are recorded as cash and cash equivalents in the consolidated financial statements. The difference between the purchase and resale price of these repurchase agreements is treated as interest income and accrued over the life of the reverse repurchase agreement.

Loans and Advances to Customers

Financial assets generated as a result of lending money or providing a loan are classified as loans and advances to customers and are carried at amortized cost, less any impairment. All loans and advances are recognized in the consolidated financial statements when cash is transferred to customers.

A credit risk provision for loan impairment is recognized if there is objective evidence that the Group will not be able to collect all the amounts due. The amount of the provision for impaired loans and loans under legal follow up is the difference between the carrying amount and the recoverable amount. The recoverable amount is the net present value of the expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the associated loan.

The provision for loan impairment also covers losses where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. The amount of provision is estimated based upon the Group's credit risk policy, the structure of the existing loan portfolio, historical patterns of losses in each component, the internal credit risk rating of the borrowers and the current economic climate in which the borrowers operate.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement. When a loan or receivable is uncollectible, it is written off against the allowance account for loans or receivables on the balance sheet. Subsequent recoveries of amounts previously impaired are credited against the allowance account on the balance sheet and accounted for as an income in the related provision account in the income statement.

Trade Receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

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2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Financial Liabilities

Financial liabilities are recognized initially at fair value and at directly attributable transaction costs and after initial recognition; financial liabilities are subsequently measured at amortized cost by using the effective interest rate method. Effective interest rate method is the amortized cost method and allocation of the related interest expenses to the related periods. Effective interest rate is the rate reducing the future expected cash payments to present value of the financial liability within an expected life of the asset or in a shorter period.

Trade Payables

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank deposits with original maturities of more than three months are classified under short-term financial investments.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method in the scope of IFRS 3. 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.

In accordance with IFRS 3, 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. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

Nurol İnşaat owned 21.6% shares of Otoyol Yatırım İşletme A.Ş in 2012. Otoyol Yatırım İşletme A.Ş. has decided to increase its share capital from TL 250 million to TL 1 billion on 16 July 2013. In addition, Nurol İnşaat has increased its shares to 26.98% by purchasing shares of Yüksel İnşaat A.Ş. and Göçay İnşaat Taahhüt ve Ticaret A.Ş. With this purchase, for the 5% share, goodwill in the amount of TL 23,333 thousand was paid (Note 20).

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2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Business Combinations and Goodwill (Continued)

Nurol Holding, purchased 100% shares of Batı Anadolu Madencilik Sanayi ve Ticaret A.Ş. in 2014. The Group has paid TL 95,948 thousand for TL 45,745 thousand capital of Batı Anadolu Madencilik Sanayi ve Ticaret A.Ş. TL 50,204 thousand goodwill was paid during this purchase (Note 20).

Earnings / (Loss) Per Share

Earnings per share stated in the income statement are determined by dividing the net income per share of the parent company by the weighted average number of shares in the related year.

Companies in Turkey can increase their capital by distributing shares (“bonus shares”) to existing shareholders from retained earnings and equity inflation adjustment differences. When earnings per share are calculated, these bonus shares are considered as issued shares. Therefore, the weighted average share weight used in calculating the earnings per share is obtained by retrospectively considering the bonus shares received.

Events After the Reporting Date

The Group adjusts the amounts recognized in its financial statements to reflect adjusting events occurring after the reporting date. If non-adjusting events after the reporting date have material influence on the economic decisions of users of the financial statements, they are disclosed in the notes to the financial statements.

Provisions, Contingent Assets and Liabilities

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

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

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre- tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

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.

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2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Foreign Currency Transactions

Transactions in foreign currencies during the periods have been translated at the exchange rates prevailing at the dates of these transactions using the Turkish Central Bank buying exchange rates. Balance sheet items denominated in foreign currencies have been translated at the exchange rates prevailing at the balance sheet dates. The foreign exchange gains and losses are recognized in the income statement.

	30.06.2020	31.12.2019	30.06.2019
USD	6.8422	5.9402	5.7551
EUR	7.7082	6.6506	6.5507
GBP	8.4282	7.7765	7.2855
DZD (Algerian Dinar)	0.0531	0.0499	5.3317
LYD (Libyan Dinar)	4.8947	4.1566	0.04839
GEL (Georgian Lari)	2.2418	2.0639	4.07909
CHF (Swiss Franc)	7.2161	6.0932	2.0052
SAR (Saudi Arabian Riyal)	1.8240	1.5834	5.8894
AED (United Arab Emirates Dirham)	1.8644	1.6186	1.5345
MAD (Moroccan Dirham)	0.7022	0.6174	1.5682
IQD (Iraq Dinar)	0.0057	0.0050	0.59954
RUB (Russian Rubble)	0.0972	0.0955	0.0048

Onerous Contracts

A contract is considered onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received by the Group. Present obligations arising under onerous contracts are measured and recognized as a provision.

Government Grants and Incentives

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

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2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Employee Benefits

Employment termination benefits, as required by the Turkish Labor Law, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Group is obliged to pay employment termination benefit to all personnel in cases of termination of employment without due cause, call for military service, retirement or death upon the completion of a minimum one year service. The provision which is allocated by using the defined benefit pension's current value is calculated by using the estimated liability method. All actuarial gains and losses are recognized in the equity.

Discontinued Operations

A component of the Company that either has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations; is a part of single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The Company measures assets related to its discontinued operations with the lower of carrying value and fair value less cost to sell.

As of 31 December 2019 and 2018, Nurol Makina, Çelik İşletmeleri and as of 31 December 2018 Nurol Libya Branch classified as “Discontinued Operations” and presented separately in the financial statements (Note 38).

EBITDA

EBITDA is defined as earnings before interest expense, income tax expense (benefit), depreciation and amortization. This information should be read with the statements of cash flows contained in the accompanying financial statements.

Statement of Cash Flows

The Group prepares statements of cash flows as an integral part of its of financial statements to enable financial statement analysis about the change in its net assets, financial structure and the ability to direct cash flow amounts and timing according to evolving conditions. Cash flows include those from operating activities, working capital, investing activities and financing activities.

Cash flows from operating activities represent cash flows arising from the operations of the Group. Cash flows related to investing activities represent the cash flows the Group uses in its investment activities (fixed investments and financial investments). Cash flows related to financing activities represent the resources the Group uses in its financing activities and the repayments of those resources.

Current Income Tax and Deferred Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized directly in equity. In such case, the tax is recognized in shareholders' equity.

Current year tax liability consists of the taxes calculated over the taxable portion of the current year income by reference to corporate income tax rates enacted as of the balance sheet date and adjustments provided for previous years' income tax liabilities.

Deferred tax liability or asset is recognized on 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. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and tax regulations that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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2. Basis of Presentation of the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Current Income Tax and Deferred Tax (Continued)

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

When the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset accordingly.

Critical Accounting Judgements and Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Critical judgements in applying the Group’s accounting policies

In the process of applying the accounting policies, which are described in note 2.6., management has made the following judgements that have the most 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 Company’s belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then provision is set for some portion of or all of the deferred tax assets (Note 34).

Provisions, contingent liabilities and contingent assets

The Group recognizes a legal or constructive obligation as a result of past events when it is probable that the economic benefits will flow in order to settle the obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The contingent liabilities are not reflected in the financial statements but disclosed in footnotes if the circumstances necessitating the transfer of resources are not highly probable. The contingent assets are disclosed in the footnotes if they are not reflected in the financial statements but are likely to generate economic benefits. Litigation provisions and warranty expense provisions are classified in this scope (Note 25).

Liabilities with Respect to Employee Benefits

The Group makes various assumptions on discount, inflation rate, wage increase rate, the probability of quitting voluntarily for calculating provisions for employee benefits and retirement pays (Note 26).

2. Basis of Presentation of the Financial Statements (Continued)

Critical Accounting Judgements and Estimates (Continued)

Useful Lives of Property, Plant and Equipment and Intangible Assets

The Group amortizes the non-current assets based on the useful lives of those assets stated in the accounting policies (Note 21-24).

Reasonable Valuation of Investment Properties

In the consolidated financial Statements, the “Market Approach” method was used for the years when the fair value of the immovables classified as investment property is calculated (Note 22).

Completion Percentage

The Group uses the percentage of completion method in accounting the projects within the scope of TAS 11 "Construction Contracts". According to this method, the ratio of the contract expense realized until a certain date to the estimated total cost of the contract is calculated. In addition, for projects that are predicted to end with a loss, provision for loss is calculated (Note 17). The estimation of the total costs of the projects includes future assumptions with significant risks that may cause major adjustments in the book value of the next period assets and liabilities. In cases where purchases and collections in multiple currencies for projects within the scope of TAS 11 "Construction Contracts" are in question, the contract amount and cost are determined by considering the weighted currency.

Escalation

As of financial reporting periods, the amounts of contracts subject to escalation among the projects within the scope of TAS 11 "Construction Contracts" are calculated and estimated as specified in the contract provisions.

3. Interests in Other Entities

The disclosures related to Company’s subsidiaries, business associations and affiliate’s names, affiliated country and ownership rates are presented in Note 1.

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4. Segment Reporting

30 June 2020	Holding	Construction	Energy	Manufacturing	Service	Tourism	Finance (Bank)	Property	Eliminations	Total
Total Assets	3,259,231	9,563,811	1,258,763	11,214,591	116,457	365,379	3,710,714	1,609,390	(5,430,439)	25,667,897
Total Liabilities	3,259,231	9,563,811	1,258,763	11,214,591	116,457	365,379	3,710,714	1,609,390	(5,430,439)	25,667,897
31 December 2019	Holding	Construction	Energy	Manufacturing	Service	Tourism	Finance (Bank)	Property	Eliminations	Total
Total Assets	2,926,796	9,130,078	1,198,110	10,606,114	117,691	373,209	3,253,950	1,744,072	(4,479,731)	24,870,289
Total Liabilities	2,926,796	9,130,078	1,198,110	10,606,113	117,692	373,209	3,253,950	1,744,072	(4,479,731)	24,870,289

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4. Segment Reporting (Continued)

	1 January – 30 June 2020	Holding	Construction	Energy	Manufacturing	Service	Tourism	Finance (Bank)	Property	Eliminations	Total
Revenue	26,606	1,436,293	166,683	1,425,182	11,654	20,461	--	101,706	(111,224)	3,077,361	
Finance sector operating income	--	--	--	--	--	--	236,761	--	--	236,761	
Cost of sales (-)	(24,475)	(1,342,193)	(109,216)	(851,171)	(13,117)	(15,325)	--	(40,347)	53,822	(2,342,022)	
Finance sector operating cost (-)	--	--	--	--	--	--	(96,175)	--	--	(96,175)	
Gross profit/(loss)	2,131	94,100	57,467	574,011	(1,463)	5,136	140,586	61,359	(57,402)	875,925	
Operating expenses (-)	(3,546)	(75,025)	(14,095)	(156,929)	(7,545)	(11,567)	(32,076)	(22,890)	57,402	(266,271)	
Other operating income / (expenses), net	(3,580)	(13,128)	(416)	2,450	100	434	(4,705)	2,400	--	(16,445)	
Shares from profit / (loss) from investments revalued with the equity method	--	642,424	--	--	--	--	--	--	--	642,424	
Operating profit/(loss)	(4,995)	648,371	42,956	419,532	(8,908)	(5,997)	103,805	40,869	--	1,235,633	
Income / (expenses) from investing activities, net	114,472	1,561	148	30	411	163	(29,391)	--	(114,295)	(26,901)	
Financial income / (expenses), net	(158,000)	(822,091)	(107,953)	(138,087)	33	(49,410)	--	(167,521)	--	(1,443,029)	
Profit/(loss) before tax from continued operations	(48,523)	(172,159)	(64,849)	281,475	(8,464)	(55,244)	74,414	(126,652)	(114,295)	(234,297)	
Tax expense for the year	--	--	--	--	--	--	(17,271)	--	--	(17,271)	
Deferred tax income / (expense)	92	(10,192)	(2,979)	(41,772)	1,561	12	--	(123)	--	(53,401)	
Net profit/(loss) for the continued operations period	(48,431)	(182,351)	(67,828)	239,703	(6,903)	(55,232)	57,143	(126,775)	(114,295)	(304,969)	

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4. Segment Reporting (Continued)

