Ayen Enerji A.Ş. and Its Subsidiaries

Convenience translation into English of consolidated financial statements as of December 31, 2019 together with independent auditor's report

(Originally issued in Turkish)

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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ayen Enerji A.Ş.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ayen Enerji A.Ş. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	Audit procedures applied for the key audit matter
Recognition of deferred tax assets calculated over carry forward tax losses	
According to the Turkish tax legislation, financial losses shown in the declaration can be deducted from the current period corporate income, within a time frame of 5 years. As indicated in Note 26, as of December 31, 2019, the Group has recognized a deferred tax asset calculated over carry forward tax losses amounting to TL 7.058.618. The total accumulated loss is TL 275.753.068 and the partially or fully recoverable amount of deferred tax asset which is calculated over TL 35.177.135 has been estimated by the Group management according to assumptions of current conditions. Business plans for the future, losses occurred in current periods and the expiration dates of unused losses were taken into consideration during the assessment. There is an uncertainty about the estimation of the taxable profit which makes the recognizability of the calculated deferred tax asset uncertain. Therefore, this issue has been considered as a key audit matter.	During our audit, we have inquired management evaluation about recoverability of tax assets by examining business plans for the future and expiration date of carry forward tax losses. During the evaluation phase; profit projections, current period profit or losses, expiration date of carry forward losses and other tax assets have been taken into consideration. We have inquired that whether the deferred tax asset calculated over carry forward losses could be used before the expiration date with the use of the forcasted budgets. In order to investigate the deferred tax effect of unused losses, tax experts from the same company network have been incorporated to the audit team. The measurement of the related deferred tax assets has been submitted to the tax experts, for their consideration and investigation. Besides these, the disclosures in the financial statements have been evaluated according to their convenience to TFRS.
Assessment of impairment of tangible assets	
As of December 31, 2019, the Group has tangible assets amounting to TL 2.141.325.018, and the Group calculates the depreciations of its tangible assets using straight – line depreciation method by making useful life estimates. These assets constitute 81% of the total assets of the Group. TAS 36, the "Impairment of Assets" standard requires assessments of whether there are any indications that the Group's assets may be impaired by the end of each reporting period. This assessments made by the Group management includes management's estimations and assumptions. Therefore, this issue has been considered as a key audit matter. Explanations on the Group's accounting policies and corresponding amounts related to tangible assets are included in Note 2.5 and Note 9.	The following procedures have been applied to audit the assessments made by the Group as to whether there are any indications that tangible assets may be impaired; - Critically examining the Group's model for testing impairment, reviewing the activity's discounted cash flow estimates and the Group's past financial performance. Recalculation of the impairment model in order to evaluate the sensitivity of the growth rates, discount rates and some of the basic assumptions used by the Group in its estimates. - Examining the consistency of the estimates used by the Group for tangible assets with previous periods. - The Group's depreciation calculations have been provided and recalculated. - Checking the accuracy of the useful lives of the Group's fixed assets.

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

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

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

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

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

In an independent audit, our responsibilities as the auditors are:

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

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

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

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

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

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

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 10, 2020.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2019 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

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

The name of the engagement partner who supervised and concluded this audit is Mehmet Can Altıntaş.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Mehmet Can Altıntaş, SMMM
Partner

March 10, 2020

Ankara, Turkey

CONTENTS **PAGES**

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period December 31, 2019	Prior Period December 31, 2018
ASSETS			
Current Assets			
Cash and Cash Equivalents	30	19.550.506	121.209.720
Trade Receivables	5	25.056.457	73.533.759
Due from Related Parties	*4, 5*	*1.769.751*	*2.727.127*
Other Parties	*5*	*23.286.706*	*70.806.632*
Other Receivables	6	4.483.914	4.706.208
Due from Related Parties	*4, 6*	*14.952*	*13.552*
Other Parties	*6*	*4.468.962*	*4.692.656*
Service Concession Arrangements	14	27.035.467	17.240.073
Prepaid Expenses		4.368.146	3.930.068
Other Parties	*7*	*4.368.146*	*3.930.068*
Current Tax Assets		1.144.570	40.364
Other Current Assets	8	100.437.444	130.265.646
TOTAL CURRENT ASSESTS		**182.076.504**	**350.925.838**
Non-Current Assets			
Financial Assets		412.408	412.408
Other Receivables	6	68.655.483	59.888.813
Due from Related Parties	*4,6*	*3.388.844*	*3.661.216*
Other Parties	*6*	*65.266.639*	*56.227.597*
Service Concession Arrangements	14	146.808.569	149.266.526
Property, Plant and Equipment	9	2.141.325.018	2.040.200.205
Intangible Assets		26.325.587	26.551.494
Goodwill	*11*	*17.461.935*	*17.461.935*
Other Intangible Assets	*10*	*8.863.652*	*9.089.559*
Investment Properties	12	16.500.000	-
Right of Use Assets	13	6.667.146	-
Prepaid Expenses		21.895.887	390.532
Other Parties	*7*	*21.895.887*	*390.532*
Deferred Tax Assets	26	36.890.354	40.400.915
TOTAL NON-CURRENT ASSETS		**2.465.480.452**	**2.317.110.893**
TOTAL ASSETS		**2.647.556.956**	**2.668.036.731**

The accompanying notes presented between pages 10 and 72 form an integral part of these consolidated financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period December 31, 2019	Prior Period December 31, 2018
LIABILITIES			
Current Liabilities			
Short-Term Financial Liabilities		188.984.654	207.720.061
Short-Term Financial Liabilities due to Other Parties		188.984.654	207.720.061
Bank Borrowings	*15*	*179.900.091*	*201.214.742*
Leasing Payables	*15*	*9.084.563*	*6.505.319*
Short-Term Portion of Long-Term Financial Liabilities		209.671.222	188.985.658
Short Term Portion of Long Term Borrowings due to Other Parties		209.671.222	188.985.658
Bank Borrowings	*15*	*209.671.222*	*188.985.658*
Other Financial Liabilities		18.064	18.064
Other Miscellaneous Financial Liabilities		*18.064*	*18.064*
Trade Payables	5	18.964.989	59.538.995
Due to Related Parties	*4,5*	*3.942.587*	*23.241.931*
Other Parties	*5*	*15.022.402*	*36.297.064*
Employee Benefit Obligations	18	628.300	619.731
Other Payables	6	16.139.898	138.650.763
Due to Related Parties	*4,6*	*13.837.219*	*136.259.892*
Other Parties	*6*	*2.302.679*	*2.390.871*
Deferred Income		7.293.978	10.109.211
Due to Other Parties (Excluding Liabilities Arising from Customer Contracts)	*7*	*7.293.978*	*10.109.211*
Current Income Tax Liabilities	26	13.347.090	6.865.181
Short-Term Provisions		1.028.278	938.073
Short-Term Provisions for Employee Benefits	*18*	*1.028.278*	*938.073*
Other Current Liabilities		64.326	30.075
Other Current Liabilities due to Other Parties		*64.326*	*30.075*
TOTAL CURRENT LIABILITIES		**456.140.799**	**613.475.812**
Non-Current Liabilities			
Long-Term Financial Liabilities	15	1.383.164.276	1.442.857.822
Long-Term Financial Liabilities due to Other Parties		1.383.164.276	1.442.857.822
Bank Borrowings	*15*	*1.357.061.608*	*1.414.662.074*
Lease Liabilities	*15*	*26.102.668*	*28.195.748*
Long-Term Provisions		4.297.212	3.084.486
Long-Term Provisions for Employee Benefits	*18*	*4.297.212*	*3.084.486*
Deferred Income		14.987.933	22.182.141
Due to Other Parties (Excluding Liabilities Arising from Customer Contracts)	*7*	*14.987.933*	*22.182.141*
Other Payables		445.410	445.410
Due to Related Parties	*4*	*445.410*	*445.410*
Deferred Tax Liabilities	26	33.511.160	29.406.145
TOTAL NON-CURRENT LIABILITIES		**1.436.405.991**	**1.497.976.004**
TOTAL LIABILITIES		**1.892.546.790**	**2.111.451.816**

The accompanying notes presented between pages 10 and 72 form an integral part of these consolidated financial statements.

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period December 31, 2019	Prior Period December 31, 2018
Parent's Equity		686.606.896	479.652.307
Paid-in Share Capital	19	277.500.000	171.042.300
Share Premiums/ Discounts		232.214	-
Other Accumulated Comprehensive Income / Expenses that not to be Reclassified to Profit or Loss		26.111.484	39.284.579
Accumulated Losses on Remeasurement of Defined Benefit Plans		*(2.702.813)*	*(1.147.048)*
Increase in Property, Plant and Equipment Revaluation Fund	*20*	*28.814.297*	*40.431.627*
Other Accumulated Comprehensive Income to be Reclassified to Profit or Loss		353.853.527	279.044.334
Currency Translation Differences	20	*353.853.527*	*279.044.334*
Restricted Profit Reserves	19	71.893.619	71.893.619
Legal Reserves	*19*	*71.893.619*	*71.893.619*
Retained Earnings/ Accumulated Losses		(64.019.709)	(31.942.586)
Net Profit or Loss for the Year		21.035.761	(49.669.939)
Non-Controlling Interests		**68.403.270**	**76.932.608**
TOTAL EQUITY		**755.010.166**	**556.584.915**
TOTAL LIABILITIES AND EQUITY		**2.647.556.956**	**2.668.036.731**

The accompanying notes presented between pages 10 and 72 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD BETWEEN JANUARY 1 - DECEMBER 31, 2019

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period January 1- December 31, 2019	Prior Period January 1- December 31, 2018
PROFIT OR LOSS			
Revenue	21	513.054.137	778.191.877
Cost of Sales (-)	21, 22	(316.067.093)	(607.987.680)
GROSS PROFIT		**196.987.044**	**170.204.197**
General Administrative Expenses (-)	22	(23.757.602)	(19.372.429)
Other Income from Operating Activities	23	34.791.881	22.053.682
Other Expenses from Operating Activities (-)	23	(20.398.359)	(22.533.438)
OPERATING PROFIT / LOSS		**187.622.964**	**150.352.012**
Income / Expenses (-) from Investment Activities, Net	24	35.622.047	65.499.861
OPERATING INCOME BEFORE FINANCIAL EXPENSES		**223.245.011**	**215.851.873**
Financial Income/ Expenses (-), Net	25	(180.662.089)	(238.037.036)
PROFIT/LOSS BEFORE TAXATION ON INCOME		**42.582.922**	**(22.185.163)**
Tax Expense / Income from Continued Operations	26	**(22.216.869)**	**(27.391.964)**
Current Tax Expense	26	(14.212.030)	(15.953.860)
Deferred Tax Expense / Income	26	(8.004.839)	(11.438.104)
PROFIT / LOSS FOR THE PERIOD FROM CONTINUED OPERATIONS		**20.366.053**	**(49.577.127)**
PROFIT / LOSS FOR THE PERIOD		**20.366.053**	**(49.577.127)**
Attribution of Profit/(Loss) For The Period:		**20.366.053**	**(49.577.127)**
Non-Controlling Interests		(669.708)	92.812
Equity Holders of the Parent		21.035.761	(49.669.939)
		20.366.053	**(49.577.127)**
Earnings / losses per 1.000 shares	27	1,01	(2,90)

The accompanying notes presented between pages 10 and 72 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD BETWEEN JANUARY 1 – DECEMBER 31, 2019

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period January 1- December 31, 2019	Prior Period January 1- December 31, 2018
PROFIT/LOSS FOR THE YEAR		**20.366.053**	**(49.577.127)**
Other Accumulated Comprehensive Income or Expenses to be Reclassified to Profit/Loss		72.925.049	187.050.541
Currency Translation Differences		*72.925.049*	*187.050.541*
Other Accumulated Comprehensive Income or Expenses not to be Reclassified to Profit or Loss	20, 26	(1.555.765)	(288.715)
Accumulated Gain / Loss on Remeasurement of Defined Benefit Plans	18, 26	*(1.945.028)*	*(348.535)*
Deferred Tax (Expense)/ Income	26	*389.263*	*59.820*
OTHER COMPREHENSIVE INCOME		**71.369.284**	**186.761.826**
TOTAL COMPREHENSIVE INCOME		**91.735.337**	**137.184.699**
Total Comprehensive Income for the Year Attributable to			
Non- Controlling Interests		2.080.320	21.342.727
Equity Holders of Parent		89.655.017	115.841.972
		91.735.337	**137.184.699**

The accompanying notes presented between pages 10 and 72 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts are expressed in Turkish Lira (TL))

			Other Accumulated Comprehensive Income or Expense not to be Reclassified to Profit or Loss	Other Accumulated Comprehensive Income or Expense not to be Reclassified to Profit or Loss	Other Accumulated Comprehensive Income or Expense to be Reclassified to Profit or Loss						
	Paid-in share capital	Share Premiums/ Discounts	Defined Benefit Plans Remeasurement Gain / (Losses)	Property, Plant and Equipment Revaluation Fund	Currency Translation Differences	Restricted Profit Reserves	Retained Earnings or Accumulated Losses	Net Profit / Loss For The Year	**Parent's Equity**	Non-Controlling Interest	**Total Equity**
Balance as of January 1, 2019	**171.042.300**	**-**	**(1.147.048)**	**40.431.627**	**279.044.334**	**71.893.619**	**(31.942.586)**	**(49.669.939)**	**479.652.307**	**76.932.608**	**556.584.915**
Transfers	-	-	-	-	-	-	(49.669.939)	49.669.939	-	-	-
Total comprehensive income / (expense)	-	-	(1.555.765)	-	70.175.021	-	-	21.035.761	**89.655.017**	2.080.320	**91.735.337**
Increase / (decrease) due to share-based transactions	-	232.214	-	-	-	-	-	-	**232.214**	-	**232.214**
Increase / (decrease) due to other changes (*)	-	-	-	(11.617.330)	-	-	11.617.330		-	-	-
Transactions with non-controlling shareholders (*)	-	-	-	-	4.634.172	-	5.975.486	-	**10.609.658**	(10.609.658)	**-**
Capital increase (**)	106.457.700	-	-	-	-	-	-	-	**106.457.700**	-	**106.457.700**
Balances as of December 31, 2019	**277.500.000**	**232.214**	**(2.702.813)**	**28.814.297**	**353.853.527**	**71.893.619**	**(64.019.709)**	**21.035.761**	**686.606.896**	**68.403.270**	**755.010.166**

(*) As of October 9, 2019, Aydıner İnşaat A.Ş. and its shareholders' share in Ayel Elektrik amounting to TL 2.750.000 was transferred to Ayen Energy and Ayen Enerji's participation in Ayel Elektrik reached 100%. Accordingly, Ayen Enerji's participation rate in Ayen AS has increased to 90%.

