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

AKENERJI ELEKTRIK ÜRETIM A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020 AND
INDEPENDENT AUDITOR'S REPORT

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Akenerji Elektrik Üretim A.Ş.

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Akenerji Elektrik Üretim A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements comprising a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

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

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3. Key audit matters

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

Key audit matter	**How the key audit matter was addressed in the audit**
Recognition of deferred tax assets on deductible temporary differences	
The Group monitors the deductible temporary differences of its operating companies and calculates deferred tax assets over these differences if it determines that these differences are recoverable. The recoverability of the deferred tax assets depends on the availability of taxable profit of the Group against which the deductible temporary differences can be utilized in the future. As of 31 December 2020, the Group recognized deferred tax assets amounting to TL33.635.656 as a result of the assessment performed over its carry-forward tax losses amounting TL1.298.897.985 and other deductible temporary differences. The Group's accounting policies, estimates and details for deferred tax assets and liabilities are disclosed in Note 2.5, Note 2.8 and Note 20 in the consolidated financial statements. We focused on this matter in our audit due to the following reasons: - As of 31 December 2020, the amount of unused tax losses and other deductible temporary differences of the Group are significant, - Evaluation of recognition of deferred tax assets requires assessing business models prepared based on significant management estimations, including taxable profit assumptions.	We carried out the below audit procedures for deferred taxes: - Controlling the reconciliation of the carrying amounts and tax bases of assets and liabilities subject to deferred taxation, - Evaluating the conformity of the calculation methodology applied in determining the deferred tax assets and liabilities with TAS 12 'Income Taxes' and controlling the mathematical accuracy of the calculation, - Reviewing the analysis of management in relation to recoverability of deductible temporary differences and evaluating the assumptions used in business plans through the meetings held with the senior management, - Controlling the expected reversal amounts and periods of deductible temporary differences and testing the deferred tax assets calculated in relation to these amounts, - Evaluating the adequacy and conformity of the disclosures in the consolidated financial statements in relation to deferred taxes with the TFRS requirements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 5 March 2021.

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

Çağlar Sürücü, SMMM
Partner

Istanbul, 5 March 2021

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

TABLE OF CONTENTS **PAGE**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2020
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current period Audited 31 December 2020	Prior period Audited 31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents	3	214.333.131	88.187.054
Trade receivables			
- Due from related parties	*5,28*	*15.520.418*	*4.966.185*
- Due from third parties	*5*	*82.709.558*	*67.172.514*
Other receivables			
- Due from third parties	*6*	*3.232.068*	*5.239.483*
Derivative instruments	17	10.470.084	283.082
Prepaid expenses	9	14.003.586	23.090.079
Inventories	10	5.761.993	817.302
Current income tax assets	20	1.048.119	2.434.194
Other current assets	11	17.718.408	50.460.113
Total current assets		**364.797.365**	**242.650.006**
Assets held for sale		-	1.100.000
Non - current assets			
Financial investments	12	100.000	100.000
Other receivables			
- Due from related parties	*6,28*	*9.007.900*	*1.330.120*
- Due from third parties	*6*	*1.173.003*	*1.786.397*
Inventories	10	18.603.008	20.522.180
Property, plant and equipment	13	6.186.528.709	6.459.869.993
Intangible assets	14	106.026.262	108.555.151
Right of use assets	15	28.289.732	23.052.532
Prepaid expenses	9	15.834.030	10.686.281
Deferred tax assets	20	4.176.768	4.420.521
Total non - current assets		**6.369.739.412**	**6.630.323.175**
TOTAL ASSETS		**6.734.536.777**	**6.874.073.181**

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current period	**Prior period**
		Audited	**Audited**
	Notes	**31 December 2020**	**31 December 2019**
LIABILITIES			
Current liabilities			
Short term borrowings	4	-	6.112.169
Short term portion of long term borrowings			
- Bank loans	*4*	*246.601.779*	*166.380.043*
- Lease payables	*4*	*12.557.974*	*9.768.189*
Trade payables			
- Due to related parties	*7, 28*	*21.674.313*	*32.393.820*
- Due to third parties	*7*	*243.891.228*	*197.173.111*
Other payables			
- Other payables to third parties	*8*	*6.826.559*	*8.862.311*
Employee benefit obligations	18	913.824	812.190
Derivative instruments	17	27.472.101	7.917.962
Deferred income		*1.467.802*	1.029.524
Short term provisions			
- Provisions for employee benefits	*18*	*7.983.571*	*5.324.376*
- Other short - term provisions	*16*	*40.431.743*	*33.145.904*
Total current liabilities		**609.820.894**	**468.919.599**
Non - current liabilities			
Long term borrowings			
- Bank loans	*4*	*5.722.328.669*	*4.834.099.972*
- Lease payables	*4*	*100.875.010*	*82.207.395*
Trade payables			
- Due to third parties	*7*	*146.319.808*	*176.736.132*
Other payables			
- Due to third parties	*8*	*17.156*	*16.595*
Derivative instruments	17	34.684.408	26.746.806
Long term provisions			
- Provisions for employee benefits	*18*	*8.152.977*	*6.375.802*
Deferred tax liabilities	20	240.949.948	317.803.371
Total non - current liabilities		**6.253.327.976**	**5.443.986.073**
EQUITY			
Share capital	19	729.164.000	729.164.000
Adjustments to share capital	19	101.988.910	101.988.910
Share premiums		50.220.043	50.220.043
Other comprehensive income/(expense) not to be reclassified to profit/loss			
Gains/losses on revaluation and remeasurement			
- Increase on revaluation of property, plant and equipment	*13*	*3.433.690.830*	*3.635.344.991*
- Losses on re-measurement of defined benefit plans		*(1.995.920)*	*(1.442.122)*
Other comprehensive income/(expense) to be reclassified to profit/loss			
Losses on hedges			
- Losses on cash flow hedging		*(6.917.435)*	*(9.408.118)*
Restricted reserves			
- Legal reserves	*19*	*12.053.172*	*12.053.172*
- Other reserves		*(4.322.722)*	*(4.322.722)*
Accumulated losses		(3.357.696.513)	(2.811.757.372)
Net loss for the period		(1.084.796.458)	(740.673.273)
Total equity		**(128.612.093)**	**961.167.509**
TOTAL LIABILITIES AND EQUITY		**6.734.536.777**	**6.874.073.181**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current period Audited 1 January - 31 December 2020	Prior period Audited 1 January - 31 December 2019
Revenue	21	2.187.508.497	1.823.208.667
Cost of sales (-)	21	(1.989.220.429)	(1.645.368.926)
Gross profit		**198.288.068**	**177.839.741**
General administrative expenses (-)	22	(68.774.210)	(61.014.789)
Other operating income	24	41.612.709	28.769.383
Other operating expenses (-)	24	(54.995.135)	(56.329.727)
Operating profit		**116.131.432**	**89.264.608**
Income from investing activities	25	2.102.949	76.341
Expenses from investing activities (-)	25	-	(130.291)
Operating profit from continuing operations before financial income/(expense)		**118.234.381**	**89.210.658**
Financial income	26	21.339.758	19.252.296
Financial expenses (-)	26	(1.301.464.487)	(938.990.032)
Loss from continuing operations before tax		**(1.161.890.348)**	**(830.527.078)**
Tax income/(expense), continuing operations			
- Current income tax expense (-)	20	-	(113.408)
- Deferred tax income	20	77.093.890	89.967.213
Net loss for the period		**(1.084.796.458)**	**(740.673.273)**
Net loss attributable to:			
Equity holders of the parent		(1.084.796.458)	(740.673.273)
Earnings losses per share (1.000 shares)	27	**(1,488)**	**(1,016)**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current period Audited 1 January - 31 December 2020	Priod period Audited 1 January - 31 December 2019
Net loss for the period		**(1.084.796.458)**	**(740.673.273)**
Other comprehensive income/(expense)			
Not to be reclassified to profit or loss		**(8.559.731)**	**1.460.423.668**
(Decrease)/increase on revaluation of property, plant and equipment	13, 20	(7.867.483)	1.460.920.067
Actuarial losses arising from defined benefit plans	18	(692.248)	(496.399)
Not to be reclassified to profit or loss, tax effect		**138.450**	**(221.631.749)**
(Decrease)/increase on revaluation of property, plant and equipment, tax effect	20	-	(221.731.029)
Actuarial losses arising from defined benefit plans, tax effect	20	138.450	99.280
To be reclassified to profit or loss		**3.113.353**	**3.104.841**
Gains on cash flow hedging		3.113.353	3.104.841
To be reclassified to profit or loss, tax effect		**(622.670)**	**(620.971)**
Gains on cash flow hedging, tax effect	20	(622.670)	(620.971)
Other comprehensive (expense)/income		**(5.930.598)**	**1.241.275.789**
Total comprehensive (expense)/income		**(1.090.727.056)**	**500.602.516**