	1 January – 30 June 2019	Holding	Construction	Energy	Manufacturing	Service	Tourism	Finance (Bank)	Property Eliminations	Total
Revenue	19,858	1,686,101	149,978	1,722,511	16,596	39,875	--	139,761	(96,484)	3,678,196
Finance sector operating income	--	--	--	--	--	--	--	219,231	--	219,231
Cost of sales (-)	(18,396)	(1,549,871)	(84,005)	(1,105,009)	(17,584)	(25,017)	--	(73,083)	62,510	(2,810,455)
Finance sector operating cost (-)	--	--	--	--	--	--	--	(142,832)	--	(142,832)
Gross profit/(loss)	1,462	136,230	65,973	617,502	(988)	14,858	14,858	76,399	(33,974)	944,140
Operating expenses (-)	(5,582)	(45,454)	(13,886)	(152,325)	(7,340)	(12,716)	(31,695)	(16,652)	33,973	(251,677)
Other operating income / (expenses), net	(795)	422	(359)	(2,285)	17	(202)	3,158	1,010	--	966
Shares from profit / (loss) from investments revalued with the equity method	--	233,930	--	--	--	--	--	--	--	233,930
Operating profit/(loss)	(4,915)	325,128	51,728	462,892	(8,311)	1,940	47,862	51,036	(1)	927,359
Income /(expenses) from investing activities, net	171,726	12,866	105	168	13	641	6,257	3,885	(183,380)	12,281
Financial income /(expenses), net	(137,282)	(625,457)	(34,509)	(121,784)	1,251	(37,696)	--	(209,873)	--	(1,165,350)
Profit/(loss) before tax from continued operations	29,529	(287,463)	17,324	341,276	(7,047)	(35,115)	54,119	(154,952)	(183,381)	(225,710)
Tax expense for the year	--	--	--	--	--	--	(11,047)	--	--	(11,047)
Deferred tax income/(expense)	658	95,412	2,670	(18,363)	377	2,049	1,242	29	--	84,074
Net profit/(loss) for the continued operations period	30,187	(192,051)	19,994	322,913	(6,670)	(33,066)	44,314	(154,923)	(183,381)	(152,683)

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5. Related Party Disclosures

a) Trade receivables from related parties	30.06.2020	31.12.2019
Çarmıklı Family	43,265	27,007
Otoyol Yatırım ve İşletme A.Ş.	2,147	5,897
Otoyol İşletme ve Bakım A.Ş.	1,160	1,150
Nurol Life Site Administration	901	689
BAE Systems (Operations) Limited	--	477
Other	211	992
	47,684	36,212
b) Trade payables to related parties	30.06.2020	31.12.2019
Otoyol İşletme ve Bakım A.Ş.	25,508	1
SGO İnşaat Sanayi ve Ticaret A.Ş.	500	--
BAE Systems (Operations) Limited	285	16
Nurol Tower Site Administration	135	169
Nurol Park Site Administration	--	34
Çarmad Madencilik Sanayi ve Ticaret LTD. ŞTİ.	--	8
Nurol Konakları Toplu Yapı Yönetim Kurulu	--	7
Nurol Plaza Administration	--	3
Other	30	50
	26,458	288
c) Other receivables from related parties	30.06.2020	31.12.2019
Çarmıklı Family	179,713	145,862
Otoyol Yatırım ve İşletme A.Ş.	2	3,537
Other	25	--
	179,740	149,399
d) Other long-term receivables from related parties	30.06.2020	31.12.2019
Otoyol Yatırım ve İşletme A.Ş.	29,807	--
	29,807	--

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5. Related Party Disclosures (Continued)

e) Other short-term payables to related parties	30.06.2020	31.12.2019
Çarmıklı Family	66,077	13,308
Nurol Eğitim Kültür ve Spor Vakfı	66	--
Nurol Plaza Management	1	--
	66,144	13,308

6. Cash and Cash Equivalents

	30.06.2020	31.12.2019
Cash on hand	7,859	5,893
Cash at banks		
- demand deposit	451,455	565,085
- time deposit	427,274	471,568
- blocked deposit	32,734	121,549
Due from banks and financial institutions	737,006	472,358
Central Bank deposit reserve (*)	94,073	149,683
Credit card receivables	1,233	3,769
	1,751,634	1,789,905

As of 30 June 2020 the group has blocked deposits amounting to TL 32,734 thousand in its assignment account for loan payment (31 December 2019: TL 121,549 thousand).

(*)According to the regulations made by the T.C. Central bank, banks must reserve some of their specific resource accounts according to the relevant decrees. Such mandatory reserves are not suitable for use in the day-to-day operation of banks.

As of 30 June 2020 and 31 December 2019, the bank details per company is listed below;

	30.06.2020	31.12.2019
FNSS	364,241	308,734
Nurol İnşaat	267,023	448,715
Nurol Makina	94,616	146,194
Nurol Holding	51,501	29,754
Nurol Gayrimenkul	48,553	139,092
Tümad Madencilik	44,379	15,579
Enova Enerji	17,879	9,896
Nurol Göksu	4,741	2,288
Nurol BAE	4,201	12,662
Nurol Teknoloji	2,521	2,526
Turser	1,077	27,150
Nurol Yatırım Bankası	4	3
Other	10,727	15,609
	911,463	1,158,202

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7. Trade Receivables and Payables

Current trade receivables	30.06.2020	31.12.2019
Trade Receivables		
- Nurol İnşaat ve Ticaret A.Ş.	3,601	2,429
- Nurol LLC (B.A.E.) (*)	184,640	276,877
- Nurol Georgia Branch	1,352	3,496
- Nurol Algeria Branch	605,478	496,957
- Nurol Iraq Branch	--	--
- Nurol Morocco Branch	2,639	2,304
- Nurol Cengiz Joint Venture	538	398
- Nurol Cengiz Hasankeyf Joint Venture	1,071	78
- Nurol Gülermak Joint Venture	18,529	4,448
- Nurol Gülermak Makyol Joint Venture	424	148
- Nurol Mesa Joint Venture	814	1,430
- Gülsan Nurol Joint Venture	496	3
- FNSS	648,133	846,953
- Nurol Makina	628,973	685,974
- Nurol Holding	234	135
- Nurol BAE Systems	431	1,859
Trade receivables from related parties (Note 5)	47,684	36,212
Other trade receivables	79,257	65,024
Notes receivable (*)	21,504	35,836
Doubtful receivables	12,883	12,443
Provision for doubtful receivables	(12,883)	(12,443)
	2,245,798	2,460,561
Non-current trade receivables	30.06.2020	31.12.2019
Notes receivable (*)	2,081	6,081
Non-current trade receivables (Nurol İnşaat)	1,540	1,410
	3,621	7,491

(*) As of June 30, 2020, TL 1,922 of the Group's receivables consists of the notes received by Nurol Gayrimenkul for the units sold within the scope of Nurol Park and Nurol Life projects.

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7. Trade Receivables and Payables (Continued)

Current trade payables	30.06.2020	31.12.2019
Trade payables		
- Nurol İnşaat ve Ticaret A.Ş.	44,556	47,581
- Nurol LLC (B.A.E.) (*)	283,468	476,145
- Nurol Algeria Branch	197,364	13,050
- Nurol Gülermak Makyol Joint Venture	29,014	7,210
- Nömayg Joint Venture	7,632	6,699
- Özgün Nurol Joint Venture	4,004	4,768
- Nurol Cengiz Joint Venture	2,297	3,458
- Gülsan Nurol Joint Venture	4,528	3,405
- Nurol Cengiz Hasankeyf Joint Venture	421	1,170
- Nurol Yüksel YDA Özka Joint Venture	110	1,049
- Nurol Gülermak Joint Venture	261	1,010
- Nurol Mesa Joint Venture	678	732
- Nurol Gama Joint Venture	17	80
- Nurol Morocco Branch	11	93
- Nurol Makina	464,040	759,164
- FNSS	346,103	472,406
- Tümad Madencilik	139,696	172,219
- Nurol Teknoloji	47,534	54,063
- Enova Enerji	46,440	38,738
- Nurol Göksu	178	134
Current time deposits from purchases of real estate	7,069	10,367
Current accounts of loan customers (Nurol Yatırım Bankası)	974,025	963,645
Due to related parties	26,458	288
Other trade payables	45,622	39,447
Notes payable (*)	6,821	5,940
	2,678,347	3,082,861

(*) Trade payables of Nurol LLC will be paid in line with collections of receivables from of its construction project receivables.

Non-Current trade payables	30.06.2020	31.12.2019
Nurol İnşaat non-current trade receivables (*)	584,193	501,045
Notes payable (**)	3,388	8,910
	587,581	509,955

(*) Non-current trade payables consist of transit trade transactions within the scope of Nurol İnşaat’s supply of construction materials abroad.

(**) Non-current debt securities consist of debt securities given by Tümad Madencilik for licenses obtained from Ocean Partners Investment Limited Group.

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8. Financial Investments

	30.06.2020	31.12.2019
Current		
Available-for-sale financial investments (Rockland) (*)	11,667	11,856
Stock shares	4,894	9,054
	16,561	20,910

(*) Rockland Ltd. Şti. was established in Moscow - Russia for shoe production. Nurol Holding has invested in this company for investment purposes.

9. Receivables from Financial Sector Activities

	30.06.2020	31.12.2019
Current		
Current loan receivables	810,228	1,227,326
Assets held for sale (*)	287,337	223,545
Held for sale trading investments - Nurol Bank		
- Turkish government bonds -TL	3,581	11,937
Held for sale - Nurol Bank (**)		
- Debt instruments - TL (a)	93,824	67,205
- Equity instruments (b)	88,843	51,001
	1,283,813	1,581,014
Non-current		
Non-current loan receivables	703,290	600,415
Receivables from other financial operations	24,577	16,895
	727,867	617,310

(*) The valuation amount of other investment properties in this account is TL 47,260 and the total amount of investment properties is TL 287,337 (December 31, 2019: TL 223,545).

(**) (a) Available-for-sale debt instruments that are contained in government bonds in Turkish lira, amounted to 7,258 TL (31 December 2019: 477 TL); Turkish lira private sector bonds, in 75,689 TL (31 December 2019: 3,866). Bank bonds amount to TL 7,157 in Turkish Lira (31 December 2019: TL 6,134). Eurobond amounts to TL 78,712 thousand in Turkish Lira (31 December 2019: TL 56,032).

(b) Nurol Investment Bank as of December 31, 2019 Nurol Real Estate Investment Trust A.P. it holds an 11.60% stake in and the investment is accounted for Under available-for-sale investments, although the bank has no obvious influence over the company. Shares are accounted for at market prices as of the balance sheet date.

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10. Financial Liabilities

Current financial liabilities	30.06.2020	31.12.2019
Current bank borrowings	5,470,147	3,808,202
Financial lease payables	117,472	106,688
Interest accruals	71,768	95,015
Total current financial liabilities	5,659,387	4,009,905
Non-current financial liabilities	30.06.2020	31.12.2019
Non-current bank borrowings	6,558,413	7,388,980
Financial lease payables	223,880	249,757
Total non-current financial liabilities	6,782,293	7,638,737
Total financial liabilities	12,441,680	11,648,642

December June 30, 2020 and December 31, 2019, current financial liabilities are as follows:

Current	Average interest rate %	Foreign currency		Amount “TL”	
		30.06.2020	31.12.2019	30.06.2020	31.12.2019
Bank borrowings					
- TL	9.04% - 18.33%	--	--	1,449,677	944,901
- USD	3.08% - 8.27%	596,664	402,476	4,082,495	2,390,788
- EUR	4.50%	72,235	30,614	556,798	203,604
Nurol B.A.E. loans		69,965	166,137	130,443	268,909
Interest accruals		--	--	71,950	95,015
Financial lease liabilities					
- EUR		11,153	10,624	85,971	70,655
- USD		--	--	--	--
- TL		--	--	31,501	36,033
				6,408,835	4,009,905

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10. Financial Liabilities (Continued)

Non-current	Average interest rate %	Foreign currency		Amount “TL”	
		30.06.2020	31.12.2019	30.06.2020	31.12.2019
<u>Bank borrowings</u>					
- TL	11.50% - 13%	--	--	1,066,917	658,179
- USD	4.50% - 6.75%	272,098	449,503	1,861,747	2,670,139
- EUR	3% - 6.34%	--	4,729	--	31,452
Nurol B.A.E loans		92,938	105,750	173,274	158,272
Georgia Branch loans		--	27,685	--	44,364
<u>Financial lease payables</u>					
- EUR		21,087	38,033	162,540	178,393
- TL		--	--	61,340	71,364
<u>Reclassified financial liabilities (*)</u>					
- TL	13.50%	--	--	2,386,985	2,800,760
- USD	4.50% - 6.75%	86,083	225,148	588,997	527,770
- EUR	3%-6.34%	62,335	75,007	480,493	498,044
				6,782,293	7,638,737

(*) Bank loans are received in connection with the undertaking activity. Based on the agreements (written or verbal) made with the lending banks, the repayments of the loans are paid with the progress payments of the construction works. Depending on the status of the project, the maturity dates of the loans have been changed, subject to extensions in the investment completion periods. For this reason, reclassified bank loans are noncurrent loans although they are seen as short-term in legal forms. Therefore, reclassified bank loans are included in long term financial liabilities.