(**) On August 6, 2019, capital increase amounting to TL 106.457.700 was made. While TL 90.465.228 of this amount was deducted from debts to Aydıner İnşaat, the remaining amount was covered in cash.

The accompanying notes presented between pages 10 and 72 form an integral part of these consolidated financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts are expressed in Turkish Lira (TL))

		Other Accumulated Comprehensive Income or Expense not to be Reclassified to Profit or Loss	Other Accumulated Comprehensive Income or Expense not to be Reclassified to Profit or Loss	Other Accumulated Comprehensive Income or Expense to be Reclassified to Profit or Loss						
	Paid-in share capital	Actuarial Gain/(Loss) Arising From Employee Benefits	Property, Plant and Equipment Revaluation Fund	Currency Translation Differences	Restricted Profit Reserves	Retained Earnings or Accumulated Losses	Net Profit / Loss For The Year	**Parent's Equity**	Non-Controlling Interest	**Total Equity**
Balances as of December 31, 2017	171.042.300	(858.333)	40.431.627	113.243.708	71.893.619	(62.118.845)	35.085.883	**368.719.959**	57.819.825	**426.539.784**
Impact of accounting policy change (Note 2.2)	-	-	-	-	-	(228.426)	-	**(228.426)**	-	**(228.426)**
Balance as of January 1, 2018	**171.042.300**	**(858.333)**	**40.431.627**	**113.243.708**	**71.893.619**	**(62.347.271)**	**35.085.883**	**368.491.533**	**57.819.825**	**426.311.358**
In-group goodwill correction (Note 11)	-	-	-	-	-	(4.681.198)	-	**(4.681.198)**	-	**(4.681.198)**
Transfers	-	-	-	-	-	35.085.883	(35.085.883)	**-**	-	**-**
Total Comprehensive Income / (Expense)	-	(288.715)	-	165.800.626	-	-	(49.669.939)	**115.841.972**	21.342.727	**137.184.699**
Dividends	-	-	-	-	-	-	-	**-**	(2.229.944)	**(2.229.944)**
Balances as of December 31, 2018	**171.042.300**	**(1.147.048)**	**40.431.627**	**279.044.334**	**71.893.619**	**(31.942.586)**	**(49.669.939)**	**479.652.307**	**76.932.608**	**556.584.915**

The accompanying notes presented between pages 10 and 72 form an integral part of these consolidated financial statements.

AYEN ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period January 1- December 31, 2019	Prior Period January 1- December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		**290.458.596**	**114.307.328**
Profit/ loss for the year		**20.366.053**	**(49.577.127)**
Period income from continuing operations		**20.366.053**	**(49.577.127)**
Adjustments to reconcile profit/loss for the period		**285.301.258**	**276.694.155**
- Adjustments related to depreciation and amortization expenses	3, 9, 10, 13, 22	72.588.620	64.635.203
- Adjustments related to gains (losses) on sales of fixed asset		-	5.744.484
- Adjustments related to provisions		824.532	639.617
Provisions and adjustments related to employee benefits		*824.532*	*639.617*
- Adjustments for impairment loss/(reversal of impairment loss)		125.259	(259.594)
Adjustments for impairment of receivables		*125.259*	*(259.594)*
- Adjustments to interest (income)/ expenses		126.442.575	134.285.972
Adjustments to interest income	25	*(4.891.562)*	*(3.562.926)*
Adjustments to interest expenses		*131.334.137*	*137.848.898*
- Unrealised foreign exchange gain/ (loss)		33.149.717	54.491.852
- Adjustments related to fair value losses (gains) of investment properties	24	(2.500.000)	-
- Adjustments to tax income/ (expense)	26	22.216.869	27.391.964
- Other adjustments to non-cash transactions		39.647.893	(3.041.136)
- Adjustments for profit / loss reconciliation	24	(7.194.207)	(7.194.207)
Changes in working capital		**(6.011.965)**	**(102.946.221)**
- Adjustments related to (increase)/ decrease in trade receivables		52.222.252	(5.942.692)
(Increase)/ decrease in trade receivables from related parties		*11.084.157*	*7.888.607*
(Increase)/ decrease in trade receivables from third parties		*41.138.095*	*(13.831.299)*
- Adjustments related to (increase)/ decrease in other receivables from operating activities		32.954.229	50.687.956
(Increase)/ decrease in other receivables from related parties		*270.972*	*(15.590.969)*
(Increase)/ decrease in other receivables from third parties		*32.683.257*	*66.278.925*
- Adjustment related to (increase)/ decrease in service concession arrangements		12.513.414	20.858.947
- Increase/ (decrease) in deferred income		(2.815.234)	2.565.396
- (Increase)/ decrease in prepaid expenses		(21.943.433)	(298.281)
- Adjustments related to increase/ (decrease) in trade payables		(40.897.723)	(21.925.684)
Increase/ (decrease)in trade payables to related parties		*(19.299.344)*	*(10.082.343)*
Increase/ (decrease) in trade payables to third parties		*(21.598.379)*	*(11.843.341)*
- Increase/ (decrease) in payables of employee benefits		8.569	304.080
- Adjustments related to increase/decrease in other payables		(38.054.039)	(149.195.943)
Increase/ (decrease) in other payables to related parties		*(38.000.098)*	*(148.353.819)*
Increase/ (decrease) in other payables to third parties		*(53.941)*	*(842.124)*
Cash Flow from Operations		**299.655.346**	**124.170.807**
Payments for employee benefits	18	(1.466.629)	(519.657)
Income taxes paid		(7.730.121)	(9.343.822)

The accompanying notes presented between pages 10 and 72 form an integral part of these consolidated financial statements.

(Amounts are expressed in Turkish Lira (TL))

	Notes	**Current Period January 1- December 31, 2019**	Prior Period January 1- December 2018
CASH FLOWS FROM INVESTING ACTIVITIES		**(5.854.270)**	**(21.067.710)**
Cash outflow from purchases of property, plant and equipment and intangible assets		(4.943.775)	(16.767.644)
Cash outflow from purchases of property, plant and equipment	9	*(4.909.089)*	*(30.163.649)*
Cash outflow from purchases of intangible assets	10	*(34.686)*	*(150.850)*
Proceeds from sale of property, plant and equipment and intangible assets		-	*13.546.855*
Advances given for acquisition of property, plant and equipment		(910.495)	(4.300.066)
Other advances given for acquisition of property, plant and equipment		*(910.495)*	*(4.300.066)*
CASH FLOWS FROM FINANCING ACTIVITIES		**(388.110.085)**	**(229.561.373)**
Cash inflows arising from issuance of shares and other equity-based tools		16.224.713	-
Cash inflows arising from share issuance		*16.224.713*	-
Cash inflows due to borrowings		191.860.733	282.117.648
Cash inflows from bank loans	*15*	*191.860.733*	*282.117.648*
Cash outflows due to borrowings		(425.721.224)	(364.221.946)
Cash outflows from repayments of bank loans	*15*	*(425.721.224)*	*(364.221.946)*
Interest paid		(175.038.818)	(119.300.057)
Cash Outflows arising from lease agreements	15	(327.051)	-
Cash outflows from issued debt instruments		-	(29.490.000)
Dividends paid		-	(2.229.944)
Interest received	25	4.891.562	3.562.926
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN CURRENCY TRANSLATIONS		**(103.505.759)**	**(136.321.755)**
Foreign currency translation effects on cash and cash equivalents		**1.846.545**	**3.041.136**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(101.659.214)**	**(133.280.619)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**121.209.720**	**254.490.339**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**19.550.506**	**121.209.720**

(Amounts are expressed in Turkish Lira (TL))

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Ayen Enerji A.Ş. (the "Company" or "Ayen Enerji") engages in the electricity production and trading activities. The Company was established in 1990. The Company is a member of Aydıner Group. Main shareholder of the Company is Aydıner İnşaat A.Ş. ("Aydıner İnşaat").

The Company is registered in Turkey and the registered address is as follows:

Hülya Sok. No: 37, Gaziosmanpaşa, Ankara

The Company is registered to Capital Markets Board ("CMB") and its shares are publicly traded in Borsa Istanbul. 15,01% of the shares of the Company is publicly held as of December 31, 2019 (December 31, 2018: 15,01%) (Note 19).

As of December 31, 2019, the number of personnel of the Group is 265 (December 31, 2018: 296).

The subsidiaries of the Company (the "Subsidiaries"), the nature of their business and their address of registered head offices are as follows:

Subsidiaries	Place of incorporation and the nature of the business	Direct Share	Indirect Share	Registered address
Ayen Ostim Enerji Üretim A.Ş. ("Ayen Ostim")	Electricity production and trading	76%	76%	Hülya Sokak No: 37 Gaziosmanpaşa, Ankara
Kayseri Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Kayseri Elektrik")	Electricity production, distribution and trading	96%	96%	Yemliha Kasabası Kayseri
Ayen Elektrik Ticaret A.Ş. ("Ayen Elektrik")	Electricity trading	100%	100%	Hülya Sokak No: 37 Gaziosmanpaşa, Ankara
Ayen-AS Energji SHA ("Ayen-AS")	Electricity production and trading	90%	90%	Papa Gijon Pali i II-te, ABA Business Center, Tirane/Albania
Ayel Elektrik Üretim Sanayii ve Ticaret A.Ş. ("Ayel Elektrik")	Electricity production, distribution and trading	100%	100%	Hülya Sokak No: 37 Gaziosmanpaşa, Ankara
Araklı Doğalgaz Enerji Sanayi ve Ticaret A.Ş. ("Araklı Enerji")	Electricity production and trading	76%	76%	Hülya Sokak No: 37 Gaziosmanpaşa, Ankara
Ayen Energy Trading SHA ("Ayen Trading")	Electricity trading	0%	100%	Papa Gijon Pali i II-te, ABA Business Center, Tirane/Albania
Ayen Energy Trading D.O.O. Beograd-StariGrad ("Ayen Sırbistan)	Electricity trading	0%	100%	Kosançicev Venac Sokak No: 20, 11000 Belgrad, Serbia
Ayen Energija Trgovanje z Električno Energijo D.O.O. ("Ayen Slovenya")	Electricity trading	0%	100%	Ayen Energija d.o.o. Zemljemerska ulica 12 1000 Ljubljana Slovenia
Ayen – ALB SHA	Electricity production	92%	92%	Tirane Tirane, TIRANE Njesia Bashkiake Nr.2, Rruga Papa Gjon Pali II-te, ABA Business Center, Kati:6, Nr.601 (Albania)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

The production license for the Wind Power Plant ("WPP") located in Akbük with an annual production capacity of 31,5 MW obtained by Ayen Enerji on 18 January 2007 for 49 years. The first part of the plant with a capacity of 16,8 MW and the second part of the plant with a capacity of 14,7 MW started to operate on 19 March 2009 and 3 April 2009 respectively.

Büyükdüz HEPP, is owed by Ayen Enerji and located in Gümüşhane Kürtün with an installed capacity of 68,9 MW has production license for 49 years. The power plant started to operate on 1 June 2012.

Mordoğan WPP, is owed by Ayen Enerji and located in İzmir Karaburun with an installed capacity of 30,75 MW and has a production license for 49 years. The power plant started to operate on 27 September 2013.

Korkmaz WPP, is owed by Ayen Enerji and located in İzmir Seferihisar with an installed capacity of 24 MW and has a production license for 49 years. The first part of the plant with an installed capacity of 10 MW and the second part of the plant with an installed capacity of 14 MW started to operate respectively August and September 2014.

Akbük II WPP, is owed by Ayen Enerji and located in Aydın Didim, and Muğla Milas, in regard to wind energy, with an installed capacity of 20 MW and has a production capacity of 68.153,000 kWh/year, is approved by EMRA and the power plant started to operate on 12 February 2016.

Yamula Dam, is owed by Kayseri Elektrik and was constructed under BOT model. The Dam located on Kızılırmak River. The installed capacity is 100 MW and the annual production capacity of the dam is 422 million kWh. The construction of the Dam started in 1998 and began to operate in August 2005. The operational period for Yamula Dam is 20 years and will end in 2025.

The main operation of Ayen Ostim which is located at Ostim Organize Sanayi Bölgesi and began to operate in July 2004, is to supply electricity to end users in the market according to "Act of Electricity Market" (within "Electricity Market Balancing and Settlement Regulation"). The installed capacity of the natural gas power plant is 41 MW. 24% of shares in Ayen Ostim's capital belongs to Aydıner İnşaat which is the main shareholder of the Company. The Group has decided to discontinue the production of Ayen Ostim as of November 1, 2017 since it has been affected by adverse developments occurred in energy market. Machinery and equipment's and rights of Ayen Ostim have been sold for TL 13.531.104 in 2018.

The main operation of Ayen Elektrik is the sale, import and export of the electricity and/or the electricity capacity on wholesale and directly to the end users in accordance with the "Regulation for the Electricity Market License", "Wholesale License" and the other related regulations.

Ayen AS Energji SHA; the construction of PESHQESHIT 3 Hydroelectricity Energy Production Facility with annual electricity energy production capacity of 118.400.000 kWH, installation power of 34 MW has been completed and started commercial activities on May 4, 2015. PESHQESHIT 3 is one of the HEPP projects locate in Albania and constructed within the scope of "Albanian Fan Basin HEPP Projects" with annual electricity energy production capacity of 347.246.000 kWH, installation power of 109,73 MW. The test of the facilities of Fangut HEPP established in Albania has been completed with the annual electricity energy production capacity of 228.846.000 kWh and installation power of 75,71 MW and the plant has started to operation as of December 1, 2017. At the same time, tail water plant which is fed by tail water of Fangut Dam with installation power of 1MW has been started to operation in December, 2017.