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

				Other comprehensive income /(expenses) not to be reclassified to profit or loss		Other comprehensive income /(expenses) to be reclassified to profit or loss	Restricted reserves				
	Share capital	Adjustments to share capital	Share premiums	Increase on revaluation of property, plant and equipment	Gains/(losses) on re-measurement of defined benefit plans)	Gains/(losses) on cash flow hedging (**)	Other reserves	Legal reserves	Retained earnings/ (accumulated losses)	Net loss for the period	Total equity
1 January 2019	**729.164.000**	**101.988.910**	**50.220.043**	**2.548.936.335**	**(1.045.003)**	**(11.891.988)**	**(4.322.722)**	**12.053.172**	**(1.408.141.204)**	**(1.556.396.550)**	**460.564.993**
Transfers	-	-	-	-	-	-	-	-	(1.556.396.550)	1.556.396.550	-
Total comprehensive expense	-	-	-	1.239.189.038	(397.119)	2.483.870	-	-	-	(740.673.273)	500.602.516
Other adjustments (*)	-	-	-	(152.780.382)	-	-	-	-	152.780.382	-	-
31 December 2019	**729.164.000**	**101.988.910**	**50.220.043**	**3.635.344.991**	**(1.442.122)**	**(9.408.118)**	**(4.322.722)**	**12.053.172**	**(2.811.757.372)**	**(740.673.273)**	**961.167.509**
1 January 2020	**729.164.000**	**101.988.910**	**50.220.043**	**3.635.344.991**	**(1.442.122)**	**(9.408.118)**	**(4.322.722)**	**12.053.172**	**(2.811.757.372)**	**(740.673.273)**	**961.167.509**
Transfers	-	-	-	-	-	-	-	-	(740.673.273)	740.673.273	-
Total comprehensive expense	-	-	-	(7.867.483)	(553.798)	2.490.683	-	-	-	(1.084.796.458)	(1.090.727.056)
Other adjustments (*)	-	-	-	(193.786.678)	-	-	-	-	194.734.132	-	947.454
31 December 2020	**729.164.000**	**101.988.910**	**50.220.043**	**3.433.690.830**	**(1.995.920)**	**(6.917.435)**	**(4.322.722)**	**12.053.172**	**(3.357.696.513)**	**(1.084.796.458)**	**(128.612.093)**

(*) As of 31 December 2020, the depreciation difference between the acquisition cost and the carrying values of the assets subject to revaluation method, amounting to TL 194.734.132 (31 December 2019: TL 152.780.382), were reclassified from increase on revaluation of property, plant and equipment to retained earnings / (losses).

(**) Since the Group has ceased to apply hedge accounting on 30 September 2015, "Gains/(losses) on cash flow hedging" which is included in equity, has started to be recognized in statement of profit or loss during the term of related contracts.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current period Audited 1 January, - 31 December 2020	Prior period Audited 1 January, - 31 December 2019
A. Cash flows from operating activities		**371.860.256**	**350.563.342**
Loss for the year		(1.084.796.458)	(740.673.273)
Adjustments to reconcile net profit/(loss) for the year		**1.507.595.643**	**1.040.752.688**
Adjustments for depreciation and amortisation expenses	23	292.399.543	256.364.940
Adjustments for impairment		(3.452.869)	13.651.896
Adjustments for provisions			
- Adjustment for provisions for employee benefits	18	9.630.178	6.929.669
- Adjustments for litigation provisions	16	5.014.637	13.178.428
- Adjustments for other provisions	16	2.271.202	1.629.271
Adjustments for interest income		(10.070.349)	(15.748.100)
Adjustments for interest expense		577.521.264	539.256.819
Adjustments for unrealized foreign exchange differences		676.041.303	312.155.679
Adjustments for fair value of derivative instruments		37.039.581	3.117.070
Adjustments for tax (income)/expense	20	(77.093.890)	(89.853.805)
Adjustments for (gain)/loss on sale of property, plant and equipment	25	(2.084.618)	70.821
Adjustments for gains on asset held for sale		379.661	-
Changes in working capital		**(46.438.948)**	**56.001.781**
(Increase)/decrease in trade receivables		(22.638.408)	87.535.953
Increase/decrease in trade receivables		(5.056.971)	4.429.654
(Increase)/decrease in inventories		(3.025.519)	(1.895.785)
Increase/decrease in prepaid expenses		3.360.207	(20.278.355)
Increase/decrease in other assets		32.741.707	73.698.330
Increase/decrease in trade payables		(30.589.842)	(96.356.582)
Increase/decrease in derivative instruments		(19.734.843)	1.087.184
Increase/decrease in deferred income		438.278	1.029.524
Increase/decrease in employee benefit obligations		101.634	231.188
Increase/decrease in other payables		(2.035.191)	6.520.670
Cash flows from operating activities		**376.360.237**	**356.081.196**
Payments related to provisions for employee benefits		(5.886.056)	(3.397.302)
Tax receipts/(payments)		1.386.075	(2.120.552)
B. Cash flows from investing activities		**(17.564.720)**	**(22.702.828)**
Cash inflows due to sale of property, plant and equipment		4.057.055	85.721
Cash outflows due to purchase of property, plant and equipment	13	(22.205.641)	(22.523.147)
Cash outflows due to purchase of intangible assets	14	(136.473)	(265.402)
Cash inflows due to sale of assets held for sale		720.339	-
C. Cash flows from financing activities		**(259.308.314)**	**(271.644.986)**
Cash inflows from borrowings	4	-	5.170.109.329
Cash outflows due to repayment of borrowings	4	(6.112.169)	(4.811.712.545)
Cash outflows due to repayment of lease payable	4	(13.143.490)	(10.652.347)
Interest paid	4	(218.964.149)	(622.485.808)
Interest received		10.070.349	15.748.100
Other cash inflows/(outflows) (*)		(31.158.855)	(12.651.715)
Net increase in cash and cash equivalents		**94.987.222**	**56.215.528**
Cash and cash equivalents at the beginning of the period (*)	**3**	**72.486.079**	**16.270.551**
Cash and cash equivalents at the end of the year (*)	**3**	**167.473.301**	**72.486.079**