Letter of guarantee issued by Nurol Holding and its subsidiaries for bank loans, guarantee check, guarantees of the company's partners and Nurol Holding in the note of provisions, contingent assets and liabilities (Note 25).

11. Funds Borrowed

	30.06.2020			31.12.2019		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Funds borrowed	448,767	565,714	1,014,481	409,922	463,010	872,932
Obligations under repurchase agreements	155,801	79,429	235,230	3,538	28,169	31,707
			1,249,711			904,639

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11. Funds Borrowed (Continued)

The effective interest rate on borrowed funds is 3.26% in US dollars (December 31, 2019: 4.73%), 1.89% in euros (December 31, 2019: 1.75%) and 7.97% in Turkish Lira. (December 31, 2019: 10.70%). Borrowed funds have fixed interest rates as of June 30, 2020 and 2019.

As of 30 June 2020 and 31 December 2019 funds borrowed are unsecured. The bank has not had a default of principle, interest or redemption amounts or other breaches of loans covenants as of 30 June 2020 (December 31, 2019: None).

12. Debt Securities Issued

	30.06.2020			31.12.2019		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Current						
Debt bills issuance (*)	732,696	--	732,696	763,268	--	763,268
Securities issuance (**)	500,000	--	500,000	500,000	--	500,000
			1,232,696			1,263,268
	30.06.2020			31.12.2019		
	TL	Foreign currency	Total	TL	Foreign currency	Total
Non-current						
Debt bills issuance (*)	--	34,261	34,261	--	29,761	29,761
Securities issuance (**)	300,000	70,123	370,123	300,000	60,544	360,544
			404,384			390,305

(*) Nurol Yatırım Bankası has issued Eurobond on March 31, 2016 with a nominal value of USD 10,000,000, 10 years maturity and fixed interest rate of 10%, having a coupon payments every six months and received a loan on 27 December 2016 from World Business Capital at an amount of USD 5,000,000 with an interest rate of 6.65%, 10 years maturity, floating rate and quarterly interest payment (31 December 2018 – USD 15,000,000).

(**) As of 30 June 2020, Nurol Holding has issued bonds and securities in the amount of TL 800 million through Nurol Yatırım Bankası A.Ş.

(*) Nurol Yatırım Bankası A.Ş. launched to qualified investors bonds; as at 11 September 2019, the nominal value is TL 100,000 thousand, interest rate is 17% and 121 days maturity; As at 17 October 2019, the nominal value is TL 50,000 thousand, interest rate is 15.50% and 91 days maturity; On 25 October 2019, the nominal value of TL 50,000 thousand, interest rate 14.50% and 103 days maturity; As at 7 November 2019, the nominal value is TL 100,000 thousand and the interest rate is 13.85% and 98 days maturity; As at 4 December 2019, the nominal value is TL 100,000 thousand and the interest rate is 12.50% and 84 days maturity; As at 1 March 2019, the nominal value is TL 50,000 thousand, the interest rate is 23% and the term is 371 days; As at 25 December 2019, the nominal value is TL 80,000 thousand, the interest rate is 11% and 77 days maturity, As at 27 June 2019, the nominal value is TL 100,000 thousand, the interest rate is 25% and 364 days term; As at 28 August 2019, the nominal value of TL 50,000 thousand, the interest rate is 16.5% and 364 days maturity, 28 November 2019, with a nominal value of TL 50,000 thousand, an interest rate of 12 % and 364 days maturity, as at 4 September 2019 with a nominal value of TL 50,000 thousand, an interest rate of 14.9 % and 167 days maturity, as at 17 September 2019 with a nominal value of TL 50,000 thousand, an interest rate of 15.7 % and 167 days maturity, as of 25 December 2019 with a nominal value of TL 50,000 thousand, an interest rate of 10.85 % and 85 days maturity.

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12. Debt Securities Issued (Continued)

- (*) Nurol Yatırım Bankası launched to qualified investors bonds; as at 16 April 2020, the nominal value is TL 50,000 thousand, interest rate is 11.20% and 97 days maturity; As at 24 April 2020, the nominal value is TL 50,000 thousand, interest rate is 11.25% and 110 days maturity; As at 30 April 2020, the nominal value of TL 100,000 thousand, interest rate 10.30% and 111 days maturity; As at 8 May 2020, the nominal value is TL 140,000 thousand and the interest rate is 10.00% and 117 days maturity; As at 13 May 2020, the nominal value is TL 80,000 thousand and the interest rate is 10.00% and 121 days maturity; As at 27 May 2020, the nominal value is TL 50,000 thousand, the interest rate is 9% and the term is 364 days; As at 1 June 2020, the nominal value is TL 50,000 thousand, the interest rate is 9% and 730 days maturity, As at 3 June 2020, the nominal value is TL 50,000 thousand, the interest rate is 8.75% and 105 days term; As at 11 June 2020, the nominal value of TL 50,000 thousand, the interest rate is 9.25% and 106 days maturity, 25 June 2020, with a nominal value of TL 50,000 thousand, an interest rate of 9.25% and 732 days maturity.

13. Other Receivables and Payables

Other current receivables	30.06.2020	31.12.2019
Due from related parties (Note 5)	179,740	149,399
Advances given to personnel	13,292	5,084
Deposits and guarantees given		
- Nurol B.A.E.	6,613	17,903
- Nurol Morocco Branch	21	18
- Nurol Gama Joint Venture	10	30
- Nurol Gayrimenkul Yatırım Ortaklığı A.Ş.	5,808	5,808
- FNSS	--	1,545
- Nurol Makina	133	119
- Other deposits and guarantees given	240	215
Other doubtful receivables		--
- Nurol Holding	314	156
- Nurol İnşaat	458	216
Other doubtful receivables	187	60
Provision for doubtful other receivables (-)	(959)	(432)
Other	4,099	330
	209,956	180,451
Other non-current receivables	30.06.2020	31.12.2019
Due from related parties (Note 5)	29,807	--
Deposits and guarantees given	19,883	9,032
	49,690	9,032
Other current payables	30.06.2020	31.12.2019
Due to related parties (Note 5)	66,144	13,308
Deposits and guarantees received	36,208	53,451
Other	10,445	5,636
	112,797	72,395
Other non-current payables	30.06.2020	31.12.2019
Deposits and guarantees received	374	419
	374	419

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14. Inventories

	30.06.2020	31.12.2019
Raw materials		
- Nurol Makina (*)	688,225	273,839
- Tümad	110,262	86,288
- FNSS	85,786	67,813
- Nurol Teknoloji	82,745	71,604
- Nurol İnşaat ve Ticaret A.Ş.	33,104	40,664
-Other Group Companies	891	33
Semi-finished Goods		
- Nurol Makina (*)	155,655	169,605
- Tümad	123,483	70,841
- Nurol Teknoloji	38,600	5,573
- Nurol İnşaat ve Ticaret A.Ş. (***)	250,637	112,441
Finished Goods		
- Nurol Teknoloji (****)	207,712	199,499
- Nurol Makine	33,187	264,044
- Nurol İnşaat ve Ticaret A.Ş. (***)	27,550	42,404
- Tümad	9,731	521
Trade goods		
- Nurol Georgia	1,647	1,312
- Other Group Companies	451	1,465
Nurol Gayrimenkul trade goods (**)	323,168	360,814
Other inventories	76,135	40,423
	2,248,969	1,809,183

(*) Consists of raw materials and semi-finished products that Nurol Makina receives for its projects in the Defense Industry.

(**) TL 360,814 thousand of the merchandises is comprised of the developing and finished residence construction projects of Nurol Gayrimenkul Yatırım Ortaklığı A.Ş. The amount is comprised of 3 projects.

	30.06.2020	31.12.2019
Nurol Tower Project	209,266	48,627
Nurol Park Project	75,573	216,951
Nurol Life Project	38,329	95,236
	323,168	360,814

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14. Inventories (Continued)

(***) TL 5,745 thousand is comprises of Zekeriyaköy villas, and TL 244,932 thousand is comprised of Mesa Nurool Yeşilyaka villas. All of work in process is made of Mesa Nurool Yeşilyaka villas.

Zekeriyaköy villas project comprises of construction of 26 villas, social facilities and general areas on a land of 6,698 m2. The project’s construction license has been taken and project’s application works are ongoing.

Within the scope of Mesa Nurool Yeşilyaka project, Koru villas project comprises of 173 villas, social facilities and general areas construction of 320 thousand m2 area with 67,543.05 m2 of construction area. Koru project is constructed in 3 phases. First phase consists of 56 villas. The residences that were sold from the first phase are recorded in the income statement accounts and the awaiting for sale villas of TL 36.1 million is accounted under the finished goods. On the other hand, 203 villas under construction of the 2nd stage villa project named Su are being followed under the housing construction projects under development and ongoing construction.

(****) The Group’s raw materials are mainly comprised of boron carbide, silicium carbide, aluminum special ballistic fabric and armoured steel used for the production of ballistic vest, ballistic plate, ballistic shield and armoured cabin and visors. The Group’s finished goods are comprised of ballistic armoured solutions which include ballistic shield, armoured cabin and visors produces with raw materials.

15. Prepaid Expenses and Deferred Income

Prepaid expenses in current assets	30.06.2020	31.12.2019
Order advances given for inventories		
- FNSS	140,589	87,084
- Nurool Gayrimenkul	5,723	11,684
- Nurool İnşaat ve Ticaret A.Ş.	2,887	926
- Tümad Madencilik	877	7,621
- Nurool Makina	--	15,444
- Other	11,795	491
Prepaid expenses (*)	59,077	56,251
	220,948	179,501
Prepaid expenses in non-current assets	30.06.2020	31.12.2019
Advances given for property, plant and equipment and intangible assets	350	28
Prepaid expenses (*)	20,032	16,937
	20,382	16,965

(*) Most of the expenses for the following months and years consist of insurance expenses classified in accordance with the principle of periodicity.

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15. Prepaid Expenses and Deferred Income (Continued)

Current deferred income	30.06.2020	31.12.2019
Deferred income	2,234	909
	2,234	909
Non-current deferred income	30.06.2020	31.12.2019
Deferred income	34	227
	34	227
16. Advances Received		
Current advances received	30.06.2020	31.12.2019
FNSS advances received	640,700	436,043
Nurol Makina Turkey	145,618	264,960
Nurol Teknoloji	84,700	81,968
Nurol Park ve Nurol Life Projects (Nurol Gayrimenkul)	76,851	39,047
Ümraniye-Ataşehir-Göztepe Metro Project (Nurol - Gülermak)	55,145	58,210
Other Nurol Group Companies	5,363	1,898
Mesa Nurol Yeşilyaka Konutları (Nurol İnşaat)	2,534	763
	1,010,911	882,889
Non-current advances received	30.06.2020	31.12.2019
FNSS advances received	705,568	653,278
Mesa Nurol Yeşilyaka Villas (Nurol İnşaat)	113,224	76,621
Nurol Makina Turkey	88,870	91,208
Nurol Tower Project (Nurol Gayrimenkul)	408	6,700
Other	--	543
	908,070	828,350

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	30.06.2020		31.12.2019	
	Receivables from construction and project contracts	Payables from construction and project contracts	Receivables from construction and project contracts	Payables from construction and project contracts
	%			
Nurol İnşaat:				
İlisu Dam and HEPP Pr. (Nurol Cengiz J.V.)	97	61,083	--	90,401
İzmit (NÖMAYG)	--	--	6,217	--
Hasankeyf Bridges (Nurol Cengiz Hasankeyf JV)	69	4,032	--	9,487
Ümraniye-Ataşehir-Göztepe Metro Construction Works (Nurol Gülermak JV)	3	107,885	4,221	74,019
Yusufeli Dam Bridges Construction Works (Gülsan Nurol JV)	2	23,993	--	44,569
Silifke Mut Road Project (Nurol İnşaat)	1	53,764	--	22,813
Eyiste Viaduct Construction Project (Nurol İnşaat)	25	158,489	--	90,068
Ordu Çevreyolu Construction Works (NYYÖ)	5	24,396	--	33,138
Nurol LLC Projects	--	360,128	67,494	345,659
		2,565,702	--	2,423,906
Receivables from ongoing project contracts (*)		3,359,472	77,932	3,134,060
				115,330
			30.06.2020	31.12.2019
Total Cost			1,339,105	6,321,065
Profit Margin			427,580	2,676,254
Revenue			9,711,983	8,997,319
Progress Payment			(8,131,406)	(7,252,030)
Currency translation differences			985,125	678,617
Receivables from ongoing project contracts		2,565,702		2,423,906

(*) Details of receivables from ongoing project contracts (FNSS and Nurol Makina) are below:

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18. Investments

	30.06.2020	31.12.2019
Rize İnşaat Yatırım San. ve Tic. A.Ş.	1,523	1,523
Otoyol Deniz Taşımacılığı A.Ş.	1,510	1,510
Otoyol İşletme ve Bakım A.Ş.	1,297	1,297
Nurol Maroc Sarl AU	39	39
Finanscorp P.L.C.	16	16
Çarmad Mad. San. ve Tic. Ltd. Şti.	12	12
Turizm Rekreasyon Yatırım	0.44	0.44
Other	406	406
	4,803	4,803

19. Investments Valued by Equity Method

	30.06.2020	31.12.2019	30.06.2020	31.12.2019
Otoyol Yatırım ve İşletme A.Ş.	25.95	25.95	4,136,126	3,493,702
FNSS Middle East Co Ltd.	50	50	5,398	4,686
			4,141,524	3,498,388

As of 30 June 2020, the recorded value of Otoyol Yatırım İşletme A.Ş. in Nurol İnşaat is in the amount of TL 4,136,126 thousand (31 December 2019: TL 3,493,702 thousand) which the Group has valued using the equity method and has a share of 25.95% (31 December 2019: 25.95%). As of 30 June 2020, total equity is in the amount of TL 15,938,830 thousand.