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont'd)

The nature of operations of Ayel Elektrik is the sale, import and export of the electricity and/or the electricity capacity on wholesale and directly to the end users in accordance with the "Regulation for the Electricity Market License", "Wholesale License" and the other related regulations.

Ayen Enerji has acquired 76% shares of Araklı Enerji Doğalgaz Üretim Sanayi ve Ticaret A.Ş. on 9 May 2012. Production license of the HEPP which will be constructed in Trabzon, Araklı with an installed capacity of 72 MW has been approved by EMRA. As of 19 January 2015, with the approval of EMRA, installed capacity of the power plant has been increased to 98,36 MW for Çankaya DAM and HEPP projects. In accordance with Electricity Market Law no. 6446 and relevant legislations, pre-deal for license obtained from Energy Market Regulatory Board.

Ayen Elektrik participated in 100% share of Ayen Energji Trading SHA which established with ALL 100.000.000 (EURO 750.400) nominal capital on 24 September 2013. The Company has established in Tirane- Albania in accordance with Albania laws at 30 September 2013.

Ayen Elektrik Ticaret A.Ş participated in 100% share of Ayen Energji Trading D.O.O. (Serbia) with EURO 110.000 nominal capital and Ayen Energji Trgovanje z Električno Energijo, D.O.O. (Slovenia) with EURO 267.500 nominal capital in respectively 13 June 2014 and 19 June 2014. The main operations of these companies are to sale, import and export of the electricity and/or the electricity capacity as wholesale and sale directly to end users particularly to European Countries in accordance with the European Union regulations.

Ayen ALB is the concession company of HEPP-Kalivac and has been established on November 22, 2017 with ALL 3.500.000 nominal capital and will be constructed according to BOT Model issued by Republic of Albania Ministry of Energy and Industry with the annual electricity energy production capacity of 366.6 kWh, installation power of 111 MW and 35 years duration. The Group's tender has been chosen as best tender for the BOT Model for HEPP – Kalivac invitation issued by Republic of Albania Ministry of Energy and Industry and the concession agreement has been signed.

Approval of consolidated financial statements:

Board of Directors has approved the consolidated financial statements for the period between January 1 – December 31, 2019 and delegated publishing it on 10 March 2020. No authority other than Board of Directors and General Assembly has the right to revise the consolidated financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

The Company and its Turkish subsidiaries maintain their books of accounts and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation.

Ayen-AS and Ayen Trading maintain their books of account in Albanian LEK ("ALL") in accordance with accounting principles in Albania. Ayen Slovenia and Ayen Serbia maintain their books of accounts in EURO in accordance with accounting principles in Slovenia and Serbia respectively.

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

2.1 Basis of presentation (cont'd)

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

In addition, the consolidated financial statements and disclosures are presented in accordance with the publication by CMB dated 7 June 2013.

The accompanying consolidated financial statements have been prepared in terms of Turkish Lira on the historical cost basis except for the investment properties measured at fair value and property, plant and equipment's presented with their revaluated amounts.

Functional Currency

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

Subsidiaries of the Group are measured using the currency that has significant impact on the entity or on the operations of entity, which reflects the economic substance of the underlying events and circumstances relevant to the entity. In this context, Ayen-AS, Ayen Trading and Ayen ALB is measured using ALL, Ayen Serbia is measured using RSD, Ayen Slovenia is measured using EURO. According to TAS 21, balance sheet items (except capital accounts) in terms of ALL have been included into consolidation by being translated to TL with buying rate applicable as of balance sheet date (ALL 1= TL 0,054). Additionally, balance sheet items (except capital accounts) of Ayen Slovenia and Ayen Serbia have been included into consolidation by being translated to TL with buying rate applicable as of balance sheet date (EURO 1 = TL 6,6506, RSD 1 = TL 0,056). Profit or loss statement and other comprehensive income items have been included into consolidation by being translated to TL with annual average buying rate.

Capital and capital reserves are carried forward with their historical nominal costs and any related exchange component of that gain or loss and the translation gain/ (loss) realized during the translation of balance sheet and profit or loss statement is also recognized in capital translation gain-loss accounts under equity.

Preparation of Consolidated Financial Statements in Hyperinflationary Periods

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with TAS. Accordingly, the Company did not apply TAS 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") in its financial statements for the accounting periods starting 1 January 2005.

(Amounts are expressed in Turkish Lira (TL))

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

2.1 Basis of presentation (cont'd)

Comparative information, restatement and reclassification of prior period financial statements

The financial statements of the Group include comparative consolidated financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation in the current period consolidated financial statements.

In the consolidated financial statements for the year ended December 31, 2018, the following classifications have been made in order to comply with the presentation of the current period.

	(Previously reported) December 31, 2018	(Revised) December 31, 2018	Change
Other receivables from related parties	59.019.501	3.661.216	55.358.285
Other receivables from other parties	869.312	56.227.597	(55.358.285)

(*) The other receivable amounting to TL 55.358.285, which was accounted under other receivables from related parties, as of 31 December 2018, has been reclassified to other receivables from other parties due to the conclusion that the corresponding company does not meet the definition of being a related party.

	(Previously reported) December 31, 2018	(Revised) December 31, 2018	Change
Trade receivables from other parties	4.733.020	4.706.208	(40.364)
Current tax assets	-	40.364	40.364

(*) Tax asset amounting to TL 40.364, which was accounted under short-term trade receivables from other parties, as of 31 December 2018, has been reclassified to current tax assets in accordance with taxonomy.

	(Previously reported) December 31, 2018	(Revised) December 31, 2018	Change
Income / expense from investment activities (-)	51.443.714	65.499.861	14.056.147
Financing income / expense (-)	(223.980.889)	(238.037.036)	(14.056.147)

(*) Foreign exchange income amounting to TL 14.056.147, which was accounted under financing income and expenses, as of 31 December 2018, has been reclassified to investment activities.

(Amounts are expressed in Turkish Lira (TL))

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

2.1 Basis of presentation (cont'd)

Basis of Consolidation

As of December 31, 2019 and 2018, details of the Company's subsidiaries are as follows:

Subsidiaries	Group's proportion of ownership and voting power held (%) 2019	2018	Place of incorporation and operation	Principle activity
Ayen Ostim	76	76	Ankara- Ankara	Electricity production and trade
Kayseri Elektrik	96	96	Kayseri- Kayseri	Electricity production, distribution and trade
Ayen Elektrik	100	100	Ankara- Ankara	Electricity trade
Ayen-AS	90	89	Tirane-Albania	Electricity production and trade
Ayel Elektrik	100	82	Ankara- Ankara	Electricity production, distribution and trade
Araklı Enerji	76	76	Ankara- Trabzon	Electricity production, distribution and trade
Ayen Trading	100	100	Tirane-Albania	Electricity trade
Ayen Serbia	100	100	Belgrad-Serbia	Electricity trade
Ayen Slovenia	100	100	Ljubljana, Slovenia	Electricity trade
Ayen ALB	92	92	Tirane-Albania	Electricity production and trade

The accompanying consolidated financial statements include the financial statements of the Company and entities controlled or jointly controlled by the Company (its subsidiaries). Control is achieved when the Company:

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

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether the Company's voting rights in an investee are sufficient to give it power, including:

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

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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

Changes in the Group's ownership interests in existing subsidiaries

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

2.2 Changes in the Accounting Policies

The Group has applied accounting policy changes resulting from the new standard, amendments and interpretations effective as of January 1, 2019 and the first application of the "TFRS 16 Leases" standard, in accordance with the transitional provisions of the relevant standard.

The accounting policy changes originating from the mentioned standards and the effects of the application of the related standards for the first time are as follows:

Right of use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes;

a) the amount of lease liabilities recognised,
b) lease payments made at or before the commencement date less any lease incentives received,
c) initial direct costs incurred.

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

Right of use assets (cont'd)

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and low-value leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Transition to TFRS 16:

The Group adopted TFRS 16 using the simplified approach. The Group elected to apply the standard to contracts that were previously identified as leases applying TAS 17 and TFRIC 4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying TAS 17 and TFRIC 4.

The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

(Amounts are expressed in Turkish Lira (TL))

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

Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2019:

	January 1, 2019
Assets	**7.384.287**
Property, plant and equipment (right-of-use assets)	7.384.287
Liabilities	**7.384.287**
Lease liabilities	7.384.287

The standard is applied for annual periods beginning on or after 1 January 2019.

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2019.

Other new standards, amendments and comments effective from January 2019

- TFRS 16 Leases
- Amendments to TAS 28 "Investments in Associates and Joint Ventures" (Amendments)
- TFRIC 23 Uncertainty over Income Tax Treatments
- Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)
- Prepayment Features with Negative Compensation (Amendments to TFRS 9)

Annual Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements
- TAS 12 Income Taxes
- TAS 23 Borrowing Costs

The amendments are effective from annual periods beginning on or after 1 January 2019. Early adoption is allowed.

Standards published but not enforced and not implemented early

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

- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 17 - The new Standard for insurance contracts
- Definition of a Business (Amendments to TFRS 3)
- Definition of Material (Amendments to TAS 1 and TAS 8)
- Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

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

2.4 Summary of Significant Accounting Policies

Related Parties

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

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

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

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

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(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 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).

Application of TFRIC 12 - Service Concession Arrangements

TFRIC 12 interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements. The service concession arrangement of Yamula (Kayseri Elektrik) dam of the Group are accounted in accordance with TFRIC 12.

Under the terms of contractual arrangements within the scope of TFRIC 12, the Group acts as a service provider. The operator constructs or upgrades infrastructure used to provide a public service and operates and maintains that infrastructure for a specified period of time.

The Group recognises a financial asset to the extent that it has an unconditional contractual right to receive cash from or at the direction of the grantor for the construction services related to hydroelectric power plants in the context of the Build-Operate-Transfer ("BOT") model. The amount due from or at the direction of the grantor is accounted for as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income and the interest calculated using the effective interest method is recognised in the profit or loss statement.

The receivables that are due but not collected as of the balance sheet date are classified as due receivables from the grantor and carried at their net realisable value (Note 14).

There are no liabilities for maintenance and repair of the facility or any restoration costs at the time of transfer of Yamula to Elektrik Üretim A.Ş. ("EÜAŞ") when the licence periods end.

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

Property, Plant and Equipment

Property, plant and equipment's except lands are carried at cost less accumulated depreciation and accumulated impairment losses. Lands are recognized in accordance with revaluation model. The change of accounting policy has been applied with the financial statements as of December 31, 2017.

Properties in the course of construction for production, rental or administrative purposes, are carried at cost, less any recognized impairment loss. Cost includes professional fees. Borrowing costs directly attributable to the acquisition which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

	Years
Buildings	10-45
Land improvements	10
Plant, machinery and equipment	5-40
Motor vehicles	5
Furniture and fixtures	2-25

Gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount, as there are no expected future economic benefits. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell. Net sales price of an asset is its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset less the costs of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset plus the residual value of the related assets.

Repair and maintenance expenses are charged to the consolidated statement of profit or loss during the financial period in which they are incurred. The cost of major subsequent expenditures is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

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

As of December 31, 2017, all the lands and parcels of the Group were evaluated by a real estate appraisal company with a CMB valuation license. The valuation, which complies with the International Valuation Standards, has been determined by taking the market transaction prices related to similar properties as reference and using the cost management together. The differences between the fair value resulting from the valuation and the carrying values of the corresponding assets in the financial statements are accounted in the current period other comprehensive income as tangible asset revaluation increases.

When the valuation increase in the equity related to the tangible fixed asset items is excluded from the financial statements for reasons such as complete amortization, withdrawal or disposal of the related asset, it is directly transferred to the previous year's profits.

Intangible Assets

Intangible assets comprise wholesale license, energy production licenses, other rights and other intangible assets that are likely to generate future economic benefits to the Group. Licenses and other identified assets are booked in consolidated financial statements with their net value after deducting accumulated depreciations and permanent impairments, if any, from their acquisition costs. Other intangible assets that are likely to generate economic benefits are recognized with their fair values on agreement date. These contractual intangible assets have certain useful lives and recognized with deducting accumulated depreciations from acquisition costs. Intangible assets are amortized on a straight line basis over their estimated useful lives for a period not exceeding 5 - 45 years (Note 10).

Investment properties

Buildings and lands which are held for the purposes of collecting rentals, gaining value or selling instead of being used in the production of goods and services or being held for administrative purposes, are classified as "investment properties". Investment properties are accounted at their fair value in the consolidated financial statements (Note 12).

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Business Combinations and Goodwill

Any excess of the cost of acquisition over the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill in the consolidated financial statements. In each acquisition, the non-controlling shares of the acquired company are accounted for based on the share of the net assets of the acquired company.

For the impairment test, the goodwill is distributed to the cash-generating units. Distribution is made to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arises. Each unit or group of units for which goodwill is distributed is the smallest asset group of the entity for which goodwill is monitored for internal business purposes. Goodwill operating segments are followed up on a basis. Goodwill impairment is made once a year, or more often when the event or condition changes indicate a possibility of impairment. The carrying value of goodwill is reviewed annually at the same time for impairment and the impairment provision, if any, is immediately recognized in the consolidated statements of income.

Legal mergers arising between companies controlled by the Group are not considered within the scope of TFRS 3. Consequently, no goodwill is recognized in these transactions. Similarly, the effects of all transactions between the legally merged enterprises, whether occurring before or after the legal merger, are corrected in the preparation of the consolidated financial statements.

The Group re-measures at the date of purchase to bring the share of equity previously held in the acquiree to fair value and the resulting gain / loss is recognized in profit or loss in a business combination achieved in stages. The amount attributable to the acquirer that is accounted for in other comprehensive income before the date of acquisition is transferred to profit or loss on the assumption that such shares are derecognised.

Financial Assets

<u>Classification</u>

The Group classifies its financial assets in three categories of financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit of loss. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets are not reclassified after initial recognition, except where the business model that the Group uses in the management of financial assets has changed; In case of a change in business model, the financial assets are reclassified on the first day of the following reporting period.