(*) Cash and cash equivalents at the beginning of the period and at the end of the period does not include interest accruals and restricted deposits, and the changes in restricted deposits are provided in "Other cash inflows/(outflows)".

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1 – ORGANISATION OF GROUP AND NATURE OF OPERATIONS

The Company was established by Akkök Sanayi Yatırım ve Geliştirme A.Ş. in 1989 (Akkök Sanayi Yatırım ve Geliştirme A.Ş. is registered as Akkök Holding A.Ş. on 13 May 2014). Akenerji Elektrik Üretim A.Ş. ("the Company" or "Akenerji") is engaged in establishing, renting and operating facilities of electrical energy production plant, producing electricity and trading electricity to the customers. Since 14 May 2009, the Company has become a joint venture between Akkök Holding A.Ş. and CEZ a.s.

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

Miralay Şefik Bey Sokak No:15 Akhan Kat: 3 - 4 Gümüşsuyu/Istanbul - Turkey.

The Company is registered to the Capital Markets Board ("CMB"), and its shares are publicly traded in Istanbul Stock Exchange ("ISE"). As of 31 December 2020, 52,83% of its shares are open for trading (31 December 2019: 52,83%).

As of 31 December 2020, the number of employees employed Akenerji and its subsidiaries (Akenerji and its subsidiaries will be referred as the "Group") is 240 (31 December 2019: 237).

These consolidated financial statements for the year ended 31 December 2020 have been approved for the issue by the Board of Directors at 05 March 2021.

The nature of business and registered addresses of the entities included in the consolidation ("Subsidiaries") are presented below:

Subsidiaries	Nature of business	Registered address
Akenerji Elektrik Enerjisi İthalat - İhracat ve Toptan Ticaret A.Ş. ("Akenerji Toptan")	Electricity trading	Gümüşsuyu/Istanbul
Akel Kemah Elektrik Üretim ve Ticaret A.Ş. ("Akel Kemah")	Electricity production and trading	Gümüşsuyu/Istanbul
Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş. ("Akenerji Doğalgaz")	Natural gas trading	Gümüşsuyu/Istanbul

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, ("TAS/TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II - 14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") published on Official Gazette dated 13 June 2013 and numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by POA.

The consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group and its Turkish subsidiaries, associates and joint ventures maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions except for the derivative financial instruments, financial investments and revaluated property, plant and equipment presented a fair values, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision.

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TL, which is the functional currency of Akenerji and the presentation currency of the Group.

Offsetting

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

2.2 Basis of consolidation

a) The consolidated financial statements include the accounts of the parent company, Akenerji, and its Subsidiaries on the basis set out in sections (b) to (c) below. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements and have been prepared in accordance with TAS/TFRS by applying uniform accounting policies and presentation. The results of operations of Subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

b) Subsidiaries are companies in which Akenerji has the power to control the financial and operating policies for the benefit of itself, either through the power to exercise more than 50% of voting rights related to shares in the companies as a result of shares owned directly and/or indirectly by itself.

The table below sets out all Subsidiaries and demonstrates the proportion of ownership interest which is equal to the effective interest rate of the Group over the subsidiary as of 31 December 2020 and 31 December 2019:

	Direct and indirect ownership interest by the Company and its subsidiaries (%)	
Subsidiaries	**31 December 2020**	**31 December 2019**
Akenerji Toptan	100,00	100,00
Akenerji Doğalgaz	100,00	100,00
Akel Kemah	100,00	100,00

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are deconsolidated from the date that the control ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Carrying values of the Subsidiaries' shares held by the Company are eliminated against the related equity of subsidiaries. Intercompany transactions and balances between Akenerji and its subsidiaries are eliminated on consolidation. Dividends arising from shares held by the Company in its subsidiaries are eliminated from income for the period and equity, respectively.

c) The minority shareholders' share in the net assets and results of subsidiaries for the period are separately classified as non-controlling interest in the consolidated statement of financial position and statements of comprehensive income. There are no minority shares in subsidiaries of the Company.

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and Turkey Financial Reporting Interpretations Committee's ("TFRIC") interpretations effective as of 1 January 2020.

i) The new standards, amendments and interpretations which are effective as at 31 December 2020 are as follows:

- TFRS 16 - Leases (Amendments)
- Amendments to TFRS 9, TAS 39 ve TFRS 7 – Interest Rate Benchmark Reform
- TAS 1 - Presentation of Financial Statements (Amendments)
- TAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)
- TFRS 3 - Business Combinations (Amendments)

The amendments did not have a significant impact on the financial position or performance of the Group.

ii) Standards, amendments and improvements issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed 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.