FNSS Savunma Sistemleri A.Ş. a subsidiary of Nurol Holding has invested in FNSS Middle East Co. Ltd. located in Saudi Arabia in 2014. FNSS Savunma Sistemleri A.Ş., owns 50% of FNSS Middle East Co. and has been included in the accompanying consolidated financial statements using the equity method.

As of June 30, 2020 and June 30, 2019, profit share of investments recognized using the equity method of the Group is TL 642,424 thousand, and TL 233,930 thousand, respectively. The summary financial information of investments recognized using the equity method is summarized as follows:

	Assets	Liabilities	Equity	Net Sales	Net Profit
Otoyol Yatırım ve İşletme A.Ş.	51,478,270	33,898,989	15,507,551	2,221,893	771,228
FNSS Middle East Co Ltd.	5,076	572	4,504	--	--
	51,483,346	33,899,561	15,512,055	2,221,893	771,228

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20. Goodwill

	30.06.2020	31.12.2019
Otoyol Yatırım ve İşletme A.Ş.	23,333	23,333
Batı Anadolu Madencilik Sanayi ve Ticaret A.Ş.	50,204	50,204
	73,537	73,537

The goodwill amounts associated with cash generating units as stated in the summary of significant accounting policies conditions indicate impairment once a year or more are subject to an impairment assessment at frequent intervals. The recoverable amount of cash generating units is determined based on fair value calculations with reduced use value or sales cost.

As a result of the impairment tests carried out on the basis of cash-generating units detailed above, no impairment was detected in goodwill amounts as of June 30, 2020.

a- Otoyol Yatırım ve İşletme A.Ş.

Goodwill included in the consolidated financial statements as of 30 June 2019 and 31 December 2018 is related to the purchase of shares of Otoyol Yatırım İşletme A.Ş. in 2013. The Group purchased shares of Yüksel İnşaat A.Ş. and Göçay İnşaat Taahhüt ve Ticaret A.Ş. which are investors in Otoyol Yatırım ve İşletme A.Ş. and goodwill in the amount of TL 23,333 thousand has been paid.

b- Batı Anadolu Madencilik Sanayi ve Ticaret A.Ş.

Nurol Holding purchased 100% shares of Batı Anadolu Madencilik Sanayi ve Ticaret A.Ş. in 2014. The Group has paid TL 95,948 thousand for the capital TL 45,745 thousand of Batı Anadolu Madencilik Sanayi ve Ticaret A.Ş. Goodwill in the amount of TL 50,204 thousand has been paid for this purchase.

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21. Property, Plant and Equipment	31.12.2019	Additions	Disposals	Nurol Arabia Exiting Consolidation	Foreign currency translation differences	Transfer	30.06.2020
a) Other fixed assets							
Cost							
Land	110,284	--	--	--	9,118	--	119,402
Land improvements	201,556	12,051	--	--	30,446	2,887	246,940
Buildings	1,187,471	19,105	(4)	--	160,159	7	1,366,738
Leasehold improvements	27,333	576	--	--	73	--	27,982
Machinery and equipment	2,089,965	37,950	(5,181)	(32)	186,790	(3,253)	2,306,239
Motor vehicles	148,775	2,130	(701)	--	7,600	(69)	157,735
Fixtures and fittings	332,974	11,880	(321)	(27)	26,971	4,240	375,717
Other property, plant and equipment	414,839	9,192	--	--	32,304	--	456,335
Construction in progress	21,607	55,221	(9,378)	--	1,629	(6,781)	62,298
	4,534,804	148,105	(15,585)	(59)	455,090	(2,969)	5,119,386
Accumulated depreciation (-)							
Land improvements	37,821	12,421	--	--	5,660	--	55,902
Buildings	229,460	55,486	(41)	--	28,651	12,990	326,546
Leasehold improvements	6,956	914	--	--	45	--	7,915
Machinery and equipment	635,670	87,572	(476)	(32)	64,829	(594)	786,969
Motor vehicles	84,767	5,144	(2,604)	--	4,653	113	92,073
Fixtures and fittings	228,674	11,537	(254)	(27)	18,593	549	259,072
Other property, plant and equipment	310,715	37,337	--	--	29,829	--	377,881
	1,534,063	210,411	(3,375)	(59)	152,260	13,058	1,906,358
Net Book Value	3,000,741						3,213,028

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	21. Property, Plant and Equipment (Continued)					a) Other fixed assets(Continued)	
	31.12.2018	Additions	Disposals	Salima Exiting Consolidation	Foreign currency translation differences	Transfer	31.12.2019
Cost							
Land	117,266	260	--	--	6,719	(13,961)	110,284
Land improvements	59,897	16,163	(284)	(2,891)	7,157	121,514	201,556
Buildings	783,564	23,777	(17,708)	(73,005)	85,572	385,271	1,187,471
Leasehold improvements	27,854	1,579	--	(2,139)	55	(16)	27,333
Machinery and equipment	1,438,251	143,644	(34,544)	(21,433)	77,136	486,911	2,089,965
Motor vehicles	217,524	6,042	(4,611)	(161)	6,189	(76,208)	148,775
Fixtures and fittings	251,083	29,552	(14,872)	(9,323)	20,917	55,617	332,974
Other property, plant and equipment	296,522	20,421	(5)	(15)	46,716	51,200	414,839
Construction in progress	567,558	390,963	(10,980)	--	71,799	(997,733)	21,607
	3,759,519	632,401	(83,004)	(108,967)	322,260	12,595	4,534,804
Accumulated depreciation (-)							
Land improvements	25,693	11,285	(281)	(1,848)	3,000	(28)	37,821
Buildings	196,166	52,525	(1,643)	(32,488)	19,202	(4,302)	229,460
Leasehold improvements	10,808	891	(121)	(4,656)	37	(3)	6,956
Machinery and equipment	509,779	129,556	(25,097)	(14,256)	36,837	(1,149)	635,670
Motor vehicles	126,600	13,940	(4,364)	(182)	7,085	(58,312)	84,767
Fixtures and fittings	167,677	25,625	(12,539)	(8,016)	11,515	44,412	228,674
Other property, plant and equipment	173,750	65,701	--	--	24,141	47,123	310,715
	1,210,473	299,523	(44,045)	(61,446)	101,817	27,741	1,534,063
Net Book Value	2,549,046						3,000,741

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21. Property, Plant and Equipment (Continued)	31.12.2019	Additions	Foreign Currency Valuation	30.06.2020	
b) Mine Assets					
Acquisition Costs					
Mine development expenses (*)	513,462	29,261	77,968	620,691	
Mining rehabilitation cost	44,960	11,357	6,827	63,144	
Acquisition of mining rights (**)	108,998	441	16,551	125,990	
	667,420	41,059	101,346	809,825	
Accumulated depreciation (-)					
Mine development expenses	54,551	49,584	8,283	112,418	
Mining rehabilitation cost	3,672	4,459	558	8,689	
Acquisition of mining rights	19,886	5,418	3,020	28,324	
	78,109	59,461	11,861	149,431	
Net Book Value	589,311			660,394	
	31.12.2018	Additions	Disposals	Foreign Currency Valuation	31.12.2019
Acquisition Costs					
Mine development expenses (*)	395,442	66,960	--	51,060	513,462
Mining rehabilitation cost	7,687	36,280	--	993	44,960
Acquisition of mining rights (**)	48,343	55,188	(775)	6,242	108,998
	451,472	158,428	(775)	58,295	667,420
Accumulated depreciation (-)					
Mine development expenses	20,664	31,219	--	2,668	54,551
Mining rehabilitation cost	778	2,794	--	100	3,672
Acquisition of mining rights	11,536	7,214	(353)	1,489	19,886
	32,978	41,227	(353)	4,257	78,109
Net Book Value	418,494				589,311

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21. Property, Plant and Equipment (Continued)

b) Mine Assets

(*) Exploration, Drilling and Development Expenses in Mining:

As December June 30, 2020 and December 31, 2019, Tümad Madencilik's exploration, drilling and development expenses in the mining area are as follows:

	30.06.2020	31.12.2019
Lapseki Project	298,427	190,166
İvrindi Project	305,070	158,990
Other	17,195	46,286
	620,692	395,442

() Mining Rights:**

Tümad Madencilik has a total of 8 mining licenses. 6 of them are “operating license” and the remaining 2 are “exploration license”. Information about licenses is as follows:

<u>License (Registration)</u>	<u>Province</u>	<u>County</u>	<u>License Enforcement Date</u>	<u>Essence</u>	<u>Period</u>
86082	Çanakkale	Lapseki	4.09.2009	operating license	25 years
86474	Balıkesir	İvrindi	21.01.2014	operating license	30 years
201201358	Balıkesir	Ayvalık	10.10.2012	exploration license	7 years
201400088	Balıkesir	Havran	8.05.2014	exploration license	7 years
17798	Çanakkale	Lapseki	16.12.2019	operating license	10 years
27480	Çanakkale	Lapseki	15.11.2019	operating license	10 years
79099	Çanakkale	Lapseki	16.12.2019	operating license	10 years
69073	Çanakkale	Lapseki	16.12.2019	operating license	10 years

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22. Investment Properties

	31.12.2019	Additions	Disposals	Foreign currency translation differences	Transfer	30.06.2020
Cost						
Land						
- Nurol İnşaat	644,325	--	(32)	--	--	644,293
- Kulüp Salima	--	--	--	--	--	--
- Nurol Holding	13,583	--	--	--	--	13,583
Buildings	--					
- Nurol İnşaat	574,272	--	--	--	--	574,272
- Georgia Batumi Sheraton Hotel	485,122	--	--	13,581	--	498,703
- Turser	287,671	--	--	--	--	287,671
- Kuşadası Asena Hotel	8,565	--	--	--	--	8,565
- Nurol Holding	19,176	--	--	--	--	19,176
- Karum Offices	13,313	--	--	--	--	13,313
	2,046,027	--	(32)	13,581	--	2,059,576
Nurol Gayrimenkul:						
- Nurol Plaza	63,680	--	--	--	--	63,680
- Nurol Tower	427,764	--	(7,340)	--	--	420,424
- Oasis Bodrum	14,160	--	--	--	--	14,160
- Oasis Outlet Bağcılar	286,950	--	--	--	--	286,950
- Nurol Residence	34,940	--	--	--	--	34,940
- Karum AVM	515	--	--	--	--	515
- Nurol Life	200,348	--	--	--	--	200,348
	1,028,357	--	(7,340)	--	--	1,021,017
Accumulated depreciation (-)						
Buildings						
- Nurol İnşaat	25,409	4,578	(10)	--	--	29,977
- Georgia Batumi Sheraton Hotel	39,088	--	--	2,399	--	41,487
- Turser	98,222	2,393	--	--	(12,990)	87,625
- Nurol Holding	4,618	115	--	--	--	4,733
- Karum Offices	2,499	120	--	--	--	2,619
- Kuşadası Asena Hotel	2,131	31	--	--	--	2,162
	171,967	7,237	(10)	2,399	(12,990)	168,603
Net Book Value	2,902,417					2,911,990

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22. Investment Properties (Continued)