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

Recognition and Measurement

"Financial assets measured at amortized cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Group's financial assets measured at amortized cost comprise "cash and cash equivalents", "trade receivables","other receivables" and "financial investments". Financial assets carried at amortized cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortized cost are accounted for under the consolidated statement of income, "Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified to retained earnings. Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

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

Derecognition

The Group derecognized a financial asset when the contractual rights to the cash flows from the asset expired, or it transferred the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset were transferred. Any interest in such transferred financial assets that was created or retained by the Group was recognized as a separate asset or liability.

Impairment

Impairment of the financial and contractual assets measured by using "Expected credit loss model" (ECL). The impairment model applies for amortized financial and contractual assets.
Provision for loss measured as below;

- 12 month ECL: results from default events that are possible within 12 months after reporting date.
- Lifetime ECL : results from all possible default events over the expected life of financial instrument

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since 12 month ECL measurement if it has not.

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial Liabilities

Financial liabilities related to non-controlling share put options are reflected in the financial statements in conformity with their discounted value of them own redemption plan. Transaction costs directly attributable to the cost of the related financial liability are also added to the fair value transaction costs which are directly related to the financial liability are added to the fair value.

Financial liabilities are classified as equity instruments and other financial liabilities.

Other Financial Liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

The effective interest method calculates the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative instruments

Derivative instruments are first recorded at acquisition cost reflecting their fair value at the contract date and are valuated at fair value in the periods following their registration. The derivative instruments of the Group mainly consist of electricity purchase and sale contracts in international markets. Although these derivative instruments provide effective protection against the risks to the Group economically, they are recognized as derivative instruments for trading purposes in the consolidated financial statements and their fair value changes are reflected in the income statement when they do not meet the necessary conditions for risk accounting. The electricity purchase and sale contracts that the Group makes are predominantly composed of daily transactions, and therefore there are no financial assets and liabilities related to these contracts. Profits and losses related to these transactions are accounted under Other Income and Expenses from Operating Activities.

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

Foreign Currency Transactions

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

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

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

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered to hedge certain foreign currency risks (see below for hedging accounting policies); and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into TL using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation, all the exchange differences accumulated in other comprehensive income under equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate shares of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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

Earnings Per Share

Earnings per share disclosed in the accompanying consolidated statement of profit or loss is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "bonus shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

Events After the Reporting Period

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

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

Provisions, Contingent Assets and Liabilities

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation.

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

When some or all 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.

Segment Reporting

The main activity area of the Group is the production and sale of electrical energy, the nature of the products in the field of activity, the production processes, the classes of the product customers and the economic characteristics of the methods used in the sale of the products. The Group management makes decisions on the resources to be allocated and performance evaluation based on geographical regions (Note 3). Since the primary operation of the Group is to produce and sell electricity and these operations have similar economic features, production process, customer classes and distribution methods, the Group considers geographic positions when making decisions on the resource management and in the assessment of performance measurement of the operations. (Note 3).

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

Income Tax

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

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

Current tax

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

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

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

Current and deferred tax for the period

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

Employee Benefits

Termination and retirement benefits

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

The retirement benefit obligation recognized in the consolidated balance sheet represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

Unused vacation liability

The Group accrues the unused vacation allowance in the financial statements over the daily gross salary of the Group's employees and reflects the corresponding allowance in the personnel expenses accounts as of the financial statement date.

Fees and deductions

Wages, salaries and social security contributions are the amounts owed to the employees during the period. These amounts are reflected in the personnel expenses in the period they accrue.

Statement of Cash Flows

In statement of cash flow, cash flows are classified according to operating, investing and financing activities.

Cash flows from operating activities reflect cash flows generated from electricity sales of the Group.

Cash flows from investing activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows relating to financing activities express sources of financial activities and payment schedules of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognised in equity in the period in which they are approved and declared.

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

2.5 Going Concern

The Group has prepared its consolidated financial statements on the assumption that the business will continue its operations in the foreseeable future. As it can be seen in the consolidated financial statement of dated December 31, 2019, the Group's short term liabilities exceed its current assets by TL 274.064.295. In the period ended on the same date, the Group's net profit for the period is TL 21.035.761, its total comprehensive income is TL 89.655.017 and the Group's equity increased to TL 686.606.896 with the capital increase amounting to TL 106.457.700.

The majority of the resources used by the Group to finance its investments and presented as financial liabilities in the consolidated financial statements are in foreign currency, and the future income of the Group due to these investments is also sensitive to foreign currency. According to the short and medium term projections made by the Group management by evaluating both its production capacity, current market conditions and future market expectations, and state purchase price guarantees, the projected cash inflow from the Group's operating activities will cover the need of cash due to financial activities. For this reason, the Group management does not foresee a risk regarding going concern.

2.6 Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Group's accounting policies as outlined in Note 2.4, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements:

Deferred Taxes

Deferred tax assets are only recognized when sufficient taxable profit is likely to arise in the future. In case of a probable tax advantage, deferred tax asset is calculated over previous year losses.

As of December 31, 2019, the Group recognized deferred income tax asset to the extent that it is probable that future taxable profit will be available. However, the Group reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all that deferred tax asset to be utilized (Note 26).

Provisions

As described in the accounting policy in Note 2.4 provisions are accounted when, the Group has a present legal or constructive obligation as a result of past events, it is more likely than net that outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

As of December 31, 2019, the Group is subject to various legal proceedings. The Group evaluates the possible outcomes of the lawsuits based on the Group's legal advisors view and accounts the required provisions against the possible gains and losses (Note 16).

Impairment of goodwill

The Group tests annually whether goodwill has been impaired, in accordance with the accounting policies stated in Note 2.4. The recoverable amount of cash-generating unit has been determined based on value-in-use calculations. This value-in-use calculation includes the discounted cash flow projections. (Note 11).

Impairment of property, plant and equipment

The carrying amount of the Group's property, plant and equipment and intangible assets are reviewed at each balance sheet date to determine whether there are any indicators of impairment as described in Note 2.5. If any such indications exist, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount.

(Amounts are expressed in Turkish Lira (TL))

3. SEGMENT REPORTING

Board of Directors reviews results and operations on a geographic segment basis in order to monitor performance and to allocate resources. Geographic segments of the Group are defined in the following regions : Turkey and abroad. The companies located in abroad operate in Albania, Serbia and Slovenia.

1 January - 31 December 2019	**Turkey**	**Abroad**	**Consolidated**
Net sales	331.551.665	181.502.472	513.054.137
Cost of goods sold	(172.124.836)	(143.942.257)	(316.067.093)
Gross profit	**159.426.829**	**37.560.215**	**196.987.044**
General administrative expenses	(10.597.727)	(13.159.875)	(23.757.602)
Other operating income	6.398.194	28.393.687	34.791.881
Other operating expenses	(11.225.975)	(9.172.384)	(20.398.359)
Operating profit	**144.001.321**	**43.621.643**	**187.622.964**
Income and expenses from investment activities	29.904.385	5.717.662	35.622.047
Operating income before financial expenses	173.905.706	49.339.305	223.245.011
Financing income and expenses	(123.834.292)	(56.827.797)	(180.662.089)
Profit and loss before taxation on income	**50.071.414**	**(7.488.492)**	**42.582.922**
Purchases of tangible and intangible fixed asset	4.571.749	372.026	4.943.775
Fair value gains of investment properties	2.500.000	-	2.500.000
Depreciation and amortization on fixed assets	(21.388.706)	(51.199.914)	(72.588.620)

1 January - 31 December 2018	**Turkey**	**Abroad**	**Consolidated**
Net sales	364.800.525	413.391.352	778.191.877
Cost of goods sold	(237.416.623)	(370.571.057)	(607.987.680)
Gross profit	**127.383.902**	**42.820.295**	**170.204.197**
General administrative expenses	(7.751.898)	(11.620.531)	(19.372.429)
Other operating income	20.845.506	1.208.176	22.053.682
Other operating expenses	(20.348.606)	(2.184.832)	(22.533.438)
Operating profit	**120.128.904**	**30.223.108**	**150.352.012**
Income and expenses from investment activities	52.362.359	13.137.502	65.499.861
Operating income before financial expenses	**172.491.263**	**43.360.610**	**215.851.873**
Financing income and expenses	(232.817.557)	(5.219.479)	(238.037.036)
Profit and loss before taxation on income	**(60.326.294)**	**38.141.131**	**(22.185.163)**
Purchases of tangible and intangible fixed asset	4.157.543	26.156.956	30.314.499
Depreciation and amortization on fixed assets	(21.265.917)	(43.369.286)	(64.635.203)

(Amounts are expressed in Turkish Lira (TL))

4. RELATED PARTY TRANSACTIONS

	December 31, 2019							
	Receivables				Payables			
	Short-term		Long-term		Short-term		Long-term	
Related party transactions	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
Aydıner İnşaat A.Ş.	-	-	-	-	3.942.587	13.821.792	-	-
Samsun Makine Sanayi A.Ş.	99.653	-	-	-	-	-	-	-
Agron Turizm ve Tic. A.Ş.	1.652.413	-	-	-	-	-	-	-
Ayen Enerji Other Shareholders	-	-	-	3.388.844	-	-	-	-
Zetay Tarım Hayv. İmalat San. ve Tic. A.Ş.	15.327	-	-	-	-	-	-	-
Other	2.358	14.952	-	-	-	15.427	-	445.410
	1.769.751	14.952	-	3.388.844	3.942.587	13.837.219	-	445.410

(Amounts are expressed in Turkish Lira (TL))

4. RELATED PARTY TRANSACTIONS (cont'd)

	December 31, 2018							
	Receivables				Payables			
	Short-term		Long-term		Short-term		Long-term	
Related party transactions	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
Aydıner İnşaat A.Ş.	14.056	-	-	-	22.438.196	135.244.465	-	-
Aksu Temiz Enerji A.Ş.	629.179	-	-	-	-	-	-	-
Samsun Makine Sanayi A.Ş.	1.339.045	-	-	-	-	-	-	-
Agron Turizm ve Tic. A.Ş.	732.474	-	-	-	-	-	-	-
Ayen Enerji Other Shareholders	-	-	-	3.661.216	-	-	-	-
Zetay Tarım Hayv. İmalat San. ve Tic. A.Ş.	10.171	-	-	-	-	-	-	-
Other	2.202	13.552	-	-	803.735	1.015.427	-	445.410
	2.727.127	13.552	-	3.661.216	23.241.931	136.259.892	-	445.410

(Amounts are expressed in Turkish Lira (TL))

4. RELATED PARTY TRANSACTIONS (cont'd)

	January 1 – December 31, 2019				
Related party transactions	Foreign Exchange Income	Energy Sales	Interest Income	Purchases of Services	Interest Expenses
Aydıner İnşaat A.Ş.	-	414.747	12.770	60.327	10.428.794
Aksu Temiz Enerji A.Ş.	-	1.039.303	-	-	-
Samsun Makine Sanayi A.Ş.	-	19.742.016	6.009	-	-
Aybet Beton A.Ş.	-	12.430	74	-	-
Agron Turizm ve Tic. A.Ş.	-	2.880.090	162.410	16.365	-
Metay İnşaat Sanayii ve Ticaret A.Ş.	-	-	-	1.000	-
Ayen Enerji Other Shareholders	352.628	-	-	-	-
Zetay Tarım Hayv. İmalat San. ve Tic. A.Ş.	-	43.606	2.032	-	-
	352.628	24.132.192	183.295	77.692	10.428.794

(Amounts are expressed in Turkish Lira (TL))

4. RELATED PARTY TRANSACTIONS (cont'd)

	January 1 – December 31, 2018						
Related party transactions	Foreign Exchange Income	Purchases of Energy	Energy Sales	Interest Income	Purchases of Fixed Assets	Purchases of Services	Interest Expenses
Aydıner İnşaat A.Ş. (*)	-	-	2.054.764	52.944	27.726.773	63.987	6.422.873
Aksu Temiz Enerji A.Ş.	-	3.853.286	-	-	-	-	-
Samsun Makine Sanayi A.Ş.	-	-	9.806.682	-	-	-	-
Aybet Beton A.Ş.	-	-	447.406	95	-	-	-
Layne Bowler Pompa Sanayi A.Ş.	-	-	136.648	-	-	-	-
Ayen Enerji Other Shareholders	918.645	-	-	-	-	-	-
Other	-	-	48.914	-	-	20.404	-
	918.645	3.853.286	12.494.414	53.039	27.726.773	84.391	6.422.873

(*) Purchases of fixed assets consists of progress payment invoices issued by Aydıner İnşaat to Group regarding to constructions in progress.

(Amounts are expressed in Turkish Lira (TL))

4. RELATED PARTY TRANSACTIONS (cont'd)

Key management personnel consist of members of Board of Directors and Executive Board members. The compensation of key management personnel includes salaries, bonus, health insurance and transportation.

Compensation of key management personnel during the period as follow:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Salary and other short-term benefits	4.242.777	2.674.544
Other long-term benefits	501.040	333.738
	4.743.817	3.008.282

There is no payment for executive members who leave the job by the reason of retirement within the Group (December 31, 2018: None).

5. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables

As at the balance sheet date, trade receivables of the Group are summarized below:

Short-term trade receivables	December 31, 2019	December 31, 2018
Trade receivables (*)	18.390.318	65.526.461
Income accruals	6.892.816	7.322.525
Trade receivables from related parties (Note 4)	1.769.751	2.727.127
Provisions for doubtful receivables (-)	(1.996.428)	(2.042.354)
	25.056.457	73.533.759

(*) As of December 31, 2019, TL 4.271.108 of customer current receivables (2018: TL 22.876.641) was obtained from EÜAŞ. The remaining amount consists of trade receivables from Ayen Elektrik and Ayen Slovenia customers.

As of December 31, 2019 and 2018, the average maturity of trade receivables is one month.

Explanations regarding the nature and level of risks in trade receivables are explained in Note 28.

(Amounts are expressed in Turkish Lira (TL))

5. TRADE RECEIVABLES AND PAYABLES (cont'd)

The movement in the allowance for doubtful receivables is as follows:

Doubtful receivables	2019	2018
Beginning of the period - 1 January	(2.042.354)	(1.902.822)
Impact of accounting policy change	-	(250.752)
Terminated provisions	160.788	308.395
Currency translation difference	(55.975)	(135.980)
Period expense	(58.887)	(61.195)
End of the period - 31 December	(1.996.428)	(2.042.354)

b) Trade Payables

As of balance sheet date, the details of the Group's trade payables are as follows:

Short-term trade payables	December 31, 2019	December 31, 2018
Trade payables	13.474.938	35.206.637
Trade payables to related parties (Note 4)	3.942.587	23.241.931
Expense accruals	1.547.464	1.090.427
	18.964.989	59.538.995

The average maturities of trade payables are one month as of December 31, 2019 and 2018.