- IFRS 17 - The new Standard for insurance contracts
- TAS 1 - Presentation of Financial Statements
- Amendments in IFRS 3, TAS 16, TAS 17 and some annual improvements in IFRS 1, IFRS 9, TAS 41 and IFRS 16
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark
- Amendments to IFRS 17 and IFRS 4, 'Insurance contracts', deferral of IFRS 9

The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

2.5 Summary of significant accounting policies

Significant accounting policies adopted in the preparation of consolidated financial statements are summarized below:

Financial assets

Classification and measurement:

Group classified its financial assets in three categories as financial assets carried at amortized cost, financial assets carried at fair value though profit of loss, financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non - current assets. Financial assets of the Group carried at amortized cost comprised of "trade receivables", "other receivables" and "cash and cash equivalents" in the statement of financial position.

i. Trade and other receivables

Trade and other receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short - term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant.

ii. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short - term highly liquid investments with original maturities of three months or less. For the purpose of consolidated statements of cash flows, cash and cash equivalents includes cash and cash equivalents with original maturities less than three months, excluding the interest accruals. If any provision provided to the cash and cash equivalents as a result of a specific events, Group measures expected credit loss from these cash and cash equivalents by the life - time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost on its consolidated financial statements. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, the Group measures expected credit loss from these receivables by the life - time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectation based on the macroeconomic indications.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non - current assets. The Group make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss:

i) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative financial instruments" in the statement of financial position. Derivative financial instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group's financial instruments at fair value through profit or loss consist of interest rate swap contracts, forward contracts and forward term electricity purchase and sale contracts..

- *Derivatives held for trading*

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The fair value of forward contracts calculated by calculating forward exchange rate, for remainder of agreement related foreign currency's prevailed market interest rate, and comparing it to reporting date forward exchange rate.

Forward exchange contracts are recorded as assets or liabilities in the balance sheet, respectively, depends on whether their fair values are positive or negative. Gains and losses arising from changes in the fair value of forward exchange contracts are recognized as income and expense in the income statement.

Financial liabilities

Non - derivative financial liabilities of the Group comprised of "borrowings", "trade payables" and "other payables" in the statement of financial position.

i. Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

In the case of a financial liability modification, any costs or fees occurred regarding these liabilities is deducted from the carrying amount of the liability and amortized during the terms of the modificated loan agreement by being.

If financing costs arising from the loans are associated with acquisition or construction of qualifying assets, they are included in cost value of qualifying assets. Qualifying assets refer to assets which require a long time to be available for use or sales as intended. Other borrowing costs are accounted in statement of profit or loss in the period they occur.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

ii. Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Recognition and de - recognition of financial instruments

All purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are the purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

(a) The rights to receive cash flows from the asset have expired
(b) The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass - through" arrangement; or
(c) The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the consolidated financial statements.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Revenue recognition

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following five main principles:

(a) Identification of customer contracts
(b) Identification of performance obligations
(c) Determination of transaction price in the contract
(d) Allocation of price to performance obligations
(e) Recognition of revenue when the performance obligations are fulfilled

Group recognizes revenue from its customers only when all of the following criteria are met:

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
(b) Group can identify each party's rights regarding the goods or services to be transferred,
(c) Group can identify the payment terms for the goods or services to be transferred;
(d) The contract has commercial substance,
(e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

At the contract inception date, the Group evaluates the goods and services committed to be provided to the customer based on the contract and identifies each commitment as a separate performance obligation. In addition to that, the Group determines whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The group is a principal if it controls a promised good or service before the group transfers the good or service to a customer. When a group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The group is an agent if its performance obligation is to arrange for the provision of goods or services by another party and in such a position, the Group does not recognize the revenue of the consideration at gross amount.

The Group determines the transaction price in accordance with contract terms and customs of trade. Transaction price is the amount of consideration which is expected to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

The performance obligations of the Group in accordance with TFRS 15 "Revenue from Contracts with Customers" which replaces TAS 18, consists of electricity sales and electricity sales related ancillary services provided. The electricity sold is transferred to the customer by the electricity transmission lines. The customer consumes the economic benefit of the performance obligation of the Group at the same time it is transferred. Revenue of the electricity sold and electricity sales related side services provided are recognized at the time of the delivery.

Electricity sales revenues

Electricity sales revenues consist of invoiced amounts on an accrual basis, in the event of electricity delivery.

Sharing of instability

As the Group Responsible for Balance, it consists of savings sharing revenues arising from minimizing the positive or negative imbalance costs that the companies will be exposed to.

Loading instruction revenues

It is the income generated when a balancing power plant sells electricity to the system by increasing the generation of the power plant in line with the instructions given by the National Load Dispatch Center (MYTM).

Secondary frequency control revenues

Secondary Frequency Control (SFC) Revenues, in other words, automatic generation control, consist of the revenues paid to the power plants that won the SFC tender by Türkiye Elektrik Üretim İletim A.Ş. (TEİAŞ), arising from the management of the load distribution between the available power plants in operation.

Capacity mechanism revenues

It consist of the revenues paid by TEIAS, for the establishment and/or continuance of sufficient capacity, including the reserve capacity required to ensure supply security in the electricity market.

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income/expenses and other operating income/expenses in the consolidated statements of profit or loss.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Inventories

Inventories are valued at the lower of cost or net realizable value less costs to sell. Cost of inventories is comprised of the purchase cost and the cost of bringing inventories into their present location and condition. Inventories comprise of spare parts, lubricants and chemical materials required for the maintenance of the machines and equipments, and expensed as they are used. The cost of inventories is determined using the moving weighted average method.

Related parties

If one of the below listed criteria exists the party is regarded as related with the Group:

a) Directly, or indirectly through one or more intermediaries, the party:
   i) Controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries),
   ii) Has an interest in the Group that gives it significant influence over the Group, or
   iii) Has joint control over the Group,
b) The party is an associate of the Group,
c) The party is a joint venture in which the Group is a venture,
d) The party is member of the key management personnel of the Group or its parent,
e) The party is a close member of the family of any individual referred to in (a) or (d),
f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to In (d) or (e), or
g) The party has a post - employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the normal course of business.

Property, plant and equipment

The Group, has chosen the revaluation method among application methods mentioned under IAS 16 for lands, land improvements, buildings, machinery and equipments belonging its power plants commencing from 30 September 2015. As at 31 December 2019, the Group used as a base fair value determined an independent valuation company licensed by CMB for lands, land improvements, buildings, machinery and equipments. Motor vehicles are presented on consolidated financial statements at their carrying amounts. Fair value of land, land improvements, buildings, machinery and equipments are subjected to valuation is determined by using “Income Approach - discounted cash flow analysis”.

Increase in property, plant and equipments due to the revaluation are credited after netting of the deferred tax effect in “increase on revaluation of property, plant and equipment“ account under shareholders' equity in the balance sheet. The difference between amortisation (reflected in income statement) calculated by the carried amounts of revalued assets and amortisation calculated by the acquisition costs of these assets is transferred to “retained earnings/(losses) account from the “increase on revaluation of property, plant and equipment“ account after netting of the deferred tax effect on a yearly basis. The same method is also applicable for disposals of property, plant and equipment .