	31.12.2018	Additions	Disposals	Revaluation differences	Foreign currency translation differences	Transfer	31.12.2019
Cost							
Land							
- NuroI İnşaat	636,578	--	--	--	--	7,747	644,325
- Kulüp Salıma	4,500	--	(4,500)	--	--	--	--
- NuroI Holding	--	13,583	--	--	--	--	13,583
Buildings							
- NuroI İnşaat	576,263	--	--	--	--	(1,991)	574,272
- Georgia Batumi Sheraton Hotel	478,689	--	--	--	6,433	--	485,122
- Turser	287,671	--	--	--	--	--	287,671
- Kuşadası Asena Hotel	5,430	3,135	--	--	--	--	8,565
- NuroI Holding	14,860	--	--	--	--	4,316	19,176
- Karum Offices	13,394	319	(400)	--	--	--	13,313
	2,017,385	17,037	(4,900)	--	6,433	10,072	2,046,027
NuroI Gayrimenkul:							
- NuroI Plaza	61,280	--	--	2,400	--	--	63,680
- NuroI Tower	418,481	428	(1,955)	10,810	--	--	427,764
- Oasis Bodrum	12,315	--	--	1,845	--	--	14,160
- Oasis Outlet Bağcılar	283,290	--	--	3,660	--	--	286,950
- NuroI Residence	34,100	39	(2,615)	3,416	--	--	34,940
- Karum AVM	460	--	--	55	--	--	515
- NuroI Life	195,865	--	--	4,483	--	--	200,348
	1,005,791	467	(4,570)	26,669	--	--	1,028,357
Accumulated depreciation (-)							
Buildings							
- NuroI İnşaat	25,435	26	--	--	--	(52)	25,409
- Georgia Batumi Sheraton Hotel	28,929	9,233	--	--	1,184	(258)	39,088
- Turser	98,222	--	--	--	--	--	98,222
- NuroI Holding	2,310	--	--	--	--	2,308	4,618
- Karum Offices	2,150	240	--	--	109	--	2,499
- Kuşadası Asena Hotel	972	63	--	--	63	1,033	2,131
	158,018	9,562	--	--	1,356	3,031	171,967
Net Book Value	2,865,158						2,902,417

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22. Investment Properties (Continued)

- (*) Georgia Batumi Sheraton Hotel, located in the group's investment properties, was revalued in 2018 by an expert report dated October 15, 2018 issued by Colliers International. The difference in valuation between the assessed amount and the recorded amount (according to the appraisal report) is recorded in the equity in the consolidated financial statements attached to the “property, plant and equipment revaluation” account.

23. Depreciation and Amortization

	01.01- 30.06.2020
Property, plant and equipment (Note 21)	210,411
Investment properties (Note 22)	7,237
Intangible assets (Note 24)	30,053
Depreciation of mineral assets (Note 21)	59,461
	307,162

The distribution of depreciation and amortization expenses is as follows:

	01.01- 30.06.2020
Production costs	179,409
Cost of services	62,870
General administrative expenses	50,009
Marketing, selling and distribution expenses	3,384
Research and development expenses	10,232
Idle capacity expenses	1,258
	307,162

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24. Intangible Assets	31.12.2019	Additions	Disposals	Exit from consolidation	Foreign currency translation differences	Transfer	30.06.2020
Cost							
Rights	238,015	8,468	--	--	10,000	2,969	259,452
Energy licenses (*)	239,805	--	--	--	--	--	239,805
Organization expenses	64	--	--	(3)	--	--	61
Other development expenses	106,211	22,161	(133)	--	20,251	--	148,490
Other intangible assets	310	--	--	--	--	--	310
	584,405	30,629	(133)	(3)	30,251	2,969	648,118
Accumulated amortization (-)							
Rights	69,818	21,316	--	--	7,740	(68)	98,806
Energy licenses	67,472	--	--	--	--	--	67,472
Organization expenses	64	--	--	(3)	--	--	61
Other development expenses	43,798	8,710	--	--	5,405	--	57,913
Other intangible assets	226	27	--	--	--	--	253
	181,378	30,053	--	(3)	13,145	(68)	224,505
Net Book Value	403,027						423,613

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24. Intangible Assets (Continued)

	31.12.2018	Additions	Disposals	Exit from consolidation	Foreign currency translation differences	Transfer	31.12.2019
Cost							
Rights	195,961	49,733	(3,386)	(13,534)	7,063	2,178	238,015
Energy licenses (*)	239,805	--	--	--	--	--	239,805
Organization expenses	64	--	--	--	--	--	64
Other development expenses	92,323	27,413	--	--	14,457	(27,982)	106,211
Other intangible assets	313	92	(107)	--	12	--	310
	528,466	77,238	(3,493)	(13,534)	21,532	(25,804)	584,405
Accumulated amortization (-)							
Rights	46,006	19,766	(3,002)	(208)	6,819	437	69,818
Energy licenses	67,472	--	--	--	--	--	67,472
Organization expenses	64	--	--	--	--	--	64
Other development expenses	26,984	15,189	--	--	1,625	--	43,798
Other intangible assets	186	58	(20)	--	2	--	226
	140,712	35,013	(3,022)	(208)	8,446	437	181,378
Net Book Value	387,754						403,027

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24. Intangible Assets (Continued)

(*) Energy Licenses:

In 2013, the Group purchased the operating rights of Göksu Hydroelectric Power Plant through the privatization costing TL 119,738 thousand (USD 52,500 thousand) for 49 years. Göksu Hydroelectric Power Plant was established in the province of Konya.

The Group established Enova Enerji Üretim A.Ş. with the joint venture of Özaltın Group for the purpose of energy production and sales in 2003. Enova Enerji Üretim A.Ş. owns the production license, which is related to production facility, dated 21 December 2006, amounting to TL 22,893 thousand and obtained from EMRA.

() Nurool Makina Development Expenses:**

Nurool Makina's application for R & D center has been approved by Ministry of Science, Industry and Technology and R & D center has started to work in Sincan branch of the company on 1 August 2015; last annual report was given to Ministry of Industry and Technology in April 2018. As of November 30, 2018, the company continues to benefit from incentives and exemptions provided to R & D centers under Law No. 5746. As of 30 June 2020 and 31 December 2019, the company has no development expenses capitalized.

Development expenses are comprised of armour recycling projects, armour modulation projects, personnel protection armour development projects, vehicle and structure armour development projects.

25. Provisions, Contingent Assets and Liabilities

Current provisions	30.06.2020	31.12.2019
Provision for warranty and installation expenses	310,719	72,506
Provision for litigations	41,271	33,894
Provision for cost expenses	6,094	203,198
Provisions for non-cash loans	3,828	2,321
	361,912	311,919
Non-Current provisions	30.06.2020	31.12.2019
Provision for restoring the mine site to nature (*)	63,144	44,960
	63,144	44,960

(*) The rehabilitation provision separated from the mine sites includes the company's provisions that include present values. It consists of the inputs used in the calculation of the ratio of future liabilities related to the reintroduction of nature separated from mining sites, production capacity, the stipulated time to maintain activities in mining areas, the validity of mine operating licenses, and the feasibility studies rehabilitation provisions.

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25. Provisions, Contingent Assets and Liabilities (Continued)

	30.06.2020	31.12.2019
Legal cases in favor of the Group	10,878	92,177
Legal cases against the Group	49,557	76,860

As of 30 June 2020, the amount of the legal cases which is filed against the Group and is still ongoing is approximately TL 49,557 thousand. The Group as of 30 June 2020 provided provision for an amount of TL 2,194 thousand based on the opinion of the legal advisors related to the cases which have a risk to result against the Group.

Details of the legal cases in favor of the Group are as follows:

Type of Legal Case	30.06.2020	31.12.2019
Foreclosure suit	6,014	5,016
Action of debt	4,475	86,413
Action for nullity	215	572
Action for evacuation	108	--
Action for restitution	66	--
Negative Declaratory Action	--	176
	10,878	92,177

Details of the legal cases against the Group are as follows:

Type of lawsuit	30.06.2020	31.12.2019
Action for damages	21,936	281
Action of debt	20,372	18,964
Action for employee	4,265	604
Action for nullity	2,986	10,405
Action for restitution	--	573
Action for follow-up	--	3,234
Action for restitution	--	42,713
Declaratory lawsuit	--	86
	49,557	76,860

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25. Provisions, Contingent Assets and Liabilities (Continued)

Collaterals, pledges and mortgages “CPM” given by the Group as of 30 June 2020 and 31 December 2019 are as follows:

	30.06.2020	31.12.2019
A CPM’s given in the name of own legal personality	11,169,672	9,512,658
B CPM’s given on behalf of the fully consolidated companies CPM’s given on behalf of third parties for ordinary course of	9,787,254	8,725,732
C business	--	--
D Total amount of other CPM’s given	--	--
i. Total amount of CPM’s given on behalf of the majority shareholder	--	--
ii. Total amount of CPM’s given on behalf of the group companies which are not in scope of B and C	--	--
iii. Total amount of CPM’s given on behalf of third parties which are not in scope of C	--	--
	20,956,926	18,238,390

The guarantees received by the group are as follows:

	30.06.2020	31.12.2019
Letter of guarantee	424,565	472,554
Mortgage	40	39
	424,605	472,593

The guarantees given by the group are as follows:

	30.06.2020	31.12.2019
Letter of guarantee	3,752,847	3,511,008
Mortgage	5,042,581	3,854,103
Suretyship	2,374,244	2,147,547
	11,169,672	9,512,658

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25. Provisions, Contingent Assets and Liabilities (Continued)

The share of Enova Energy concerning shareholders has been pledged pro rata in the first degree, in favor of TSKB and Akbank in the amount of USD 150,000 thousand.

Enova Enerji’s receivables from electricity sales contracts of Ceyhan HEPP facility after beginning its operations were mortgaged in favor of TSKB and Akbank in the amount of USD 99,000 thousand.

Enova Enerji declared and committed, during the investment period in three years after actual import and instalment of HEPP and equipment, TL equivalent of USD 99,000 thousand distribution pledge of assets, pro rata payment to TSKB and Akbank.

On 15 December 2017, Tümad Madencilik signed a project financing agreement with European Bank for Reconstruction and Development (“EBRD”), Ziraat Bank and Akbank consortium for a total of USD 200,000,000 in cash and USD 10,000,000 in non-cash.

The following obligations arise in respect of the credit used:

- The shares of Tümad Madencilik’s shareholders have been pledged in the first degree in favor of Akbank, the “Security Agent”.
- Tümad Madencilik has signed a creditor agreement relating to the project financing loan in which Lapseki and İvrindi Gold and Silver Production Facilities will be appointed as Collateral Representative in favor of Akbank once it has begun production.
- 1st degree chattel mortgage in the amount of TL equivalent of USD 315,000 thousand is allocated over all the property, plant and equipment of Tümad Madencilik in favor of Akbank, the “Security Agent”.
- All bank accounts of Tümad Madencilik were pledged in favor of Akbank, the “Security Agent”.
- Three “Operating Licenses” of Tümad Madencilik in Lapseki and İvrindi are 1st degree pledged in the amount of USD 450,000 thousand in favor of Akbank, the “Security Agent”.

26. Employee Benefits

Current liabilities for employee benefits	30.06.2020	31.12.2019
Due to personnel	36,018	13,448
Social security premiums payable	20,144	19,495
	56,162	32,943
Current provisions for employee benefits	30.06.2020	31.12.2019
Unused vacation provision	27,513	24,558
Provision for bonuses and premiums	2,500	--
	30,013	24,558
Noncurrent provisions for employee benefits	30.06.2020	31.12.2019
Provision for employee termination benefits	50,120	45,415
	50,120	45,415

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26. Employee Benefits (Continued)

Provision for employee termination benefits

Within the framework of existing laws in Turkey, the Group dismissed without any valid reason given for the duration of the fill and one year's service, called to task for military service, deceased, fill or service the duration of severance payments to the staff of retirement age must be made.

Severance payments are calculated on 30 days of gross salary for each year of Service. December 30 June 2020 severance pay is subject to a ceiling of TL 7,117 per month on one month's salary for each year of Service (December 31, 2019: TL 6,018). Since there is no obligation to create funds for severance pay in Turkey, no special funds are allocated in the financial statements.

Severance pay liability is not legally subject to any funding. The provision for severance pay is calculated by estimating the present value of the group's possible future liability amount arising from the retirement of employees. TAS 19” Employee Benefits " provides for the development of the group's obligations using actuarial valuation methods under defined benefit plans. Accordingly, the actuarial assumptions used in the calculation of total liabilities are stated below:

The main assumption is that the maximum amount of liability for each year of service will increase in parallel with inflation. Therefore, the discount rate applied refers to the expected real rate after correction of future inflation effects. As December June 30, 2020 and December 31, 2019, the accompanying consolidated financial statements are calculated by estimating the present value of the prospective liability of the employees arising from their retirement for the future. The provisions at the relevant reporting dates were calculated by using the real discount rate obtained approximately according to the inflation and discount rate assumptions.