6. OTHER RECEIVABLES AND PAYABLES

Other Short-Term Receivables	December 31, 2019	December 31, 2018
Deposits and guarantees given	3.727.721	2.986.613
Receivables from transmission lines (*)	506.046	1.720.145
Receivables from related parties (Note 4)	14.952	13.552
Impairment provision	(6.350)	(19.680)
Other receivables	241.545	5.578
	4.483.914	4.706.208

(*) It relates to the costs incurred and connected to the payment plan for the transmission lines of Korkmaz and Mordoğan for TEİAŞ.

(Amounts are expressed in Turkish Lira (TL))

6. OTHER RECEIVABLES AND PAYABLES (cont'd)

Other Long-Term Receivables	December 31, 2019	December 31, 2018
Receivables from other parties (**)	64.893.194	55.358.285
Receivables from related parties (Note 4)	3.388.844	3.661.216
Deposits and guarantees given	296.394	273.564
Receivables from transmission lines (*)	-	528.724
Impairment provision	-	(10.028)
Other receivables	77.051	77.052
	68.655.483	59.888.813

(*) It relates to the costs incurred and connected to the payment plan for the transmission lines of Korkmaz and Mordoğan for TEİAŞ.

(**) Receivables from other parties consist of receivables related to payment of capital commitments of other shareholders of Ayen AS. The interest rate applied for the aforementioned Euro receivables is 6.25% as of December 31, 2019.

The movement in the allowance for impairment provision of other receivables is as follows:

	2019	2018
Beginning of the period - 1 January	(29.708)	-
Terminated provisions	23.358	24.692
Impact of accounting policy change (Note 2.2)	-	(42.102)
Period expense	-	(12.298)
End of the period - 31 December	(6.350)	(29.708)

Other Short-Term Payables	December 31, 2019	December 31, 2018
Payables to related parties (Note 4)	13.837.219	136.259.892
Taxes and funds payable	1.339.969	2.252.731
Other payables	962.710	138.140
	16.139.898	138.650.763

7. PREPAID EXPENSES AND DEFERRED INCOME

Short-Term Prepaid Expenses	December 31, 2019	December 31, 2018
Prepaid expense for the following months	3.921.079	3.332.297
Job advances	427.687	42.828
Other	19.380	554.943
	4.368.146	3.930.068

(Amounts are expressed in Turkish Lira (TL))

7. PREPAID EXPENSES AND DEFERRED INCOME(cont'd)

Long-Term Prepaid Expenses	December 31, 2019	December 31, 2018
Advances given (*)	21.895.887	390.532
	21.895.887	390.532

(*) An important part of the advances given constitutes the advances given for the Çaypınar WPP project.

Short-Term Deferred Income	December 31, 2019	December 31, 2018
Deferred income (*)	7.194.207	7.194.207
Advances received (**)	6.500	2.915.004
Other	93.271	-
	7.293.978	10.109.211

Long-Term Deferred Income	December 31, 2019	December 31, 2018
Deferred income (*)	14.987.933	22.182.141
	14.987.933	22.182.141

(*) The Company has signed a sales and leaseback agreement with a financial leasing company on 25 December 2017, which is the subject of the lands included in the tangible assets. The Company has evaluated this contract within the scope of TAS 17 "Leasing Transactions", and the value corresponding to the fair value of the plots subject to the contract and collected from the financial leasing institution is accounted in the "Financial borrowings" account in the financial statements. The Company has accounted the sales profit of TL 36,570,556 arising from the said transaction in the "Deferred income" account in accordance with TAS 17 Standard, by amortizing this sales profit in the statement of profit or loss according to the maturity of the financial lease debt (6 years). are recognized as income.

(**) It is the advance amount received for the sales forecasts made to the day ahead market.

8. OTHER CURRENT ASSETS

Other current assets	December 31, 2019	December 31, 2018
VAT deductible (*)	95.093.627	108.083.008
VAT carried forward	4.710.081	21.851.754
Other	633.736	330.884
	100.437.444	130.265.646

(*) The balance consists of the deductible VAT amount of Ayen AS, Ayen Trading and Ayen ALB.

(Amounts are expressed in Turkish Lira (TL))

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Total
Cost								
Opening balance as at January 1, 2019	89.723.500	17.595.161	7.331.816	2.118.764.461	5.206.182	4.643.069	9.648.562	2.252.912.751
Additions	61.946	-	-	92.627	179.710	101.730	4.473.076	4.909.089
Currency translation differences	3.593	-	-	193.042.956	503.147	289.586	279.396	194.118.678
Transfers (*)	(14.000.000)	-	-	-	-	-	-	(14.000.000)
Closing balance as of December 31, 2019	75.789.039	17.595.161	7.331.816	2.311.900.044	5.889.039	5.034.385	14.401.034	2.437.940.518
Accumulated Depreciation								
Opening balance as at January 1, 2019	-	(8.809.289)	(2.486.677)	(193.656.704)	(4.742.431)	(3.017.445)	-	(212.712.546)
Charge for the period	-	(1.759.516)	(276.558)	(67.282.315)	(1.221.877)	(852.897)	-	(71.393.163)
Currency translation differences	-	-	-	(11.776.744)	(508.673)	(224.374)	-	(12.509.791)
Closing balance as of December 31, 2019	-	(10.568.805)	(2.763.235)	(272.715.763)	(6.472.981)	(4.094.716)	-	(296.615.500)
Net book value as of December 31, 2019	75.789.039	7.026.356	4.568.581	2.039.184.281	(583.942)	939.669	14.401.034	2.141.325.018

(*) As of 31 December 2019, due to the change in the purpose of use, the related fixed asset is classified to investment properties (Note 12).

TL 67.823.505 (31 December 2018: TL 63.258.765) of the current period depreciation expenses is included in the cost of sales and TL 3.569.658 (31 December 2018: TL 638.977) is included in general administrative expenses.

Regarding long-term bank loans, the Group has TL 29,701,000 mortgage (5,000,000 USD) on its tangible assets. (Note 16) (31 December 2018: 26.304.500 TL).

There are commercial enterprise pledges amounting to TL 140.000.000 over Akbük WPP and amounting to TL 150.000.000 over Mordoğan WPP and Korkmaz WPP. Aforementioned pledges were given on 25 June 2009 and on 30 May 2012 as a guarantee for the investment loan obtained for Akbük WPP and Mordoğan WPP and Korkmaz WPP respectively (Note 16).

(Amounts are expressed in Turkish Lira (TL))

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

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Total
Cost								
Opening balance as at January 1, 2018	89.723.500	17.595.161	7.340.040	1.654.348.344	3.731.310	2.800.725	5.103.104	1.780.642.184
Additions	-	-	-	23.986.905	270.231	1.361.055	4.545.458	30.163.649
Disposals (*)	-	-	(8.224)	(51.145.972)	-	-	-	(51.154.196)
Currency translation differences	-	-	-	491.575.184	1.204.641	481.289	-	493.261.114
Closing balance as of December 31, 2018	89.723.500	17.595.161	7.331.816	2.118.764.461	5.206.182	4.643.069	9.648.562	2.252.912.751
Accumulated Depreciation								
Opening balance as at January 1, 2018	-	(7.049.773)	(2.210.891)	(153.790.426)	(3.050.048)	(2.147.712)	-	(168.248.850)
Charge for the period	-	(1.759.516)	(276.608)	(60.338.653)	(999.619)	(523.346)	-	(63.897.742)
Disposals (*)	-	-	822	34.029.808	-	-	-	34.030.630
Currency translation differences	-	-	-	(13.557.433)	(692.764)	(346.387)	-	(14.596.584)
Closing balance as of December 31, 2018	-	(8.809.289)	(2.486.677)	(193.656.704)	(4.742.431)	(3.017.445)	-	(212.712.546)
Net book value as of December 31, 2018	89.723.500	8.785.872	4.845.139	1.925.107.757	463.751	1.625.624	9.648.562	2.040.200.205

(*) Due to the cessation of Ayen Ostim's activities, the sales of facilities, machinery and devices with a net book value of TL 17.116.164 have been realized.

(Amounts are expressed in Turkish Lira (TL))

10. INTANGIBLE ASSETS

	Wholesale Licence	Electricity Production Licence	Rights	Other Intangible Assets	Total
Cost					
Opening balance as of January 1, 2019	350.929	9.240.361	2.296.992	572.692	12.460.974
Additions	-	-		34.686	34.686
Currency translation differences	-	-	12.078	96.343	108.421
Closing balance as of December 31, 2019	350.929	9.240.361	2.309.070	703.721	12.604.081
Accumulated Amortization					
Opening balance as of January 1, 2019	(339.786)	(689.454)	(2.016.891)	(325.284)	(3.371.415)
Charge for the period	-	(182.010)	(53.430)	(93.817)	(329.257)
Currency translation differences	-	-	(5.620)	(34.137)	(39.757)
Closing balance as of December 31 2019	(339.786)	(871.464)	(2.075.941)	(453.238)	(3.740.429)
Net book value as of December 31, 2019	11.143	8.368.897	233.129	250.483	8.863.652

TL 312.794 of the current period depreciation expenses (December 31, 2018: TL 730.086) is included in the cost of sales and TL 16.463 (December 31, 2018: TL 7.375) is included in general administrative expenses.

	Wholesale Licence	Electricity Production Licence	Rights	Other Intangible Assets	Total
Cost					
Opening balance as of January 1, 2018	350.929	9.240.361	5.698.269	2.213.543	17.503.102
Additions	-	-	-	150.850	150.850
Currency translation differences	-	-	323.674	107.962	431.636
Disposals (*)	-	-	(3.724.951)	(1.899.663)	(5.624.614)
Closing balance as of December 31, 2018	350.929	9.240.361	2.296.992	572.692	12.460.974
Accumulated Amortization					
Opening balance as of January 1, 2018	(335.399)	(507.444)	(4.066.153)	(1.101.153)	(6.010.149)
Charge for the period	(4.387)	(182.010)	(225.382)	(325.682)	(737.461)
Currency translation differences	-	-	(10.738)	(69.908)	(80.646)
Disposals (*)	-	-	2.285.382	1.171.459	3.456.841
Closing balance as of December 31, 2018	(339.786)	(689.454)	(2.016.891)	(325.284)	(3.371.415)
Net book value as of December 31, 2018	11.143	8.550.907	280.101	247.408	9.089.559

(*) Due to the cessation of Ayen Ostim's activities, the sales of intangible assets with a net book value of TL 2.167.773 have been realized.

11. GOODWILL

	December 31, 2019	December 31, 2018
Demir Enerji (Kayseri Elektrik) Share Acquisition	17.461.935	17.461.935
	17.461.935	17.461.935

The difference between the fair value of the identifiable net assets acquired during the 2002 acquisition of Demir Enerji, the capitalist of Kayseri Electricity, which Ayen Energy merged with the acquisition method based on its balance sheet dated 30 June 2008, and the purchase price was evaluated as goodwill. Calculations of this value include the discounted value of the fund flow in US dollars, which will be approved by the Ministry of Energy and Natural Resources ("MENR") of the Yamula Dam of Kayseri Elektrik and will end in 2025. During the determination of recoverable value, the value in US dollars was calculated by converting it to TL with the exchange rate on the balance sheet date. Therefore, the calculation made on the basis of the use value in question is affected by the fluctuations in the foreign exchange market. The discount rate was used as 9% (2018: 13.44%) in the use value calculations. The discount rate used also includes company-specific risks. As of 31 December 2019, the Group has compared the recoverable value determined by the impairment tests conducted using the above assumptions with the total of 173,444,036 TL service concession agreements of Kayseri Elektrik and the amount of goodwill amounting to 17,461,935 TL. did not detect any impairment.

The sensitivity analysis below shows the value-in-use which would have been calculated if the discount rate used was changed while keeping all other variables constant:

	Value in use (TL)
Base discount rate by +1	208.087.048
Base discount rate 0	214.521.360
Base discount rate by -1	221.210.678

12. INVESTMENT PROPERTIES

Cost Value	**Lands and parcels**
January 1, 2019	-
Transfer (*)	14.000.000
Positive Valuation Differences	2.500.000
December 31, 2019	**16.500.000**

(*) As of December 31, 2019, due to the change in the purpose of use, the related fixed asset is classified to investment properties (Note 9).

The fair value of the Company's investment properties as of December 31, 2019 has been obtained based on the evaluations made by Lâl Gayrimenkul Değerleme ve Danışmanlık A.Ş., an independent expertise agency authorized by the CMB, which has no relation with the Company. In the valuation made according to International Valuation Standards, peer comparison method has been taken into consideration.

	December 31, 2019	
	Method used	**Degree**
Ayen Ostim Land	Peer comparison	**2**

(Amounts are expressed in Turkish Lira (TL))

13. RIGHT OF USE ASSETS

	Land	Buildings	Vehicles	Total
Cost				
Opening balance as of January 1, 2019	5.689.499	1.455.521	239.267	7.384.287
Currency translation differences	-	172.093	9.195	181.288
Closing balance as of December 31, 2019	**5.689.499**	**1.627.614**	**248.462**	**7.565.575**
Accumulated Depreciation				
Opening balance as of January 1, 2019	-	-	-	-
Charge for the period	(149.144)	(527.445)	(189.611)	(866.200)
Currency translation differences	-	(30.594)	(1.635)	(32.229)
Closing balance as of December 31, 2019	**(149.144)**	**(558.039)**	**(191.246)**	**(898.429)**
Net book value as of 31 December 2019	**5.540.355**	**1.069.575**	**57.216**	**6.667.146**

TL 563.493 of current period depreciation expenses are included in the cost of goods sold, and TL 302.707 is included in general administrative expenses.