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is performed.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Land is not depreciated as it is deemed to have an indefinite useful life. Depreciation is provided on restated costs of property, plant and equipment using the straight - line method based on the estimated useful lives of the assets. The useful lives of assets are presented below:

	Years
Buildings	30 - 50
Land improvements	8 - 46
Machinery and equipment	2 - 40
Motor vehicles	4 - 8
Furniture and fixtures	3 - 49
Leasehold improvements	5 - 37

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. As of 1 July 2020, the Group has reevaluated the useful life of its tangible fixed assets used in electricity generation by obtaining consultancy from independent and expert organizations. As a result of the evaluations made, the useful life of land improvements and machinery and equipment were adjusted. The net effect of the useful life changes in the current year decreased depreciation expenses by TL 28.746.963.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Expenses for the repair of property, plant and equipment are normally charged as expense. They are, however, capitalized if they result in an enlargement or substantial improvement of the respective assets.

Gains or losses on disposals of property, plant and equipment which are calculated as the difference between net carrying value and the collections made are included in the related income and expense accounts, as appropriate.

Intangible assets

Intangible assets are carried at cost less accumulated depreciation and impairment losses. Intangible assets comprise licenses and computer softwares.

Commercial business licenses

Commercial business licenses which obtained separately are recorded as cost values. Licenses are amortized on a straight - line basis over their estimated useful lives of 15 - 49 years. Commercial business licenses have a limited useful life and are followed up with their future values accumulated amortisation from cost is deducted from the time the license term start to be used

Computer softwares

Computer softwares are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives of 3 - 15 years. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Leases

The Group – as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Group assess whether:

a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly,
b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified,
c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use,
d) The Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
    i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
    ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

At inception of a contract that contains a lease, the Group recognises a right of use asset and a lease liability in its financial statements.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

a) Amount of the initial measurement of the lease liability,
b) Any lease payments made at or before the commencement date, less any lease incentives received,
c) Any initial direct costs incurred by the Group,
d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Group re - measure the right of use asset:

a) After netting - off depreciation and reducing impairment losses from right of use asset,
b) Adjusted for certain re - measurements of the lease liability recognized at the present value.

The Group applies TAS 16 "Property, Plant and Equipment" to amortize the right of use asset and TAS 36 "Impairment of Assets" to asses for any impairment. The usage periods of the right of use asset vary between 3 and 38 years.

The Group, applies to TAS 16 "Property, Plant,and Equipment" to amortize the right of use asset and to asses for any impairment.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group’s incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

a) Fixed payments, including in - substance fixed payments,
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
c) The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

a) Increasing the carrying amount to reflect interest on lease liability,
b) Reducing the carrying amount to reflect the lease payments made,
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in - substance fixed lease payments. The Group adjusts the right of use asset in accordance with the reassessment f the lease liability.

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

Exemptions and simplifications

Short - term lease payments with a lease term below 12 months and payments for leases of low - value assets like IT equipments (mainly printers, laptops and mobile phones etc.) are not included in the measurement of the lease liabilities in the scope of exemptions provided in TFRS 16 “Leases”. Lease payments of these contracts are continued to be recognised in profit or loss in the related period. The Group applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

The Group - as a lessor

The Group does not have significant operations as a lessor.

Impairment of non - financial assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset’s net selling price and value in use. Impairment losses are recognized in the statement of comprehensive income.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

Provisions, contingent liabilities and assets

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

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non - occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial tables and are treated as contingent assets or liabilities.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized. A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

Provisions for employee benefits

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise.

Provision for unused vacation rights

The Group is required to pay to the employee, whose employment is terminated due to any reasons, or to its inheritors, the wage of the deserved and unused vacation rights over the prevailing wage at the date the contract is terminated. Accordingly, the Group recognizes a provision for unused vacation days as a long term employee benefits. Provision for unused vacation days is measured on an undiscounted basis and are expensed as the related service is provided.

Current and deferred taxes

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

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date and includes adjustments related to previous years' tax liabilities.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will impact taxable income in future periods based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred income tax assets will be utilized or deferred income tax liabilities will be settled, are used to determine deferred income tax.

Deferred income tax assets and liabilities are recognized to the extent that they will impact taxes to be paid in the periods that temporary differences will disappear. Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Carrying value of deferred income tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilize deferred income tax assets partially or fully.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Deferred tax relating to items recognized directly in equity is recognized in equity.

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

Share premium

Share premium represents differences resulting from the sale of the Company's Subsidiaries' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies.

Reporting of cash flows

In the consolidated statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

Cash flows from operating activities indicate cash flows due to the Group's operations.

Cash flows from investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

Cash flows from financing activities indicate the cash obtained from financial arrangements and used in their repayment.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Subsequent events

Subsequent events consist of all events between balance sheet date and date of authorization for validity, even if they have been existed after public explanation of an announcement about profit or other financial information. In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the financial statements.

Earnings/(losses) per share

Earnings per share are determined by dividing net gain by the weighted average number of shares that have been outstanding during the related year concerned. In Turkey, companies can increase their share capital by making a pro - rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and allowable reserves. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

2.6 Comparatives and restatement of prior year financial statements

The Group prepares comparative consolidated financial statements, to enable readers to determine financial position and performance trends. For the purposes of effective comparison, comparative financial statements can be reclassified when deemed necessary by the Group, where descriptions on significant differences are disclosed.

2.7 Important events occured during the period

The Group evaluated the possible impact of the COVID - 19 epidemic that affected the whole World while preparing its consolidated financial statements as of 31 December 2020, reviewed the estimates and assumptions used in the preparation of the consolidated financial statements, and did not encounter any issues that require adjustment to the consolidated financial statements.

2.8 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. Although, the estimates and assumptions are based on the best of knowledge of events and transactions of the Group management, those may not be equal to the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities are addressed below:

Deferred tax assets for the carry forward tax losses

Deferred tax assets are accounted for only where it is likely that related temporary differences and accumulated losses will be recovered through expected future profits or will be offsetted from the deferred tax liabilities incurred on the temporary differences will be recovered at the same date.

As a result of the studies performed, the Group recognized deferred tax assets on carry forward tax losses amounting to TL 15.769.799 (31 December 2019: TL 126.469.406) as of 31 December 2020. The related deferred tax asset is calculated based on the net income projections of the Group and deferred tax liabilities will be recovered for the foreseeable future. If the net income projections which are explained in are not realized or temporary differences of deferred tax assets and liabilities are recovered in a different period, related deferred tax assets for the carry forward tax losses will be accounted as an expense in the consolidated statements of profit or loss.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the remaining carry forward tax losses amounting to TL 1.283.128.186 (31 December 2019: TL 540.862.450), the Group did not recognize deferred tax assets since the Group believes those will not be utilized in the foreseeable future (Note 20).

Explanations for revaluation method and fair value measurement

The Group has chosen revaluation method instead of historical cost model as an accounting policy among application methods mentioned under TAS 16 for lands, land improvements, buildings, machinery and equipment belonging its power plants commencing from 30 September 2015.