The basic actuarial assumptions used to calculate the liability as of the balance sheet dates are as follows:

	30.06.2020	31.12.2019
Discount rate	12.90%	12.00%
Annual inflation rate	9.50%	7.00%
Real discount rate	5.02%	3.70%
Personnel turnover rate	100%	100%

27. Other Assets and Liabilities

Other current assets	30.06.2020	31.12.2019
VAT carried forward	242,941	243,319
Receivables from tax administration	44,454	90,239
Advances given to subcontractors (*)	46,756	47,244
Advances given for business purposes	59,976	21,835
Accrued income	20,843	19,512
Other	34	--
	415,004	422,149

(*) 26,857 TL of the advances given to subcontractors consists of the advances given to subcontractors by Nurol İnşaat and 19,898 TL of the advances given to subcontractors by Tümad Madencilik.

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27. Other Assets and Liabilities (Continued)

Other current liabilities	30.06.2020	31.12.2019
Taxes and funds payable	56,159	60,871
Law of 6736 and 7143 restructuring of public receivables	3,587	3
Inventory counting and consolation surpluses	30,171	16,018
	89,917	76,892
Other long-term liabilities	30.06.2020	31.12.2019
Nurol LLC (B.A.E.)	43,990	38,667
	43,990	38,667

28. Equity

a. Share Capital

	Share Rate		Share Rate	
	30.06.2020	(%)	31.12.2019	(%)
Nurettin Çarmıklı	258,455	33.31	258,455	33.31
Erol Çarmıklı	258,455	33.31	258,455	33.31
M. Oğuz Çarmıklı	258,455	33.31	258,455	33.31
Eyüp Sabri Çarmıklı	93	0.01	93	0.01
Gaye Çarmıklı	93	0.01	93	0.01
Gürol Çarmıklı	62	0.01	62	0.01
Gözde Çarmıklı	62	0.01	62	0.01
Gürhan Çarmıklı	62	0.01	62	0.01
Eda Çarmıklı Yolcu	62	0.01	62	0.01
S. Ceyda Çarmıklı	62	0.01	62	0.01
Oğuzhan Çarmıklı	62	0.01	62	0.01
M. Sevgi Kayaalp	23	0.00	23	0.00
A. Türkan Çarmıklı	39	0.01	39	0.01
Melih Kayaalp	8	0.00	8	0.00
Semih Kayaalp	8	0.00	8	0.00
	776,001	100	776,001	100
Inflation adjustment	(62,785)		(62,785)	
	713,216	100	713,216	100

Nurol Holding's capital consists of 776,001 shares with a nominal value of TL 1 each.

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28. Equity (Continued)

b. Other Comprehensive Income Not to be Reclassified to Profit or Loss

	30.06.2020	31.12.2019
Non-current assets revaluation fund	1,116,933	846,933
Actuarial loss / gain fund	1,818	3,089
Revaluation gain /(loss) of available-for-sale financial assets	81,320	45,028
	1,200,071	895,050

Provision for employee termination benefits actuarial gain / (loss) funds

The amendment in IAS 19 “Employee Benefits” does not permit the actuarial gain /loss considered in the calculation of provision for employee termination benefits to be accounted for under the statement of income. The gains and losses arising from the changes in the actuarial assumption have been accounted for by “Revaluation Funds” under the equity. The funds for actuarial gains / (losses) in the employee termination benefits is not in a position to be reclassified under profit and loss.

c.Restricted Reserves Separated from Profit

	30.06.2020	31.12.2019
Legal reserves	103,121	99,945
Statue reserves	2,754	2,754
Extraordinary reserves	479,136	593,628
	585,011	696,327

Retained earnings in the statutory financial statements can be distributed as dividends other than judgements related to legal reserves described below.

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Group’s share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Group’s share capital. The legal reserves are not available for distribution unless they exceed 50% of the issued capital, other than that legal reserves cannot be used.

“Legal Reserves”, “Share Premiums” in the legal reserve status and legal reserves allocated for specific purposes (participation sales revenue allocated to obtain tax advantage) other than profit distribution allocated within the framework of the related Clause of Turkish Commercial Code are reflected as their recorded amounts. Within this scope, differences arising in the evaluations made within the framework of IFRS principles and inflation adjustments not subject to profit distribution or capital increase as by the report date are related with previous year’s profits/losses.

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28. Equity (Continued)

d. Non-Controlling Interest

Shares attributable to third parties in the shareholders’ equity (including approved and paid-in capital) of the consolidated subsidiaries, which are not fully owned, are separately accounted for as non-controlling interest in the consolidated financial statements by reducing from related shareholders’ equity components. Shares attributable to third parties in the net profit or loss for the periods of the consolidated subsidiaries, which are not fully owned, are separately accounted for as non-controlling interests, in the distribution of period profit / (loss) section of the consolidated statement of income. As of December June 30, 2020 and December 31, 2019, the following is a table of non-controlling interest movements:

31 December 2018 Minority Interest	303,476
Actuarial gain/loss minority share	27,145
Period profit minority share	116,773
31 December 2019 Minority Interest	447,394
Actuarial gain/loss minority share	(23,159)
Period profit minority share	(33,696)
30 June 2020 Minority Interest	390,539

29. Revenue and Cost of Sales

	01.01- 30.06.2020	01.01- 30.06.2019
Domestic sales	1,980,970	1,864,171
Export sales	1,100,751	1,842,980
Sale discounts (-)	(4,360)	(28,955)
Revenue	3,077,361	3,678,196
Cost of sales (-)	(2,342,022)	(2,810,455)
Gross profit from trading activity	735,339	867,741
Income of financial sector activities	236,761	219,231
Cost of financial sector activities (-)	(96,175)	(142,832)
Gross profit from financial sector activities	140,586	76,399
Gross profit	875,925	944,140

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30. General Administrative Expenses, Marketing, Selling and Distribution Expenses and Research and Development Expenses

	01.01- 30.06.2020	01.01- 30.06.2019
General administrative expenses	191,317	157,002
Marketing, selling and distribution expenses	45,356	61,771
Research and development expenses	29,598	32,904
	266,271	251,677

31. Other Operating Income and Expenses

Other operating income	01.01- 30.06.2020	01.01- 30.06.2019
Nurol bank other revenues	7,296	9,555
Incentive income	2,857	6,274
Nurol Dubai LLC Other revenues	2,292	--
Rediscount revenues	1,601	1,675
Price difference revenues	1,596	--
Profits on sales of scrap, raw materials and materials	1,203	856
Release of provision	1,072	3,939
Commission revenues	185	320
Inventory counting difference	140	--
Nurol Dubai LLC insurance revenues	84	216
Insurance damage compensation	61	235
Other	1,325	548
	19,712	23,618

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32. Other Operating Income and Expenses (Continued)

Other Operating Expenses	01.01- 30.06.2020	01.01- 30.06.2019
Donations and grants	(15,468)	--
Provision expenses	(8,663)	(5,988)
Related party expenses	(2,194)	--
Litigation, penalty and other provision expenses	(2,102)	(3,686)
Nurol BNA mirror the cost of the project expenses	(1,317)	--
Non-working part expense	(1,317)	(584)
Severance pay liability interest expense	(1,222)	(1,093)
Law No. 7194	(789)	--
Commission expenses	(13)	(467)
Insurance damage compensation	(5)	--
Prior period expense	(3)	(7,851)
Rediscount expenses	(2)	(193)
Profits on sales of scrap, raw materials and materials	--	(35)
Inventory counting difference	--	458
Other	(3,062)	(3,213)
	(36,157)	(22,652)

33. Income and expenses from investment activities

Income from investing activities	01.01- 30.06.2020	01.01- 30.06.2019
Rental income (*)	4,869	1,901
Fixed asset sales profits	1,540	6,432
Securities sales profits	339	4,699
Dividend income	107	--
	6,855	13,032
Expenses from investing activities	01.01- 30.06.2020	01.01- 30.06.2019
Loss on sales of subsidiaries / subsidiaries	--	(22)
Loss from sales of tangible assets	(7)	(134)
Losses on sale of securities	(33,749)	(595)
	(33,756)	(751)

(*) TL 4,272 of rental income consists of income from investment properties owned by Nurol Investment Bank.

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33. Financial Income and Expenses

Financial income	01.01- 30.06.2020	01.01- 30.06.2019
Foreign exchange income	515,431	345,046
Interest income	46,481	66,794
	561,912	411,840
Financial expense	01.01- 30.06.2020	01.01- 30.06.2019
Foreign exchange expenses	(1,117,457)	(667,544)
Interest expenses	(857,333)	(858,568)
Letter of guarantee expenses	(9,564)	(12,075)
Bank commission expenses	(20,587)	(39,000)
Revaluation of derivative financial instruments	--	(3)
	(2,004,941)	(1,577,190)

34. Taxes on Income (Including Deferred Tax Assets and Liabilities)

Turkey:

The Group is subject to Turkish corporate taxes. Tax legislation in Turkey does not permit a parent group and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes as reflected in the accompanying consolidated financial statements are calculated on a separate-entity basis.

In Turkey, the corporate tax rate is 22% for 30 June 2020 (31 December 2019: 22%). However, in accordance with the Provisional Article 10 added to the Corporate Tax Law, the corporate tax rate of 20% will be calculated as 22% for the corporate earnings for the taxation periods of the years 2018, 2019 and 2020 (for the accounting periods that start within the related year for the institutions that are assigned special account period).

The corporate tax rate is applied to the tax base that will result in the deduction of non-deductible expenses in accordance with the tax legislation of the corporation’s commercial income, the exemption in the tax laws (such as the exemption of participation profits) and deductions (such as investment discount).

Advance (prepaid) corporation taxes are payable on quarterly profits at the rate of 22%. Such taxes after deduction of the taxes prepaid quarterly must be declared by the 14th of the second month following any tax period and paid by the 17th. Advance corporation tax may be offset against other debts to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Group file their tax returns within the 25th of the fourth month following the close of the related financial year. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based and may issue re-assessments based on their findings.

Tax losses that are reported in the Corporation Tax return can be carried forward and deducted from the corporation tax base for a maximum of five consecutive years.

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34. Taxes on Income (Including Deferred Tax Assets and Liabilities) (Continued)

A 75% portion of the gains derived from the sale of investments and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and must not be withdrawn from the entity for a period of 5 years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realized. However, profits from the sale of investments and immovable held for a minimum of two years will be exempt from taxes.

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

Investment Allowance

Investment allowances are not applicable after 1 January 2006. If companies' taxable incomes are not sufficient, the amount of unused investment allowance as of 31 December 2005 and the incentive allowances incurred from 1 January 2006 onwards can be transferred to the following years in order to be deducted from the taxable revenues of the following years.

Law No. 6009 published on 1 August 2010 allows for unused investment allowances to be used in future periods without limitation. A 20% corporate tax is calculated on earnings after deducting investment incentives. The arrangements made with the Law No. 6009 came into force in 1 August 2010 to be applied on income for the year 2010.

United Arab Emirates

As of 1 January 2018, the VAT rate is 5%.

Georgia

The standard VAT rate is 18% and applies to the economic sale of all goods and services supplied in Georgia. Under the new corporate tax system, income is accounted for in accordance with International Financial Reporting Standards (IFRS). The corporate tax rate in Georgia is 15%. Branch income is taxed at a general rate of 15% upon distribution.

Saudi Arabia

Nurul Saudi Arabia has no ongoing project yet. The company, as a foreign company, is subject to 20% corporate tax, Social Security deductions and other tax liabilities. The company has no VAT obligations.

Algeria

The group is not subject to any tax exemption in this country and pays income tax (corporate tax and income tax are the same) in March of each year. The income tax rate is 19%. The group is obliged to report the VAT information of the previous month with a declaration until the 15th of each month and pay it by the end of the month. The VAT rate is 17%.

Morocco

The group is not subject to any tax exemption in this country and pays income tax (corporate tax and income tax are the same) in March of each year. The income tax rate is 30%. The group is obliged to report the VAT information of the previous month with a declaration until the 19th of each month and pay it by the end of the month. The VAT rate is 20%.