14. SERVICE CONCESSION ARRANGEMENTS

Due from Service Concession Arrangements	December 31, 2019	December 31, 2018
Short-term due from service concession arrangements	21.731.604	16.881.686
Invoiced and undue from service concession arrangements (*)	5.303.863	358.387
Total short-term receivables of service concession arrangements	27.035.467	17.240.073
Long-term due from service concession arrangements	146.808.569	149.266.526
Total due from service concession arrangements	173.844.036	166.506.599
Gross due from service concession arrangements	257.051.332	268.430.047
Unearned financial income (-)	(88.511.159)	(102.281.837)
Due from service concession arrangements (*)	5.303.863	358.389
Due from service concession arrangements-net	173.844.036	166.506.599

(*) Consists of the receivables invoiced to EÜAŞ but not collected yet.

(Amounts are expressed in Turkish Lira (TL))

14. SERVICE CONCESSION ARRANGEMENTS (cont'd)

As of December 31, 2019 and 2018, the payment schedules for gross and net due from service concession arrangements are as follows:

	Gross due from service concession arrangements (USD)		Gross due from service concession arrangements (TL)	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Up to 1 year	7.750.420	7.750.420	46.039.045	40.774.185
1 to 2 years	7.750.420	7.750.420	46.039.045	40.774.185
2 to 3 years	7.750.420	7.750.420	46.039.045	40.774.185
3 to 4 years	7.750.420	7.750.420	46.039.045	40.774.185
More than 4 years	12.271.498	20.021.918	72.895.152	105.333.307
	43.273.178	51.023.598	257.051.332	268.430.047

	Net due from service concession arrangements (USD)		Net due from service concession arrangements (TL)	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Up to 1 year	3.658.396	3.208.897	21.731.604	16.881.686
1 to 2 years	4.196.430	3.658.396	24.927.633	19.246.456
2 to 3 years	4.799.886	4.196.430	28.512.283	22.076.999
3 to 4 years	5.490.121	4.799.886	32.612.417	25.251.720
More than 4 years	10.227.978	15.718.099	60.756.236	82.691.349
	28.372.811	31.581.708	168.540.173	166.148.210

Due from service concession arrangements consist of receivables over the terms of the agreements. In accordance with the Energy Sales Agreement, the ownership of Yamula HEEPs and the electricity equipments will be transferred to the MENR at the end of the operation terms.

(Amounts are expressed in Turkish Lira (TL))

15. FINANCIAL LIABILITIES

The detail of borrowings of the Group as of December 31, 2019 and December 31, 2018 is as follows:

Borrowings	December 31, 2019	December 31, 2018
Short-term financial liabilities	188.984.654	207.720.061
Short-term portion of long-term financial liabilities	209.671.222	188.985.658
Long-term financial liabilities	1.383.164.276	1.442.857.822
	1.781.820.152	1.839.563.541

Bank Borrowings

		December 31, 2019	
Original Currency	Weighted average effective interest rate (%)	Short-term	Long-term
TL	15,93%	18.277.182	12.705.883
USD	7,33%	197.041.717	7.128.240
EURO	3,51%	174.252.414	1.337.227.485
		389.571.313	1.357.061.608

		December 31, 2018	
Original Currency	Weighted average effective interest rate (%)	Short-term	Long-term
TL	22,54%	91.511.139	21.176.472
USD	8,07%	143.023.127	50.504.640
EURO	5,07%	155.666.134	1.342.980.962
		390.200.400	1.414.662.074

For the short term bank loans of the Group, interest amounting to TL 29.773.548 has been accrued (December 31, 2018: TL 25.611.243).

(Amounts are expressed in Turkish Lira (TL))

15. FINANCIAL LIABILITIES (cont'd)

The redemption schedule of the borrowings as of December 31, 2019 and 2018 is as follows:

	December 31, 2019	December 31, 2018
To be paid within 1 year	389.571.313	390.200.400
To be paid between 1-2 years	178.921.478	215.253.152
To be paid between 2-3 years	160.438.361	153.260.753
To be paid between 3-4 years	167.782.209	145.579.724
To be paid between 4-5 years	148.695.495	138.093.119
5 and more than 5 years	701.224.065	762.475.326
	1.746.632.921	1.804.862.474

The insurance and commission fees paid by the Group for long-term bank loans are recognized under long-term borrowings and are amortized over the life of the loan. As of 31 December 2019, the amount of deferred financing amount is 15.454.356 TL (31 December 2018: 25.611.243 TL). The Group has some rates fastening liabilities are calculated based on consolidated financial statements prepared in accordance with contracts made with regard to investment loans that have used as of the end of each fiscal year Turkey in accordance with the Financial Reporting Standards. The related bank has declared in writing that it has waived from January 1, 2019 to December 31, 2019 for two of the liabilities specified in the related article of the loan. There is no mismatch related to the remaining rate.

Financial Leasing Payables

Financial Leasing Payables	December 31, 2019	December 31, 2018
Short term	9.084.563	6.505.319
- Gross financial leasing payables	14.334.148	12.232.126
- Interest (-)	(5.249.585)	(5.726.807)
Long term	26.102.668	28.195.748
- Gross financial leasing payables	54.068.069	36.696.378
- Interest (-)	(27.965.401)	(8.500.630)
	35.187.231	34.701.067

(Amounts are expressed in Turkish Lira (TL))

15. FINANCIAL LIABILITIES (cont'd)

As of December 31, 2019, Ayen Enerji's financial leasing payables consist of; a sale and leaseback agreement made on December 25, 2017 and amounting to TL 28.195.749 and the lease liabilities due to the new TFRS 16 standard amounting to TL 6.991.482. The lease liability balance due to TFRS 16 consist of rental vehicles and lands used by Ayen Enerji, land used by Ayen Trading and vehicles and offices used by Ayen AS.

		December 31, 2019	
Currency	Weighted average effective interest rate	Short-term	Long-term
TL	18%	7.926.312	26.102.668
EUR	4,58%	1.158.251	-
		9.084.563	26.102.668

		December 31, 2018	
Currency	Weighted average effective interest rate	Short-term	Long-term
TL	18%	6.505.319	28.195.748
		6.505.319	28.195.748

The repayment schedule of finance lease obligations is as follows:

	December 31, 2019	December 31, 2018
To be paid within 1 year	9.084.563	6.505.319
To be paid between 1-2 years	6.816.458	7.777.878
To be paid between 2-3 years	10.632.808	9.299.372
To be paid between 3-4 years	2.968.533	11.118.498
To be paid between 4-5 years	5.684.869	-
	35.187.231	34.701.067

As of December 31, 2019 and 2018, the movement for financial liabilities is as follows:

Financial liabilities	2019	2018
Beginning of the period -1 January	1.839.563.541	1.459.634.135
TFRS 16 adoption effect (Note 2)	7.384.287	-
Borrowings received	191.860.733	282.117.648
Borrowings paid	(425.721.224)	(364.221.946)
Currency translation differences	159.790.212	341.395.115
Change in foreign exchange differences	52.941.680	104.485.844
Change in deferred finance expenses	2.463.129	561.541
Interest accruals arising from rental contracts	327.051	-
Change in interest accruals	(45.918.614)	15.591.204
Cash outflows from rental agreements	(870.643)	-
End of the period - 31 December	1.781.820.152	1.839.563.541

(Amounts are expressed in Turkish Lira (TL))

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Provisions

As of December 31, 2019, there are cases where the Group is litigant and defendant. Most of the cases are related with the bad debt and employee cases. The Group has not provided any provision as of December 31, 2019, as the lawyers have not foreseen a significant cash outflow for the ongoing lawsuits as of the date of preparation of the consolidated financial statements. (December 31, 2018: None).

b) Contingent Assets and Liabilities

Contingent assets	December 31, 2019	December 31, 2018
Letters of guarantee received (*)	7.703.258	17.207.528
Guarantee received behalf of Ayen Enerji (**)	438.938.183	483.462.775
	446.641.441	500.670.303

(*) Received by Ayen Elektrik as guarantee against risks that might occur in collecting related with electricity sales.

(**) Consists of Aydıner İnşaat A.Ş.'s guarantee obtained regarding cash and non-cash General Loan Agreements signed by the Group with banks.

The commitments and contingent liabilities of the Group that are not expected to result in material loss or liability is summarized as follows:

Contingent Liabilities	December 31, 2019	December 31, 2018
Letters of conveyance given (*)	-	210.724.229

(*) Regarding the "Royalty agreement of the establishment and operation of Yamula Dam and HEPP and sale of the produced electricity to EÜAŞ" and the "Energy sales agreement for Yamula Dam and HEPP" signed with MENR on 7 July 2003 Kayseri Elektrik no receivable was given (December 31, 2018: USD 40.054.787) as a conveyance for the loan.

Contingent Liabilities	December 31, 2019	December 31, 2018
Commercial enterprise pledge (*)	290.000.000	290.000.000

(*) The Group has given commercial enterprise pledge amounting to TL 140.000.000 as a guarantee for the loan used for construction of Akbük WPP, on 25 June 2009 and TL 150.000.000 as a guarantee for the loan used for Mordoğan WPP and Korkmaz WPP on 30 May 2012.

(Amounts are expressed in Turkish Lira (TL))

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (cont'd)

b) Contingent Assets and Liabilities (cont'd)

Contingent Liabilities	December 31, 2019	December 31, 2018
Mortgages given (**)	29.701.000	26.304.500

(**) Consists of the mortgages given for the long-term borrowings of the Group, there exists TL 29.701.000 (USD 5.000.000) of mortgages over property, plant and equipment of Ayen Enerji.

Contingent Liabilities	December 31, 2019	December 31, 2018
Letters of guarantee given (***)	94.999.576	106.915.005

(***) Letters of guarantee given consist of TL 10.959.237 in terms of EURO and TL 22.114.074 in terms of Turkish Lira. Letters of guarantee given comprises that TL 69.892.732 (EUR 10.509.237) has been given to the Albania Ministry of Economy for Ayen AS, TL 7.086.810 (EUR 400.000, TL 4.426.570) has been given to TEİAŞ, TL 4.283.600 has been given to EPDK, TL 7.408.512 has been given to Enerjisa, TL 2.625.264 has been given to Atlas Enerji Üretim, TL 1.324.700 has been given to Aydem Elektrik Dağıtım, other letters mainly consist of guarantees given in relation to reciprocal agreements which are signed between electricity trade companies and the Group and guarantees given in relation to System Use Agreement.

(Amounts are expressed in Turkish Lira (TL))

17. COMMITMENTS

c) Guarantees- Pledges -Mortgages

Guarantees, pledge and mortgage ("GPM") position of the Group as of December 31, 2019 and 2018 is as follows:

	December 31, 2019				**December 31, 2018**			
	TL Equivalent	**TL**	**USD**	**EURO**	**TL Equivalent**	**TL**	**USD**	**EURO**
GPM given on behalf of the legal entity	400.194.914	300.601.182	5.000.000	10.509.237	421.909.862	324.117.881	5.000.000	11.859.237
Guarantee Letter	80.493.914	10.601.182	-	10.509.237	105.605.362	34.117.881	-	11.859.237
Pledge	290.000.000	290.000.000	-	-	290.000.000	290.000.000	-	-
Mortgage	29.701.000	-	5.000.000	-	26.304.500	-	5.000.000	-
Guarantee	-	-	-	-	-	-	-	-
GPM given on behalf of the subsidiaries that are included in full consolidation								
Conveyance	14.505.662	11.512.892	-	450.000	212.033.872	1.309.643	40.054.787	-
Guarantee Letter	-	-	-	-	210.724.229	-	40.054.787	-
Pledge	14.505.662	11.512.892	-	450.000	1.309.643	1.309.643	-	-
Guarantee	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
GPM given for execution of ordinary commercial activities to collect third parties debt		-	-	-				
Other guarantees given	-	-	-	-	-	-	-	-
i. GPM given on behalf of main shareholder guarantee	-	-	-	-	-	-	-	-
ii. GPM given on behalf of group companies not covered by B and C.	-	-	-	-	-	-	-	-
iii. GPM given on behalf of group companies	-	-	-	-	-	-	-	-
Not covered by C					-	-	-	-
	-	-	-	-				
Total	414.700.576	312.114.074	5.000.000	10.959.237	633.943.734	325.427.524	45.054.787	11.859.237

(*) As of December 31, 2019, rate of Group's GPM to equity is 0% (2018: 0%).

(Amounts are expressed in Turkish Lira (TL))

18. EMPLOYEE BENEFITS

Payables related to employee benefits

	December 31, 2019	December 31, 2018
Due to personnel	347.593	316.847
Social security premiums payable	280.707	302.884
	628.300	619.731

Short-term provisions for employee benefits:

	December 31, 2019	December 31, 2018
Provision for unused vacation	1.028.278	938.073
	1.028.278	938.073

The movement for provisions is as follows:

	2019	2018
As of January 1	938.073	881.810
Period Charge	90.205	56.263
As of December 31	1.028.278	938.073

Long-term provisions for employee benefits

Provisions for Severance Indemnity:

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

The amount payable consists of one month's salary limited to a maximum of TL 6.379,86 (December 31, 2018: TL 5.434,42 TL) for each period of service at December 31, 2019.

(Amounts are expressed in Turkish Lira (TL))

18. EMPLOYEE BENEFITS (cont'd)

Long-term provisions for employee benefits (cont'd)

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at December 31,2019, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of an annual inflation rate of 11,84% and a discount rate of 15%, resulting in a real discount rate of approximately 4,05 % (December 31, 2018: discount rate of approximately 5,02%). Estimated amount of retirement pay not paid due to voluntary leaves and retained in the Company is also taken into consideration. Ceiling for retirement pay is revised semi-annually. Ceiling amount of TL 6.730,15 (January 1, 2019: TL 6.017,60) which is in effect since January 1, 2019 is used in the calculation of Group's provision for retirement pay liability.

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

- If the discount rate had been 1% lower/(higher) while all other variables were held constant, provision for employee termination benefits would increase by TL 416.782 and decrease by TL 209.254.

- If the anticipated turnover rate had been 1% higher/(lower) provision for employee termination benefits would increase by TL 106.612 and decrease by TL 96.712.