An independent valuation firm has been authorized for revalution because using of long term price, generation, and capacity utilization forecasts which are sensitive to sectoral and economic variables and also complexity of inputs and calculations. As of 31 December 2019, the fair value which is determined with valuation study by an independent valuation company which has CMB licence, is used for lands, land improvements, buildings, machinery and equipment. In the aforementioned valuation and impairment studies, "income reduction method - discounted cash flow analysis " was applied.

Since long term electiricty prices are the most important inputs of "Income Approach - discounted cash flow analysis", an independent consultancy and technology firm, which operates in energy market, has been hired. The most important inputs of model determine long term electiricty prices are; long term electricity demand , enterance of new plants, exit of old plant, renewable total capacity, evolution of capacity factor, natural gas and coal prices, evolution of electricity import - export, and devolopment in the efficiency of thermal plants.

Increase in the electricity price used in model leads to an increase in the fair value by increasing generation for Erzin and revenue for Hydros and Ayyıldız. For generation, feasibility studies, which is calculated with 50 year hydrology info, and historical data used for hydros and Ayyıldız. Discounting rate for the model which is calculated with USD is 8%.

2.9 Going concern

The Group prepares its consolidated financial statements on a going concern basis in a foreseeable future.

As of 31 December 2020, although the production of renewable energy plants of the Group decreased slightly since the climate change compared to the same period of the previous year, the Group generated more consolidated revenue compared to last year since the increase in the foreign exchange rate increased income and profitability of renewable power plants benefiting from Renewable Energy Resources Support Mechanism and the significant increase in the unit profit margins of the Erzin power plant. In addition, as a result of the revenues obtained from the ancillary services (Primary Frequency Control, Secondary Frequency Control, 0 - 1 coded Instructions, Capacity Mechanism, etc.) provided with high operational convenience, consolidated revenues of the Group has increaed significantly. Group, as a result of the liquidity decrease in the Turkey energy derivatives market, has reached a volume of 553 GWh in 5 countries including overseas physical electricity exports and financial transactions, it intensified commercial activity in this area and increased foreign exchange revenue.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Natural gas purchases have an important place in the production costs due to the production activities of the Group's Erzin combined natural gas conversion plant. Having completed the 2020 gas supply planning and preparations in 2019, activating the Akenerji Doğalgaz company the Group diversifies the natural gas supply of the Erzin power plant from the free market and BOTAŞ. In this way, it provides natural gas supply with lower prices than the BOTAŞ tariff from the spot natural gas market and/or private sector, so as to provide cost advantage and operational profit. A significant amount of savings was achieved in 2020 period affected operating profit positively by the significant differences between market prices and Botaş tariff. The Group generated cash flow amounting to TL 371.860.256 from their operations.

The Group has been extended its liabilities to 13 years by restructuring its USD 859 million loan and also restructuring the payment of the loan condition to 1.5 year without any payment as TL and USD on 11 November 2019 which signed with Yapı ve Kredi Bankası A.Ş. as the implementation of “Financial Restructuring”. With the aforementioned Loan Agreement, the repayment schedule of the loan was arranged according to the estimated cash-generating capacity of the Group, which has been a factor that reduced the pressure on the cash flow, thereby positively affecting the financial sustainability and competitive strength of the Group. In addition, decreasing the tranches of USD liabilities within total bank loans from 87% to 55% has also significantly reduced the foreign currency risk the Group is exposed to.

With the Communique of Ministry of Commerce issued on the official gazette dated 15 September 2018 regarding the regulation on loss of capital and excess of liabilities over assets in relation to Article 376 of Turkish Commercial Code numbered 6102, it has been decided that, unrealized foreign exchange losses incurred from the foreign exchange based financial liabilities which are not yet fulfilled can be excluded on the calculation of loss of capital and excess of liabilities over assets. With the amendment made dated on 26 December 2020 in the provisional article 1 of the Communiqué on the Procedures and Principles regarding the implementation of Article 376 of the Turkish Commercial Code, until January 1, 2023, in calculations regarding capital loss or being insolvent, all of the exchange difference losses arising from foreign currency liabilities that have not yet been performed It has been arranged that half of the total of the expenses, depreciation and personnel expenses incurred in 2020 and 2021 from leases may not be taken into account. In relation to this regulation, it is calculated that, unrealized foreign exchange losses recognised under retained earnings/(losses) amounting to TL 1.337.353.704 and recognised under consolidated statement of profit or loss amounting to TL 869.107.087, in total amounting to TL 2.206.460.791 will be excluded on the calculation of loss of capital and excess of liabilities over assets by adding back to the total equity. Accordingly, there is no either issue of loss of capital or excess of liabilities over assets for the Group. The Group, as aware of all of its short term and long term liabilities, has been taking the necessary actions maintain its operations in a healthy financial structure within the framework of proactive approach.

2.10 Seasonality of Group’s operations

The results of Group’s operations do not show a significant change by season.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 3 - CASH AND CASH EQUIVALENTS

The details of the cash and cash equivalents of the Group as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Cash	47	35
Banks		
- Demand deposits	52.378.516	49.901.720
- Time deposits	161.954.568	38.285.299
	214.333.131	**88.187.054**
Restricted cash	(46.854.426)	(15.685.596)
Interest accrual	(5.404)	(15.379)
Cash and cash equivalents provided in statement of cash flows	**167.473.301**	**72.486.079**

As of 31 December 2020, the average effective interest rate for TL time deposits is 14,86% (2019: 11,25%), As of 31 December 2019, there is no USD and EUR time deposits.

The remaining day to maturity of time deposits as of 31 December 2020 is shorter than one month.

As of 31 December 2020 the Group's restricted cash at Takasbank amounting to TL 46.854.426 (2019: TL 15.685.596) is related with the electricity and natural gas sales operations and debt reserve account of the Group.

NOTE 4 - BORROWINGS

The details of borrowings of the Group as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Short term borrowings		
- Bank loans	-	6.112.169
Total short term borrowings	**-**	**6.112.169**
Short-term portion of long term borrowings		
- Bank loans	246.601.779	166.380.043
- Lease liabilities	12.557.974	9.768.189
Total short-term portion of long term borrowings	**259.159.753**	**176.148.232**
Long term borrowings		
- Bank loans	5.722.328.669	4.834.099.972
- Lease liabilities	100.875.010	82.207.395
Total long term borrowings	**5.823.203.679**	**4.916.307.367**
Total short term and long term borrowings	**6.082.363.432**	**5.098.567.768**

Letters of guarantee given, pledges and mortgages related to financial liabilities are disclosed in Note 16.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 4 - BORROWINGS (Continued)

As of 31 December 2020 and 2019, the original currencies and weighted average interest rates for short and long-term financial liabilities are as follows:

				31 December 2020
	Currency	**Effective Interest rate %**	**Original Amount**	**Amount in TL**
Short - term portion of long - term bank loans	USD	7,90	33.594.684	246.601.779
Short - term portion of long - term lease liabilities	EUR	3,42	1.480.044	13.332.092
Interest cost of short - term portion of long - term lease liabilities (-)	EUR	3,40	(302.889)	(2.728.394)
Short - term portion of long - term lease liabilities	TL	17,46	1.954.276	1.954.276
Total short-term borrowings				**259.159.753**
Long term bank loans	USD	7,90	433.795.768	3.184.277.834
Long term bank loans	TL	12,28	2.538.050.835	2.538.050.835
Long - term lease liabilities	EUR	3,40	9.845.124	88.683.896
Interest cost of long - term lease liabilities (-)	EUR	3,40	(1.681.455)	(15.146.377)
Long - term lease liabilities	TL	17,46	27.337.491	27.337.491
Total long-term borrowings				**5.823.203.679**

				31 December 2019
	Currency	**Effective Interest rate %**	**Original Amount**	**Amount in TL**
Short - term bank loans	TL	-	6.112.169	6.112.169
Total short - term bank loans			**6.112.169**	**6.112.169**
Short - term portion of long - term bank loans	USD	7,90	28.009.165	166.380.043
Short - term portion of long - term lease liabilities	EUR	3,43	1.527.770	10.160.586
Interest cost of short - term portion of long - term lease liabilities (-)	EUR	3,40	(336.231)	(2.236.138)
Short - term portion of long - term lease liabilities	TL	17,85	1.843.741	1.843.741
Total short - term borrowings				**176.148.232**
Long term bank loans	USD	7,90	433.390.522	2.574.426.382
Long term bank loans	TL	12,28	2.259.673.590	2.259.673.590
Long - term lease liabilities	EUR	3,40	11.184.552	74.383.982
Interest cost of long - term lease liabilities (-)	EUR	3,40	(1.984.344)	(13.197.077)
Long - term lease liabilities	TL	17,85	21.020.490	21.020.490
Total long - term borrowings				**4.916.307.367**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 4 - BORROWINGS (Continued)

As of 31 December 2020, all of the Euro finance lease liabilities of the Group are subject to floating interest rate of Euribor + 3,4% (31 December 2019: All of the Euro finance lease liabilities of the Group are subject to floating interest rate of Euribor + 3,4%).

The details of redemption schedule of the long term bank borrowings as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Up to 1 - 2 years	250.184.550	182.408.672
Up to 2 - 3 years	224.398.907	184.610.054
Up to 3 - 4 years	3.541.777.106	165.883.604
Up to 4 - 5 years	229.527.495	3.021.384.267
More than 5 years	1.476.440.611	1.279.813.375
	5.722.328.669	**4.834.099.972**

The principal repayment schedule of the Group's long - term finance lease obligations as at 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
Up to 1 - 2 years	11.237.255	8.404.847
Up to 2 - 3 years	11.137.108	7.373.756
Up to 3 - 4 years	10.795.238	7.184.462
Up to 4 - 5 years	10.414.862	7.424.753
Up to 5 - 6 years	10.776.034	7.689.230
Up to 6 - 7 years	11.150.325	7.955.862
Up to 7 - 8 years	11.528.206	8.232.177
Up to 8 - 9 years	776.112	8.510.342
Up to 9 - 10 years	73.034	572.619
More than 10 years	22.986.836	18.859.347
	100.875.010	**82.207.395**

Compliance with the financial covenants

According to the Loan Agreement signed at 11 November 2019, under the terms of the loan agreement, the Group is required to comply with the financial covenant included of having a debt service cover ratio greater than 1,05 until end of the term of the contract. As of 31 December 2020, the Group is compliant with the financial covenant.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 4 - BORROWINGS (Continued)

As of 31 December 2020 and 2019, the movements of borrowings are as follows:

	2020	2019
1 January	**5.098.567.768**	**4.511.887.413**
TFRS 16 transition effect (Note 2)	-	22.684.883
Cash flow impact	(238.219.808)	(274.741.371)
Change in unrealized foreign exchange differences	676.041.303	312.155.679
Change in interest acrruals and amortization commission	538.235.783	524.684.255
Changes in lease liabilities	7.738.386	1.896.909
31 December	**6.082.363.432**	**5.098.567.768**

NOTE 5 - TRADE RECEIVABLES

a) Short term trade receivables

	31 December 2020	31 December 2019
- Trade receivables from related parties (Note 28)	15.520.418	4.966.185
- Trade receivables from third parties	102.423.176	90.339.001
	117.943.594	**95.305.186**
Provision for doubtful receivables	(19.713.618)	(23.166.487)
	98.229.976	**72.138.699**

As of 31 December 2020, trade receivable maturities which less than 1 months and unearned finance income from credit sales does not exist (31 December 2019: None).

The movements for provision for doubtful receivables are as follows:

	2020	2019
1 January	**23.166.487**	**11.832.221**
Provisions for the period (Note 24)	547.131	11.334.266
No longer subject to provision	(4.000.000)	-
31 December	**19.713.618**	**23.166.487**

As of 31 December 2020 the amount of receivables which are overdue and impaired is TL 19.713.618 (31 December 2019: TL 23.166.487). The aging list of these receivables as of 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
1 to 3 months	148.727	-
3 to 12 months	398.404	3.972.058
More than 12 months	19.166.487	19.194.429
	19.713.618	**23.166.487**

The Group recognizes the impairment of trade receivables, weighting the lifetime expected credit losses by default (Probability of Default) for all trade receivables on each customer basis and including non - overdue receivables.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 5 - TRADE RECEIVABLES (Continued)

The amount of trade receivables that are past due but not impaired is TL 3.246.340 as of 31 December 2020 (31 December 2019: TL 8.744.865). The aging list of these receivables as of 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
Up to 1 month	2.903	40.439
1 to 3 months	-	559.185
3 to 12 months and over	3.243.437	8.145.241
	3.246.340	**8.744.865**

NOTE 6 - OTHER RECEIVABLES

a) Short - term other receivables

	31 December 2020	31 December 2019
- Other receivables from third parties	3.232.068	5.239.483
	3.232.068	**5.239.483**

As of 31 December 2020 and 2019, the details of short - term receivables of the Group from third parties are as follows:

	31 December 2020	31 December 2019
Receivables from tax office	1.802.080	1.390.120
Deposits and guarantees given	1.274.272	3.645.629
Receivables from various public institutions	143.810	191.807
Short - term other receivables	11.906	11.927
	3.232.068	**5.239.483**

b) Long - term other receivables

	31 December 2020	31 December 2019
- Other receivables from third parties (Note 28)	9.007.900	1.330.120
- Other receivables from related parties	1.173.003	1.786.397
	10.180.903	**3.116.517**

As of 31 December 2020 and 2019, the details of long - term receivables of the Group from third parties are as follows:

	31 December 2020	31 December 2019
Deposits and guarantees given	1.173.003	1.786.397
	1.173.003	**1.786.397**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 7 - TRADE PAYABLES

a) Short - term trade payables

	31 December 2020	31 December 2019
- Trade payables to third parties (*)	243.891.228	197.173.111
- Trade payables to related parties (Note 28)	21.674.313	32.393.820
	265.565.541	**229.566.931**

b) Long - term trade payables

	31 December 2020	31 December 2019
- Trade payables to third parties (*)	146.319.808	176.736.132
	146.319.808	**176.736.132**

The details of long - term trade payables of the Group as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Payables to DSİ (*)	146.319.808	131.532.565
Other long - term trade payables	-	45.203.567
	146.319.808	**176.736.132**

As of December 31, 2020, the average maturity of trade payables is 30 days.