Iraq

The effective corporate tax system offered in Iraq for legal entities (excluding partnerships) is based on a statutory corporate tax rate of 15% across all income levels without the progressive tax scale. As far as we know, there are no local, state or provincial income taxes in Iraq. One of the key issues that determines whether a company is taxable in Iraq is whether the foreign company does business in Iraq or with Iraq. In 2009, 2/2008 no.lu with instruction and amendment instruction 1 of 2014, the Iraqi tax administration provided a clearer distinction between business in Iraq and business with Iraq. The Iraqi tax code does not contain a provision covering the implicit use of capital. As of balance sheet dates, tax liability details are as follows:

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34. Taxes on Income (Including Deferred Tax Assets and Liabilities) (Continued)

Financial Position Statement tax provision	30.06.2020	31.12.2019
Current period corporate tax provision	36,107	21,091
	36,107	21,091
Profit or loss statement tax provision	01.01- 30.06.2020	01.01- 30.06.2019
Current period tax expense	(17,271)	(11,047)
Deferred tax income (expense)	(53,401)	84,074
	(70,672)	73,027
Assets related to current period tax	30.06.2020	31.12.2019
Prepaid taxes (-) (*)	160,792	165,561
	160,792	165,561
Long-term	30.06.2020	31.12.2019
Prepaid taxes (-) (**)	48,265	228,723
Long-term VAT receivables	190,749	105,112
	239,014	333,835

(*) According to Turkish Tax Laws, companies must make advance payments of corporation tax. Prepaid taxes are computed on the quarterly taxable profits reported at the rate of 22% (31 December 2019: 22%). This prepaid corporation tax can be recovered by deduction from future corporation tax liabilities. Recovery by deduction from other taxes is also possible.

(**) In accordance with Turkish Income Tax Law No.42, 3% retention is made from each progress report issued in respect of long-term construction contracts. These retentions are recorded in prepaid taxes and are offset later on against the corporation tax liability of the accounting year in which the contract is completed.

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon the temporary differences between financial statements as reported in accordance with POA and its tax base of statutory financial statements. These differences usually result in the recognition of revenue and expense items in different periods for POA and statutory tax purposes.

The corporate tax rate used in the calculation of deferred tax assets and liabilities is 22% for the temporary timing differences expected to be reversed in 2018, 2019 and 2020 and 20% for the temporary timing differences expected to be reversed after 2021 (31 December 2019: 22%).

As of 30 June 2020, 22% tax rate is used on temporary differences expected to be realized and/or closed within 3 years (in 2018, 2019 and 2020), since the tax rate for 3 years has changed from 22% as of 1 January 2018. However, since the effective corporate tax rate is 20% after 2020, 20% tax rate is used for the effective differences expected to occur after 2020 and / or closing.

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34. Taxes on Income (Including Deferred Tax Assets and Liabilities) (Continued)

Government Incentives and Grants

Tümad Madencilik’s which is a part of NuroI Group of Companies existing Lapseki and İvrindi mine plants have Investment Incentive Certificate dated 17.02.2017, numbered 127691 and Investment Incentive Certificate dated 24.09.2018 and numbered 138360, approved by T.C. Ministry of Economy. Within the scope of these incentive documents;

Çanakkale Lapseki; the exchange rate is determined at USD/TL 3.2 for a total of USD 10,835 thousand for buildings, USD 36,283 thousand for machinery and equipment and USD 5,214 thousand for other expenditures for a grand total of USD 52,334 thousand (TL 167,469 thousand),

Balıkesir, İvrindi; the exchange rate is determined at USD/TL 4.5 for a total of USD 22,222 thousand for buildings, USD 105,648 thousand for machinery and equipment USD 11,017 thousand for other expenditures for a grand total of USD 138,888 thousand (TL 625,000 thousand),

Machinery, equipment, software and intangible rights have a discount right according to the Corporate Tax legislation. In this context, the Group will apply the discounted corporate tax on the investment incentive certificate to be utilized in the financial statements dated 30 June 2020, TL 396,234 thousand deferred tax asset is recorded.

Deferred tax assets and liabilities calculated using accumulated temporary differences and applicable tax rates are as follows:

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34. Taxes on Income (Including Deferred Tax Assets and Liabilities) (Continued)

Accumulated temporary differences	30.06.2020	31.12.2019
Investment incentive	1,679,883	2,006,313
Past year losses	646,878	639,383
Expenses from ongoing contracts	400,577	386,084
Derivative financial instruments	39,945	(309,377)
Net difference in carrying value and tax value of tangible and intangible assets	31,029	85,734
Accruals of expenses	27,053	16,899
Provisions for employee benefits	26,119	59,892
Provision for doubtful receivables	10,739	9,049
Provision for unused permission	10,474	8,137
Provisions of the lawsuit	10,047	12,158
Subsidiary provision expense	9,344	3,495
Rehabilitation provision	7,899	3,336
Exchange rate difference	7,598	(319)
Expense assets	5,401	11,014
Credit interest accrual	6,209	23,525
Other provisions	1,809	278,436
Accrual of interest on a futures account	175	2,093
Devolved research and development incentive discount	--	273,455
Devolved tax losses	44,193	12,064
Valuation of financial investments	(1,554)	536
Accruals of income	(2,177)	(19,435)
Non-accrued finance income (net)	(2,939)	(2,148)
Subsidiaries	(19,960)	(19,971)
Tangible and intangible assets	(69,420)	(34,116)
Net difference in carried value and tax value of inventories	(81,767)	1,513,086
Proceeds from ongoing contracts	(137,726)	(467,512)
Valuation of investment properties	(223,350)	(223,350)
Ongoing construction	(406,594)	(366,963)
Depreciation correction	(597,337)	(50,246)
Presentation currency translation differences	--	(696,889)
Trade and other receivables	113	(1,910,595)
Other	(1,853)	(144)
	1,420,808	1,243,624

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34. Taxes on Income (Including Deferred Tax Assets and Liabilities) (Continued)

Deferred tax assets / (liabilities)	30.06.2020	31.12.2019
Investment incentive	369,574	441,389
Past year losses	142,313	140,664
Expenses from ongoing contracts	88,127	84,938
Derivative financial instruments	8,788	(68,063)
Net difference in carrying value and tax value of tangible and intangible assets	6,826	18,861
Accruals of expenses	5,952	3,718
Provisions for employee benefits	5,746	13,176
Provision for doubtful receivables	2,363	1,991
Provision for unused permission	2,304	1,790
Provisions of the lawsuit	2,210	2,675
Subsidiary provision expense	2,056	769
Rehabilitation provision	1,738	734
Exchange rate difference	1,672	(70)
Expense assets	1,188	2,423
Credit interest accrual	1,366	5,176
Other provisions	398	61,256
Accrual of interest on a futures account	39	460
Devolved research and development incentive discount	--	60,160
Devolved tax losses	9,722	2,654
Valuation of financial investments	(342)	118
Accruals of income	(479)	(4,276)
Non-accrued finance income (net)	(647)	(473)
Subsidiaries	(4,391)	(4,394)
Tangible and intangible assets	(15,272)	(7,506)
Net difference in carried value and tax value of inventories	(17,989)	332,879
Proceeds from ongoing contracts	(30,300)	(102,853)
Valuation of investment properties	(49,137)	(49,137)
Ongoing construction	(89,451)	(80,732)
Depreciation correction	(131,414)	(11,054)
Presentation currency translation differences	--	(153,316)
Trade and other receivables	25	(420,331)
Other	(408)	(32)
Deferred tax assets / liabilities, net	312,577	273,594

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35. Earnings Per Share

Earnings per share (EPS) is calculated by dividing the net profit for the year attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	01.01- 30.06.2020	01.01- 30.06.2019
Profit for the period	(305,597)	(156,666)
Profit attributable to non controlling interest	(33,696)	19,045
Profit attributable to equity holders of the parent	(271,901)	(175,711)
Weighted average number of shares with nominal value	776,000	776,000
Earnings per share	(0.3938)	(0.2019)

36. Nature and Level of Risks Arising from Financial Instruments

I. Capital Risk Management

The risk related with each of the capital class and group capital cost is considered by the top management of the Group.

The primary objective of the Group’s capital management objectives is to ensure that it maintains a healthy capital structure in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may obtain new loans, repay existing loans; make cash and non-cash (bonus shares) dividend payments to shareholders, issue new shares based on Management’s evaluation. The Group manages the capital structure so as to ensure the Group’s ability to continue as a going concern; and maximize its profitability by maintaining an adequate capital to overall financing structure ratio.

The Group monitors capital using a net debt to total equity ratio, which is net financial debt divided by total equity. The Group includes within net financial debt, borrowings and trade payables, less cash and cash equivalents.

The Group’s net financial debt / total financing used ratios are as follows:

	30.06.2020	31.12.2019
Total financial liabilities	15,328,471	14,206,854
Less: cash and cash equivalents	(1,751,634)	(1,789,905)
Net financial debt	13,576,837	12,416,949
Total equity	3,836,516	3,613,685
Less: revaluation of tangible fixed assets	(1,116,933)	(846,933)
Total financing used	16,296,420	15,183,701
Net financial debt / Total financing used	%83	%82

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36. The Nature and Level of Risks Arising from Financial Instruments (Continued)

II. Financial Risk Factors

The Group’s principal financial instruments are cash, short-term time deposits and bank borrowings. The main purpose of use of these financial instruments is to raise finance for the Group’s operations and to hedge interest rate risk. The Group has various other financial instruments such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group’s financial instruments are liquidity risk, foreign currency risk, interest rate risk and credit risk.

a. Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations. The Group’s management mitigates this risk through limitations on the contracts made with counterparties and obtaining sufficient collaterals where appropriate. The Group’s credit risks mainly arise from its trade receivables. The Group manages this risk by the credit limits up to the guarantees received from customers. Use of credit limits is monitored by the Group by taking into consideration the customer’s financial position, past experiences and other factors and customer’s credibility is evaluated on a consistent basis. Trade receivables are evaluated based on the Group’s policies and procedures and presented net of doubtful provision in the financial statements accordingly.

Trade receivables consist of many customers operating in various industries and locations. Credit risk of the receivables from counterparties is evaluated periodically. The Group does not have a significant credit risk arising from any customer.

b. Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The Group manages its liquidity needs by regularly planning its cash flows or by maintaining sufficient funds and borrowing sources by matching the maturities of liabilities and assets. Prudent liquidity risk management implies maintaining sufficient cash, securing availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions.

c. Market risk

The Group is exposed to financial risks arising from changes in currency rate, interest rate and price risk which arise directly from its operations. The market risks that the Group is exposed to are measured on the basis of sensitivity analysis. When compared to prior periods, there has been no change in the Group's exposure to market risks, hedging methods used or the measurement methods used for such risks.

c1. Foreign currency risk

The Group is exposed to foreign currency risk arising from the translation of foreign currency denominated assets and liabilities to TL. The Group is also exposed to foreign currency risk due to the transactions made in foreign currency. This risk occurs due to purchases, sales and bank borrowings of the Group which are denominated in currencies other than the functional currency.

The table below summarizes the foreign monetary position risk of the Group.

	30.06.2020	31.12.2019
Foreign currency assets	4,036,986	4,415,654
Foreign currency liabilities (-)	(5,773,820)	(6,211,609)
Net foreign currency position	(1,736,834)	(1,795,955)

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36. The Nature and Level of Risks Arising from Financial Instruments (Continued)

The Group's foreign currency position in terms of the original currency is as follows:

30.06.2020	USD	EUR	GBP	RUB	DZD	AED	MAD	GEL	LYD	KWD	Other currencies	
											TL equivalent	TL equivalent
1. Trade receivables	98,681	3,584	105	--	12,877,142	99,035	3,067	603	22,904	--	--	1,687,749
2a. Monetary financial assets, (cash and banks)	52,851	15,604	4	216	49,439	167,646	424	3,612	--	--	821	806,362
2b. Non-monetary financial assets	570	68	--	--	519,078	36	--	130,329	--	--	--	324,224
3. Other	175,828	3,311	--	--	193,422	--	45,249	--	11,071	--	1	1,325,034
4. Current assets (1+2+3)	327,929	22,568	109	216	13,639,081	266,717	48,740	134,544	33,975	--	822	4,143,369
5. Trade receivables	--	--	--	--	--	--	2,158	--	--	--	--	1,526
6a. Monetary financial assets	--	--	--	--	--	--	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--	--	--	--	--	--	--
7. Other	10,434	--	--	--	--	--	--	127,749	--	--	--	357,781
8. Non-current assets (5+6+7)	10,434	--	--	--	--	--	--	127,749	--	--	--	359,307
9. Total assets (4+8)	338,364	22,568	109	216	13,639,081	266,717	50,898	262,293	33,975	--	822	4,502,677
10. Trade payables	117,778	2,798	--	--	3,715,432	137,956	15	1,018	--	14	60	1,284,585
11. Financial liabilities	147,809	48,872	--	--	--	107,008	--	--	--	--	7	1,587,567
12a. Other monetary liabilities	98,965	--	--	--	1,146,171	--	458	--	--	--	--	738,324
12b. Other non-monetary liabilities	275	1,125	--	--	--	--	--	--	--	--	--	10,550
13. Current liabilities (10+11+12)	364,826	52,795	--	--	4,861,603	244,964	473	1,018	--	14	67	3,621,027
14. Trade payables	--	75,575	--	--	--	--	--	--	--	--	--	582,547
15. Financial liabilities	94,471	107,573	--	--	--	--	--	--	--	--	--	1,475,581
16a. Other monetary liabilities	--	84	--	--	--	22,775	--	--	--	--	--	43,112
16b. Other non-monetary liabilities	--	--	--	--	--	--	--	--	--	--	--	--
17. Non-current liabilities (14+15+16)	94,471	183,232	--	--	--	22,775	--	--	--	--	--	2,101,240
18. Total liabilities (13+17)	459,297	236,028	--	--	4,861,603	267,739	473	1,018	--	14	67	5,722,267
19. Net assets of off-balance sheet derivative items	--	384	--	--	--	--	--	--	--	--	--	2,961
19a. Total amount of assets hedged	--	434	--	--	--	--	--	--	--	--	--	3,348
19b. Total amount of liabilities hedged	--	50	--	--	--	--	--	--	--	--	--	387
20. Net foreign assets / (liability) position	(120,933)	(213,026)	109	216	8,777,478	(1,022)	50,425	261,275	33,975	(14)	755	(1,216,242)
21. Net foreign currency asset / (liability) position(=1+2a+5+6a-10-11-12a-14-15-16a)	(307,490)	(215,715)	109	216	8,064,978	(1,058)	5,176	3,197	22,904	(14)	754	(3,216,080)