	2019	2018
January 1	3.084.486	2.672.254
Interest cost	459.333	292.020
Service cost	274.994	291.334
Actuarial loss	1.945.028	348.535
Termination benefits paid	(1.466.629)	(519.657)
December 31	4.297.212	3.084.486

(Amounts are expressed in Turkish Lira (TL))

19. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The company is subject to the registered capital system. The approved and issued capital of the Company consists of 27.750.000.000 (31 December 2018: 17.104.230.000) shares, each with a nominal value of TL 0,01. The mentioned capital has been fully paid.

The composition of the Company's paid-in share capital as of December 31, 2019 and December 31, 2018 is as follows:

Shareholders	%	December 31, 2019	%	December 31, 2018
Aydıner İnşaat A.Ş.	84,98	235.812.946	84,98	145.347.710
Public quotation	15,01	41.656.325	15,01	25.675.650
Other	<1	30.729	<1	18.940
Subscribed capital		277.500.000		171.042.300

The operations of the Company are managed by the Board of Directors with at least 7 (seven) members that consist 5 (five) A type shareholders determined in the General Assembly in accordance with the Turkish Commercial Code. Each (A) type shareholders have 15 voting rights in Ordinary and Extraordinary General Assemblies.

Restricted profit reserves and retained earnings

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. As of December 31, 2019, the amount of restricted profit reserves is TL 71.893.619 (December 31, 2018: TL 71.893.619).

Resources Available for Profit Distribution

As of December 31, 2019, there is net loss amounting TL 21.492.704 in the statutory records of the Company (December 31, 2018 Net profitTL 33.188.072).

(Amounts are expressed in Turkish Lira (TL))

20. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT

Currency Translation Differences	January 1 - December 31, 2019	January 1 - December 31, 2018
Balance at the beginning of period	279.044.334	113.243.708
Currency translation differences	70.175.021	165.800.626
Increase due to share-based transactions	4.634.172	-
Balance at the end of period	353.853.527	279.044.334

Remeasurement of defined benefit plans income/(losses)	January 1 - December 31, 2019	January 1 - December 31, 2018
Balance at the beginning of period	(1.147.048)	(858.333)
Remeasurement income/(losses) from defined benefit plans	(1.555.765)	(288.715)
Balance at the end of period	(2.702.813)	(1.147.048)

Property, plant and equipment revaluation fund	2019	2018
Balance at the beginning of period	40.431.627	40.431.627
Investment property transfer effect	(11.617.330)	-
Balance at the end of period	28.814.297	40.431.627

(Amounts are expressed in Turkish Lira (TL))

21. REVENUE AND COST OF SALES

	January 1- December 31, 2019	January 1- December 31, 2018
Electricity sales	487.298.401	754.307.099
Interest income from service concession arrangements	25.755.736	23.884.778
Revenue	**513.054.137**	**778.191.877**
Cost of sales	(316.067.093)	(607.987.680)
Gross Profit	**196.987.044**	**170.204.197**

During the year, TL 18.198.191 (2018: TL 13.550.759) of invoices issued to EÜAŞ related to the Service Concession Arrangements, which is stated in Note 2.4, have been deducted from Service Concession Receivables.

22. EXPENSES BY NATURE

	January 1 - December 31, 2019	January 1 - December 31, 2018
Cost of Sales	316.067.093	607.987.680
General Administration Expenses	23.757.602	19.372.429
	339.824.695	627.360.109

	January 1 - December 31, 2019	January 1 - December 31, 2018
Cost of electricity (*)	165.015.727	461.268.676
Depreciation and amortization expenses	72.588.620	64.635.203
System usage and capacity fee (**)	36.999.927	38.180.693
Personnel expenses (*)	25.672.745	23.089.314
Plant technical assistance and maintenance	14.268.249	24.574.844
Consultancy fees	8.073.893	2.904.768
Insurance expenses	4.351.072	3.688.816
Office expenses	1.413.851	1.268.502
Taxes and duties	1.132.753	1.085.102
Hydraulic contribution	985.423	1.005.579
Transportation expenses	796.982	813.753
Dues deduction	321.999	281.900
Other	8.203.454	4.562.959
	339.824.695	627.360.109

(*) Consists of the amount of electricity that Ayen Energy, Ayen Elektrik and companies engaged in electricity trade abroad purchase from EPİAŞ and suppliers other than group companies and sell to customers.

(**) The Group reflects the transmission service invoices issued by TEİAŞ and the Electricity Distribution Corporation (“EDAŞ”) and sent to the Group by invoicing the same amounts to EÜAŞ and electricity distribution system usage fees to other customers. The amounts that can be reflected to EÜAŞ and other customers are shown in the accompanying consolidated financial statements by netting with sales, but the amounts that could not be reflected and paid to TEİAŞ by the Group are reflected in the cost of sales.

(***) 15.271.780 TL (31 December 2018: 12.848.244 TL) of personnel expenses are included in the cost of sales and 10.400.965 TL (31 December 2018: 10.241.070 TL) are included in general administrative expenses.

(Amounts are expressed in Turkish Lira (TL))

23. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The details of other income from operating activities for the years ended December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Financial market revenues (*)	18.580.913	-
Foreign exchange gain arising from operating activities	7.961.118	10.845.315
Akbük WPP wing damage fee (**)	4.812.018	1.558.856
Discount income of trade payables	688.353	1.679.040
Terminated provisions (Note 5,6)	184.146	333.087
Transmission line income	-	1.426.819
Compensation income from contract termination	-	3.225.567
Other	2.565.333	2.984.998
	34.791.881	22.053.682

(*) Income from non-physical electricity sales.

(**) It is the income related to the indemnity compensation received from the insurance as a result of the damage occurred in the wind turbine wing of Akbük WPP.

The details of other expenses from operating activities for the years ended December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Foreign exchange losses arising from operating activities	(9.697.397)	(9.815.318)
Financial market expenses (*)	(9.151.878)	-
Kızılcahamam forest expense (**)	(119.735)	(97.569)
Discount expenses of receivables	(66.906)	(4.855.010)
Provision for doubtful receivables (Note 5)	(58.887)	(73.493)
Compensation expenses from contract termination	-	(3.125.157)
Feasibility expenses	-	(2.807.700)
Other	(1.303.556)	(1.759.191)
	(20.398.359)	(22.533.438)

(*) Expenses from non-physical electricity purchases.

(**) Consists of the expenses related to the rehabilitation and afforestation of the 1.505 decare Kızılcahamam Forest. This forest was allocated to the Company for afforestation works, facilities and similar works until 2046 as a result of the contract signed with Kızılcahamam Forest Operation Directorate.

(Amounts are expressed in Turkish Lira (TL))

24. INCOME / (EXPENSES) FROM INVESTING ACTIVITIES , NET

The details of income from investing activities for the years ended December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Foreign exchange gains from concession agreements	25.927.840	64.050.138
Revenue from sale and lease back operation	7.194.207	7.194.207
Adjustments for fair value gains of investment properties	2.500.000	-
Gain on sales of fixed asset	-	8.349
Loss on sales of fixed asset	-	(5.752.833)
	35.622.047	65.499.861

25. FINANCIAL INCOME / (EXPENSES) , NET

	January 1 - December 31, 2019	January 1 - December 31, 2018
Bank loan interests	(128.462.319)	(123.036.195)
Net foreign exchange (loss)/ income	(49.628.791)	(102.676.860)
Deferred finance expenses	(2.250.371)	(2.213.269)
Lease interest expenses	(811.297)	-
Interest income	4.891.562	3.562.926
Bond interests	-	(9.423.464)
Other finance expenses	(4.400.873)	(4.250.174)
	(180.662.089)	(238.037.036)

26. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Current tax liability:	December 31, 2019	December 31, 2018
Current tax liability provision	(14.212.030)	(15.953.860)
Less: prepaid taxes and funds	864.940	9.088.679
	(13.347.090)	(6.865.181)

(Amounts are expressed in Turkish Lira (TL))

26. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Tax expense in profit or loss statement:	January 1 - December 31, 2019	January 1 - December 31, 2018
Income tax expense consists of the following:		
Current tax expense	(14.212.030)	(15.953.860)
Deferred tax expense/ income	(8.004.839)	(11.438.104)
Total tax expense/ income	(22.216.869)	(27.391.964)

Tax recognized directly in equity	January 1 - December 31, 2019	January 1 - December 31, 2018
Deferred Tax		
Recorded directly to equity		
Actuarial gain or loss	389.263	59.820
Total deferred tax recognized directly in equity	389.263	59.820

Tax effect related to the components of other comprehensive income is as follows:

	January 1 – December 31, 2019		
	Amount before tax	Tax expense / income	Amount after tax
Actuarial gains and losses on defined benefit plans	(1.945.028)	389.263	(1.555.765)
	(1.945.028)	389.263	(1.555.765)

	January 1 – December 31, 2018		
	Amount before tax	Tax expense / income	Amount after tax
Actuarial gains and losses on defined benefit plans	(348.535)	59.820	(288.715)
	(348.535)	59.820	(288.715)

26. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Corporate Tax

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

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses and deducting exempt income, non-taxable income and other incentives (previous years losses, if any, and investment incentives utilized, if preferred).

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

In accordance with the regulation numbered 7061, published in Official Gazette on November 27, 2017, tax rate of 20% that stated in the first paragraph of Article 32 of the Law on Corporations Tax No 5520 has been added temporarily as 22 % for corporate income related to 2018, 2019 and 2020 taxation periods. Also with the same regulation and stated in 5520 numbered Law No, 5, 75% of exemption from corporate tax rate the profits arising from the sale of real estates (immovables) which is in assets for at least two full years has been changed to 50%.

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

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

Income Witholding Tax

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

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

(Amounts are expressed in Turkish Lira (TL))

26. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Investment Incentives

The revoked phrase "only attributable to 2006, 2007 and 2008" stated in Provisional Article 69 of Income Tax Law No:193 with the effect of Article 5 of Law No:6009 after having published in the Official Gazette No: 27659 as at 1 August 2010 and the Constitutional Court's issued resolution no: 2009/144 published in the Official Gazette as at 8 January 2010 has been revised. The revised regulation allows companies to continue to benefit from the exception of undeductible and carryforward investment incentive due to insufficient earnings irrespective of having any time constraints. However, deductible amount for investment incentive exception used in the determination of tax base cannot exceed 25% of the related period's income. In addition, companies that opt to use the investment incentive exemption are allowed to apply 20% of income tax, instead of 30% under the related revised regulation.

The additional paragraph to Provisional Article 69 included in accordance with Law No:6009, which is related to the 25% threshold and requires the incentive amount that will be subject to investment incentive exemption in determining tax base cannot exceed 25% of the respective income, has been revoked based on the ground that it is contrary to the Constitution upon the Constitutional Court's resolution No: E. 2010/93 K. 2012/20 ("stay of execution") issued on 9 February 2012 and published in the Official Gazette No: 28208 on 18 February 2012. The related Constitutional Court's decision was published in the official Gazette No: 28719 as at 26 July 2013.

Deferred tax:

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

Turkish Tax Legislation does not permit a parent company, its subsidiaries and joint ventures to file a consolidated tax return, therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. In this respect deferred tax assets and liabilities of consolidated entities in the accompanying consolidated financial statements are not offset.

	Temporary differences		Deferred tax assets/(liabilities)	
Deferred tax assets/ (liabilities):	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Property, plant and equipment and intangible assets	66.837.599	117.660.929	18.423.007	26.257.835
Property, plant and equipment revaluation increase	(32.015.886)	(32.015.886)	(3.201.589)	(3.201.589)
Investment incentives	8.257.244	6.963.160	1.651.449	1.392.632
Carry forward tax losses	35.177.135	44.114.363	7.058.618	8.886.690
Provision for employment termination benefits	4.417.100	2.999.665	971.762	659.927
Due from service concession arrangements	(111.067.929)	(119.075.638)	(22.213.586)	(23.815.128)
Other	3.228.872	3.775.694	689.533	814.403
	(25.165.865)	24.422.287	3.379.194	10.994.770

(Amounts are expressed in Turkish Lira (TL))

26. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

The Group reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all that deferred income tax asset to be utilized. The Group has deductible financial expenses. Accordingly, the Group recognised deferred tax assets amounting to TL 240.575.933 (December 31, 2018: 44.191.652) for the carry forward tax losses of Ayen Enerji amounting to TL 149.193.977 (December 31, 2018: TL 149.371.684), that of Ayen Ostim amounting to TL 30.117.053 (December 31, 2018: TL 26.703.852), that of Ayen AS amounting to TL 57.397.454 (December 31, 2018: None), that of Araklı Enerji amounting to TL 213.036 (December 31, 2018: TL 173.140) and that of Ayel Elektrik amounting to TL 3.654.413 (December 31, 2018: TL 3.168.220).

As of December 31, 2019 and December 31, 2018, the expiration dates of prior years' losses, which deferred tax asset have not been accounted for, are as follows:

	December 31, 2019	December 31, 2018
2019	-	32.449.426
2020	55.355.257	59.195.285
2021	45.153.795	37.608.603
2022	108.892.540	40.011.707
2023	30.552.792	21.995.564
2024	621.549	-
	240.575.933	191.260.585

The Group has recognized deferred tax asset amounting to TL 7.058.618 (December 31, 2018: TL 8.886.690) on the deductible financial loss of Ayen Enerji amounting to TL 35.177.135 (December 31, 2018: TL 44.114.363).