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36. The Nature and Level of Risks Arising from Financial Instruments (Continued)

31.12.2019	USD	EUR	GBP	RUB	SAR	DZD	AED	MAD	GEL	LYD	KWD	Other currencies equivalent TL	TL equivalent
1. Trade receivables	111,219	16,244	61	--	--	9,959,064	171,060	3,067	2,801	22,904	308	--	1,653,770
2a. Monetary financial assets, (cash and banks)	70,949	23,157	48	220	1	49,439	167,646	424	3,612	--	--	4,601	862,039
2b. Non-monetary financial assets	515	68	--	--	--	610,174	137	--	130,762	--	--	--	306,004
3. Other	185,831	25,433	--	--	84	215,327	--	45,237	--	11,071	--	4,477	1,363,421
4. Current assets (1+2+3)	368,513	64,902	109	220	85	10,834,004	338,843	48,728	137,175	33,975	308	9,078	4,185,233
5. Trade receivables	158	--	--	--	--	--	--	2,284	--	--	--	--	2,355
6a. Monetary financial assets	34	96	--	--	--	--	--	--	--	--	--	--	837
6b. Non-monetary financial assets	--	--	--	--	--	--	--	--	--	--	--	--	--
7. Other	9,218	--	--	--	--	--	--	--	82,963	--	--	--	227,229
8. Non-current assets (5+6+7)	9,410	96	--	--	--	--	--	2,284	82,963	--	--	--	230,421
9. Total assets (4+8)	377,924	64,998	109	220	85	10,834,004	338,843	51,012	220,138	33,975	308	9,078	4,415,654
10. Trade payables	189,635	27,133	2	--	--	261,519	274,198	150	1,057	--	14	26,449	1,792,808
11. Financial liabilities	132,079	32,645	--	--	--	--	107,008	--	--	--	--	4	1,174,894
12a. Other monetary liabilities	31,841	--	--	--	--	1,756,884	--	345	--	--	--	--	276,972
12b. Other non-monetary liabilities	184	14,322	--	--	--	--	--	--	--	--	--	--	96,340
13. Current liabilities (10+11+12)	353,739	74,100	2	--	--	2,018,403	381,206	495	1,057	--	14	26,453	3,341,014
14. Trade payables	--	75,575	--	--	--	--	--	--	--	--	--	--	502,619
15. Financial liabilities	151,081	105,750	--	--	--	--	--	--	--	--	--	--	1,600,753
16a. Other monetary liabilities	--	--	--	--	--	--	23,104	--	--	--	--	--	37,396
16b. Other non-monetary liabilities	8,247	102,365	--	--	29	--	--	--	--	--	--	--	729,827
17. Non-current liabilities (14+15+16)	159,329	283,690	--	--	29	--	23,104	--	--	--	--	--	2,870,595
18. Total liabilities (13+17)	513,067	357,790	2	--	29	2,018,403	404,310	495	1,057	--	14	26,453	6,211,609
19. Net assets of off-balance sheet deriv. items	--	324,927	--	--	--	--	--	--	--	--	--	79,351	2,240,311
19a. Total amount of assets hedged	--	324,927	--	--	--	--	--	--	--	--	--	79,351	2,240,311
19b. Total amount of liabilities hedged	--	--	--	--	--	--	--	--	--	--	--	--	--
20. Net foreign assets / (liability) position	--	32,135	107	220	56	8,815,601	(65,467)	50,517	219,081	33,975	294	61,976	444,356
21. Net foreign currency asset/(liability) position	(135,144)	(201,607)	107	220	1	7,990,100	(65,604)	5,280	5,356	22,904	294	(21,852)	(2,866,442)

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36. The Nature and Level of Risks Arising from Financial Instruments (Continued)

c1. Currency risk (Continued)

The table below presents the Group’s sensitivity to a 10% deviation in foreign exchange rates (especially USD, EUR and AED). 10% is the rate used by the Group when generating its report on exchange rate risk; the related rate stands for the presumed possible change in the foreign currency rates by the Group’s management. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. This analysis includes foreign currency denominated bank loans other than the functional currency of the ultimate user or borrower of the bank loans. The positive amount indicates increase in profit / loss before tax or equity.

Exchange Rate Sensitivity Analysis Table

	30.06.2020			
	Profit/(Loss)		Shareholders ' equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TL by 10%				
1- USD net assets / liabilities	(91,020)	91,020	(91,020)	91,020
2- Hedged portion of USD risk (-)	--	--	--	--
3- USD net effect (1+2)	(91,020)	91,020	(91,020)	91,020
Change of EUR against TL by 10%				
4- Net EUR assets/liabilities	22,530	(22,530)	22,530	(22,530)
5- Hedged portion of EUR risk (-)	--	--	--	--
6- EUR net effect (4+5)	22,530	(22,530)	22,530	(22,530)
Change of other currencies against TL by 10%				
7- Net AED assets/liabilities	(2,835)	2,835	(2,835)	2,835
8- Hedged portion of AED risk (-)	--	--	--	--
9- AED net effect (7+8)	(2,835)	2,835	(2,835)	2,835
Total (3+6+9)	(71,325)	71,325	(71,325)	71,325

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36. The Nature and Level of Risks Arising from Financial Instruments (Continued)

c1. Currency risk (Continued)

Exchange Rate Sensitivity Analysis Table				
31.12.2019				
	Profit/(Loss)		Shareholders ' equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
Change of USD against TL by 10%				
1- USD net assets / liabilities	(88,306)	88,306	(88,306)	88,306
2- Hedged portion of USD risk (-)	--	--	--	--
3- USD net effect (1+2)	(88,306)	88,306	(88,306)	88,306
Change of EUR against TL by 10%				
4- Net EUR assets/liabilities	(2,001)	2,001	(2,001)	2,001
5- Hedged portion of EUR risk (-)	--	--	--	--
6- EUR net effect (4+5)	(2,001)	2,001	(2,001)	2,001
Change of other currencies against TL by 10%				
7- Net AED assets/liabilities	(12)	12	(12)	12
8- Hedged portion of AED risk (-)	--	--	--	--
9- AED net effect (7+8)	(12)	12	(12)	12
Total (3+6+9)	(90,319)	90,319	(90,319)	90,319

37. Financial Instruments (fair value explanations and disclosures within the framework of hedge accounting)

Fair values

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange. The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

- i) **Financial Assets:** The fair values of certain financial assets carried at cost in the financial statements, including cash and cash equivalents plus the respective accrued interest and other financial assets are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses. The carrying value of trade receivables along with the related allowance for uncollectibility is estimated to be their fair values. The financial assets which are denominated in foreign currencies are evaluated by the foreign exchange rates prevailing on the date of balance sheet which approximate to market rates.
- ii) **Financial Liabilities:** Trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The bank borrowings are stated at their amortized costs and transaction costs are included in the initial measurement of loans and bank borrowings. The fair value of bank borrowings are considered to state their respective carrying values since the interest rate applied to bank loans and borrowings are updated periodically by the lender to reflect active market price quotations. The carrying value of trade payables is estimated to be their fair values. The financial liabilities which are denominated in foreign currencies are evaluated by the foreign exchange rates prevailing on the date of balance sheet which approximate to market rates.

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38. Discontinued Operations

a) Nurol Libya and Iraq Branch

The Group management has decided to close the Libya and Iraq Branch's operations due to the unsustainable commercial profitability principle. Therefore, its assets and liabilities are classified as assets and liabilities held for sale in accordance with TFRS 5, within the scope of TFRS in the financial statements dated 30 June 2020 and 31 December 2019. Summary information of the Group's assets and liabilities held for sale is as follows:

Assets held for sale	30.06.2020	31.12.2019
Cash and cash equivalents	57	106
Trade receivables	112,107	95,202
Deposits and guarantees given	54,277	46,093
	166,441	141,401

Liabilities held for sale	30.06.2020	31.12.2019
Financial liabilities	--	--
Trade payables	--	--
Other liabilities	--	--
	--	--

As of June 30, 2020 and December 31, 2019 income statement information related to discontinued operations of Libya and Iraq Branch are as follows:

	01.01.- 30.06.2020	01.01.- 30.06.2019
Sales	--	--
Cost of sales (-)	--	--
Gross operational loss	--	--
Operation expenses	(628)	(3,983)
Operational loss	(628)	(3,983)
Financial income / (expenses), net	--	--
Loss before tax	(628)	(3,983)
Tax income / (expenses)	--	--
Loss for the period	(628)	(3,983)

Nurol İnşaat gave letters of guarantee in the amount of EUR 13,092 thousand and USD 2,338 thousand to various government institutions in connection with construction operations in Libya.

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39. Events After the Reporting Date

Tümad Madencilik signed a project refinancing agreement with the European Bank for Reconstruction and Development (“EBRD”), Akbank and Ziraat Bank Consortium in the amount of USD 255,000,000 on July 16, 2020. The maturity date of the refinancing agreement is June 22, 2024 and the interest rate is Libor + 9%. Tümad Madencilik planned to pay its debts to shareholders and related parties under the refinancing agreement.

40. Restatement of Prior Period Financial Statements

The classification and corrections made by the Company during the current period are shown below:

	Pre-Reported 30 June 2019	Effect of offsetting and reclassification	Reviewed 30 June 2019
<i>Profit or loss</i>			
Sales revenue	3,672,947	5,249	3,678,196
Cost of sales (-)	(2,798,664)	(11,791)	(2,810,455)
Gross profit from business operations	874,283	(6,542)	867,741
General administrative expenses (-)	(157,024)	22	(157,002)
Research and development expenses (-)	(33,012)	108	(32,904)
Other operating income	25,834	(2,216)	23,618
Other operating expense (-)	(31,466)	8,814	(22,652)
Income from investment activities	13,604	(572)	13,032
Expenses from investment activities (-)	(770)	19	(751)
Financial income	487,106	(75,266)	411,840
Financial expenses (-)	(1,575,838)	(1,352)	(1,577,190)
Deferred tax income	133,941	(49,867)	84,074
Non-controlling interest	(21,582)	103,919	82,337
Equity holders of the parent	(29,814)	(209,189)	(239,003)

As of June 30, 2020, companies subject to Group consolidation, details of which are shared in Note 1, are included in the accompanying financial statements in accordance with the consolidation principles. Audit process for financial statements in companies subject to consolidation conducted by third-party supervisory authorities, arrangements were made for the data of the financial statements of the previous period.

Relevant regulations; the transferred tax losses, investment incentives and the transformation of the balance of temporary differences recognized deferred tax assets and liabilities and rights for reimbursement of the costs of reassessment of rehabilitation provisions for the reassessment of the expected costs and these costs are related.

Under these arrangements property, plant and equipment and intangible assets financial value has changed, these changes are in line with 30 June 2019 for the year net profit property, plant and equipment and intangible assets created by the sale of affected as a result of the change of the cost of changes as the amount in the table above are presented. The effects of the arrangement IAS 1, 'presentation of financial statements International Accounting Standards and the communiqué on accounting standard for part of the nineteenth “accounting policies, changes in accounting estimates and errors (IAS 8) is obtained by reflected on prior period financial statements in accordance with the standard.