As of December 31, 2019 and December 31, 2018, the expiration dates of prior years' losses, which deferred tax asset have been accounted for, are as follows:

	December 31, 2019	December 31, 2018
2020	1.159.520	3.190.877
2021	529.730	8.074.921
2022	-	11.483.379
2023	12.807.958	21.365.186
2024	20.679.927	-
	35.177.135	44.114.363

(Amounts are expressed in Turkish Lira (TL))

26. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Movements in deferred income taxes can be analysed as follows:

	2019	2018
January 1	10.994.770	22.308.626
Current year deferred taxation expense	(8.004.839)	(11.438.104)
Deferred tax credit recorded under equity	389.263	59.820
- Actuarial loss / gain effect	389.263	59.820
Impact of accounting policy change (Note 2.2)	-	64.428
December 31	3.379.194	10.994.770

The reconciliation of current year tax charge calculated over current period tax charge and profit before tax disclosed in the consolidated statement of profit or loss for the period ended December 31, 2019 and 2018 is stated below:

	December 31, 2019	December 31, 2018
Profit/ (loss) before tax on profit or loss statement	42.582.922	(22.185.163)
Effective tax rate 22%	(9.368.243)	4.880.735
Effect of tax:		
- discounts	265.128	101.230
- disallowable expenses	(656.063)	(16.313.798)
- investment incentive effect	1.664.011	742.425
- deferred tax effect of prior year's losses which are expired	(13.809.284)	(11.363.371)
- stoppage tax expense	-	(1.631.331)
- prior period tax expense	-	(6.785.453)
- different tax rate effect	(508.721)	2.515.808
- other	196.303	461.791
Tax expense on profit or loss statement	(22.216.869)	(27.391.964)

(Amounts are expressed in Turkish Lira (TL))

27. EARNINGS PER SHARE

	January 1-December 31, 2019	January 1, December 31 2018
Profit/ (loss) for the year attributable to equity holders of the Parent	21.035.761	(49.669.939)
Average number of outstanding shares	20.750.041.644	17.104.230.000
Earnings/ (loss) per basic, 1.000 shares (TL)	1,01	(2,90)

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

While managing the capital, the Group's goals are to ensure the continuation of the Group's activities in order to maintain the most appropriate capital structure in order to provide benefits to its shareholders, benefit other shareholders, and reduce the cost of capital.

The Group controls its capital using the net debt/total capital ratio. This ratio is calculated as net debt divided by the total capital amount. Net debt is calculated as total liability amount less cash and cash equivalents. Total capital is calculated as shareholders' equity plus the net debt amount as presented in the balance sheet.

As of December 31, 2019 and 2018 net debt / total capital ratio is as follows:

	2019 TL	2018 TL
Total Financial Debt	1.781.820.152	1.839.581.605
Less: Cash and cash equivalents	(19.550.506)	(121.209.720)
Net Debt	1.762.269.646	1.718.371.885
Equity Attributable to Owners of the Parent	686.606.896	479.652.307
Net Debt / Capital	2,57	3,58

b) Financial Risk Factors

The risks of the Group, resulted from operations, include market risk, credit risk and liquidity risk. The Group's risk management program generally seeks to minimize the effects of uncertainty in financial market on financial performance of the Group.

(Amounts are expressed in Turkish Lira (TL))

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b.1) Credit risk management

Credit risk of financial instruments	**Receivables**					
	Trade Receivables		**Other Receivables**			
December 31, 2019	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Due From Service Concession Arrangements**	**Bank Deposits**
Maximum net credit risk as of balance sheet date (*)	1.769.751	23.286.706	3.403.796	69.735.601	173.844.036	19.368.498
- The part of maximum risk under guarantee with collateral etc. (**)		7.703.258	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	1.769.751	23.286.706	3.403.796	69.735.601	173.844.036	19.368.498
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross book value)	-	1.996.428	-	-	-	-
- Impairment (-)	-	(1.996.428)	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-
Maximum net credit risk as of balance sheet date (*)	-	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantee received are not considered in the determination of the balance.
(**) Guarantees consists of guarantee letters, guarantee notes and mortgages obtained from the customers.

(Amounts are expressed in Turkish Lira (TL))

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b.1) Credit risk management (cont'd)

Credit risk of financial instruments	**Receivables**					
	Trade Receivables		**Other Receivables**			
December 31, 2018	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Due From Service Concession Arrangements**	**Bank Deposits**
Maximum net credit risk as of balance sheet date (*)	2.727.127	70.806.632	3.674.768	60.920.253	166.506.599	120.711.372
- The part of maximum risk under guarantee with collateral etc. (**)	-	17.207.528	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	2.727.127	70.806.632	3.674.768	60.920.253	166.506.599	120.711.372
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross book value)	-	2.042.354	-	-	-	-
- Impairment (-)	-	(2.042.354)	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-
Maximum net credit risk as of balance sheet date (*)	-	-	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantee received are not considered in the determination of the balance.
(**) Guarantees consists of guarantee letters, guarantee notes and mortgages obtained from the customers.

(Amounts are expressed in Turkish Lira (TL))

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b.1) Credit risk management (cont'd)

Credit risk consists of deposits held at banks and customers exposed to credit risk, including uncollected receivables and committed transactions. Risk control evaluates the customer's credit quality, taking into account the customer's financial position, past experience and other factors. The Group's receivables from service concession agreements and receivables amounting to TL 9.574.970 (2018: 5.282.387 TL) of its trade receivables consist of receivables from EÜAŞ. EÜAŞ continues its commercial and wholesale activities in the electricity market and conducts its electricity transmission and distribution activities in accordance with the general energy and economic policy of the state, and financial settlement transactions of the EPİAŞ organized wholesale electricity markets, the financial settlement transactions regarding the imbalance calculations, before and during the day Economic State Enterprises that carry out the operational and financial settlement activities of organized wholesale electricity markets. In addition to being public institutions of EÜAŞ, EPİAŞ and TEİAŞ, EÜAŞ provides purchase guarantee for electricity produced by the power plants established with the Build-Operate-Transfer model of the Group, and this reduces the credit risk that the Group is exposed to. The remaining trade receivables are related to the wholesale and retail activities of the Group, and the said receivables comprise industry and commercial type customers. The Group obtains collateral from the said wholesale customers when necessary.

As of December 31, 2019 and 2018, there are no past due receivables.

b.2) Liquidity risk management

Having a conservative liquidity risk management requires obtaining adequate level of cash in addition to having the ability to utilize adequate level of borrowings and fund resources as well as closing market positions.

The following table presents the maturity of Group's derivative and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

December 31, 2019

Contractual maturity analysis	Carrying Value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial liabilities						
Bank borrowings	1.746.632.921	1.877.949.273	76.259.607	303.230.312	727.507.952	770.951.402
Financial liabilities	35.187.231	36.696.379	3.058.031	9.174.095	24.464.253	-
Trade payables	18.964.989	19.127.818	19.127.818	-	-	-
Other payables	16.585.308	16.585.308	16.139.898	-	445.410	-
Total liabilities	1.817.370.449	1.950.358.778	114.585.354	312.404.407	752.417.615	770.951.402

(Amounts are expressed in Turkish Lira (TL))

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

December 31, 2018

Contractual maturity analysis	Carrying Value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial liabilities						
Bank borrowings	1.804.862.474	2.319.014.871	109.680.463	362.137.725	906.463.664	940.733.019
Financial liabilities	34.701.067	48.928.504	3.058.032	9.174.094	36.696.378	-
Trade payables	36.297.064	36.380.312	36.380.312	-	-	-
Trade payables to related parties	23.241.931	23.288.333	23.288.333	-	-	-
Non-trade payables to related parties	136.705.302	136.705.302	136.259.892	-	445.410	-
Other financial liabilities	18.064	18.064	18.064	-	-	-
Total liabilities	2.035.825.902	2.564.335.386	308.685.096	371.311.819	943.605.452	940.733.019

(*) Since interest rates of the loans are floating, total cash outflows of financial liabilities are calculated over the interest rate announced after the Group's last loan repayment.

b.3) Market risk management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures of the Group are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(Amounts are expressed in Turkish Lira (TL))

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b.3.1) Foreign currency risk management

Transactions in foreign currencies expose the Group to foreign currency risk.

As of December 31, 2019 and 2018 the foreign currency denominated assets and liabilities of monetary and non-monetary items are as follows:

	December 31, 2019		
	TL Equivalent	**USD**	**EURO**
Trade receivables	11.165.211	1.525.569	316.216
Monetary financial assets	6.629.550	267.017	758.340
Due from short-term service concession arrangements	27.035.467	4.551.272	-
Other	3.428.072	-	515.453
CURRENT ASSETS	**48.258.300**	**6.343.858**	**1.590.009**
Due from long-term service concession arrangements	146.808.569	24.714.415	-
Other	64.893.196	-	9.757.495
NON-CURRENT ASSETS	**211.701.765**	**24.714.415**	**9.757.495**
TOTAL ASSETS	**259.960.065**	**31.058.273**	**11.347.504**
Trade payables	2.243.973	68.200	276.494
Financial borrowings	371.294.131	33.170.889	26.201.007
Financial leases	1.158.251	-	174.157
SHORT TERM LIABILITIES	**374.696.355**	**33.239.089**	**26.651.658**
Financial borrowings	1.344.355.725	1.200.000	201.068.698
LONG TERM LIABILITIES	**1.344.355.725**	**1.200.000**	**201.068.698**
TOTAL LIABILITIES	**1.719.052.080**	**34.439.089**	**227.720.356**
Net Foreign Currency Position	**(1.459.092.015)**	**(3.380.816)**	**(216.372.852)**

(Amounts are expressed in Turkish Lira (TL))

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

	December 31, 2018		
	TL Equivalent	**USD**	**EURO**
Trade receivables	12.837.627	651.668	1.560.927
Monetary financial assets	32.447.787	5.465.750	612.644
Due from short-term service concession arrangements	17.240.073	3.277.020	-
Other	943.696	-	156.552
CURRENT ASSETS	**63.469.183**	**9.394.438**	**2.330.123**
Due from long-term service concession arrangements	149.266.526	28.372.812	-
Other	1.848.137	-	306.592
NON-CURRENT ASSETS	**151.114.663**	**28.372.812**	**306.592**
TOTAL ASSETS	**214.583.846**	**37.767.250**	**2.636.715**
Trade payables			
Financial borrowings	28.524.203	364.093	4.414.192
CURRENT LIABILITIES	298.689.259	27.186.057	25.823.844
Financial borrowings	**327.213.462**	**27.550.150**	**30.238.036**
NON-CURRENT LIABILITIES	1.393.485.599	9.600.000	222.790.471
	1.393.485.599	**9.600.000**	**222.790.471**
TOTAL LIABILITIES	**1.720.699.061**	**37.150.150**	**253.028.507**
Net Foreign Currency Position	**(1.506.115.215)**	**617.100**	**(250.391.792)**

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

(Amounts are expressed in Turkish Lira (TL))

28. NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

The Group is mainly exposed to USD and EURO denominated foreign exchange risk.

	December 31, 2019	
	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation in USD against TL		
US Dollar net asset / liability	(2.008.273)	2.008.273
Part of hedged from US Dollar risk (-)		
US Dollar net effect	(2.008.273)	2.008.273
In case 10% appreciation in EURO against TL		
EURO net asset / liability	(143.900.929)	143.900.929
Part of hedged from EURO risk (-)		
EURO net effect	(143.900.929)	143.900.929
TOTAL	**(145.909.202)**	**145.909.202**

	December 31, 2018	
	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 10% appreciation in USD against TL		
US Dollar net asset / liability	324.650	(324.650)
Part of hedged from US Dollar risk (-)		
US Dollar net effect	324.650	(324.650)
In case 10% appreciation in EURO against TL		
EURO net asset / liability	(150.936.172)	150.936.172
Part of hedged from EURO risk (-)		
EURO net effect	(150.936.172)	150.936.172
TOTAL	**(150.611.522)**	**150.611.522**

b.3.2) Interest rate risk management

The Group is exposed to interest risks through the impact of EURO borrowings, due to variable interest rate used. As of December 31, 2019, for EURO denominated borrowings, had the interest rates increased/decreased by 100 base points (1%) with all other variables held constant, net profit before taxation of the Group due to loan interest loss/profit would have been decreased/increased by TL 5.988.010 (2018: TL 5.789.040) mainly as a result of interest expenses on short-term and long-term borrowings.

(Amounts are expressed in Turkish Lira (TL))

29. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

Fair values and categories of financial instruments

December 31, 2019	Loans and receivables (including cash and equivalents)	Financial liabilities at amortized costs	Carrying value	Note
Financial Assets				
Cash and cash equivalents	19.550.506	-	19.550.506	30
Trade receivables from other parties	23.286.706	-	23.286.706	5
Trade receivables from related parties	1.769.751	-	1.769.751	4
Receivables from service concession agreements	173.844.036	-	173.844.036	14
Other receivables from other parties	69.735.601	-	69.735.601	6
Other receivables from related parties	3.403.796	-	3.403.796	4
Financial liabilities				
Trade payables and non – trade payables	-	17.325.081	17.325.081	5, 6
Trade and non-trade payables to related parties	-	18.225.216	18.225.216	4
Financial borrowings	-	1.781.820.152	1.781.820.152	15

December 31, 2018	Loans and receivables (including cash and equivalents)	Financial liabilities at amortized costs	Carrying value	Note
Financial Assets				
Cash and cash equivalents	121.209.720	-	121.209.720	30
Trade receivables	70.806.632	-	70.806.632	5
Trade receivables from related parties	2.727.127	-	2.727.127	4
Receivables from service concession agreements	166.506.599	-	166.506.599	14
Financial liabilities				
Trade payables	-	36.297.064	36.297.064	6
Trade and non-trade payables to related parties	-	23.241.931	23.241.931	4
Other financial liabilities	-	18.064	18.064	28
Financial borrowings	-	1.839.563.541	1.839.563.541	15

Group, considers that the book value of financial instruments reflects their fair values.

(Amounts are expressed in Turkish Lira (TL))

30. DISCLOSURES RELATED TO THE STATEMENT OF CASH FLOWS

	December 31, 2019	December 31, 2018
Cash	182.008	497.968
Cash in bank	19.138.091	120.711.372
Demand deposits	19.136.091	120.209.873
Time deposits with maturities less than three months	2.000	501.499
Cash in transit (*)	230.407	380
	19.550.506	121.209.720

(*) Cash in transit consists of receivables from sales made via POS devices.

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 29.

As of December 31, 2019, the time deposits with maturities less than three months of the Group consists of TL denominated time deposits with maturities in January 2020. The weighted average effective overnight interest rates of TL denominated time deposits is 0,01% (2018: 4,25%).

The Group has no blocked deposits as of December 31, 2019 (2018: None).

31. EVENTS AFTER THE REPORTING PERIOD

The production license was obtained from the Energy Market Regulatory Authority for the Çaypınar Wind Energy Electricity Generation Plant project, with an installed capacity of 25.2 MWm / 24 MWe. The Project will be installed and operated within the boundaries of Kepsut district of Balıkesir province, with an annual electricity generation capacity of 84.000.000 kWh. On January 1, 2020, with the decision of the board of directors, the Çaypınar WPP Production License was transferred to Ayen Ostim.