(*) The Group signed an agreement with the General Directorate of State Hydraulic Works (DSİ) Department of Investigation and Planning for the Water Usage of Ulubat Power Tunnel and Hydroelectric Energy Power Plant within the scope of the Emet - Orhaneli Çınarcık Dam Project on 6 June 2005. In accordance with the agreement, the liabilities relating to the Energy Share Contribution Fee to be paid for the project are incurred at the commissioning date, and the payments will start after 5 years and with 10 equal installments, where these liabilities are subject to indexation with the Producer Price Index (PPI). Based on the letter received from DSI on October 8, 2019, the number of common facility installments that have been published in the Official Gazette has been revised as 15 installments. As of the balance sheet date, 5 installments reported by DSI have been paid and the remaining installments are indexed by PPI and the amount reclassified as short - term trade payables to third parties amounts to TL 35.122.461 (31 December 2019: TL 29.336.986) and long - term trade payables to third parties amounts to TL 146.319.808 TL'dir (31 December 2019: TL 131.532.565).

NOTE 8 - OTHER PAYABLES

a) Short - term other payables

	31 December 2020	31 December 2019
- Other payables to third parties	6.826.559	8.862.311
	6.826.559	**8.862.311**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 8 - OTHER PAYABLES (Continued)

As of 31 December 2020 and 2019, details of short - term other payables of the Group are as follows:

	31 December 2020	31 December 2019
Taxes and funds payable	5.120.248	2.033.946
Deposit and guarantees taken	30.912	30.912
Credit commissions payable	-	5.940.200
Other payables	1.675.399	857.253
	6.826.559	**8.862.311**

b) Long - term other payables

	31 December 2020	31 December 2019
- Other payables to third parties	17.156	16.595
	17.156	**16.595**

NOTE 9 - PREPAID EXPENSES

Prepaid expenses as of 31 December 2020 and 2019 are as follows:

a) Short - term prepaid expenses

	31 December 2020	31 December 2019
Prepaid expenses for following months	12.733.247	21.770.754
Advances given for purchases	1.270.339	1.319.325
	14.003.586	**23.090.079**

b) Long - term prepaid expenses

	31 December 2020	31 December 2019
Advances given for fixed asset purchases	15.725.648	-
Prepaid expenses for following years	108.382	10.686.281
	15.834.030	**10.686.281**

NOTE 10 - INVENTORIES

a) Short - term inventories

	31 December 2020	31 December 2019
Spare parts	5.738.127	795.636
Operating supplies	18.662	20.057
Other raw materials	5.204	1.609
	5.761.993	**817.302**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 10 - INVENTORIES (Continued)

b) Long - term inventories

	31 December 2020	31 December 2019
Spare parts (*)	18.603.008	20.522.180
	18.603.008	**20.522.180**

(*) TL 18.603.008 (31 December 2019: TL 15.062.536) of spare parts classified in long - term inventories with an amount of TL 13.653.933 are related to the Erzin combined natural gas cycle power plant held within the scope of long - term maintenance contracts and remaining spare parts amounting to TL 4.949.075 (31 December 2019: TL 5.459.644) belongs to the other power plants of the Group are held for the purpose of repair and maintenance necessities. Such spare parts are reclassified under long term inventories by considering their estimated usage period interval. The Group manages the level of its spare parts by considering the planned maintenance schedule and the ability of intervening the incidents immediately.

NOTE 11 - OTHER ASSETS

a) Other current assets

	31 December 2020	31 December 2019
Deferred VAT	17.519.275	50.371.960
Personnel advances	138.014	42.009
Job advances	61.119	46.144
	17.718.408	**50.460.113**

NOTE 12 - FINANCIAL INVESTMENTS

Akenerji Toptan, a subsidiary of the Group, has participated to Enerji Piyasaları İşletme Anonim Şirketi'ne ("EPİAŞ") who is estabilished with a share capital TL 61.572.770, by 0,16% with 100,000 C Type shares. (31 December 2019: TL 100.000).

	31 December 2020	31 December 2019
Long - term securities	100.000	100.000
Total	**100.000**	**100.000**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2020	Additions	Transfers(***)	Disposals	31 December 2020
Cost					
Lands	281.604	-	-	-	281.604
Land improvements (*)	3.533.196.145	1.047.333	13.811.075	-	3.548.054.553
Buildings	766.660.909	2.285.020	-	-	768.945.929
Machinery and equipment (**)	3.027.499.249	2.239.344	4.085.555	(10.813.375)	3.023.010.773
Motor vehicles	1.610.896	3.897	-	-	1.614.793
Furnitures and fixtures	11.341.659	1.093.010	-	(2.200)	12.432.469
Leasehold improvements	1.759.367	2.627.771	-	-	4.387.138
Construction in progress	36.506.648	12.909.266	(17.896.630)	-	31.519.284
	7.378.856.477	**22.205.641**	**-**	**(10.815.575)**	**7.390.246.543**
Accumulated depreciation					
Land improvements	(321.739.933)	(116.317.733)	-	-	(438.057.666)
Buildings	(62.592.718)	(21.098.017)	-	-	(83.690.735)
Machinery and equipment	(524.502.489)	(148.211.504)	-	1.922.927	(670.791.066)
Motor vehicles	(734.368)	(267.883)	-	-	(1.002.251)
Furnitures and fixtures	(8.466.844)	(640.156)	-	182	(9.106.818)
Leasehold improvements	(950.132)	(119.166)	-	-	(1.069.298)
	(918.986.484)	**(286.654.459)**	**-**	**1.923.109**	**(1.203.717.834)**
Net book value	**6.459.869.993**				**6.186.528.709**

(*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through finance lease on 27 January 2017 is amounting to TL 495.485 As of 31 December 2020, the total amount of accumulated depreciation of related land improvement is TL 52.156.

(**) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through finance lease on 27 January 2017 is amounting to TL 49.219.854 As of 31 December 2020, the total amount of accumulated depreciation of the related machinery and equipment is TL 19.687.943.

(***) Comprised of the maintenance costs for the Erzin power plant.

Current period depreciation expense amounting to TL 286.109.726 has been included in cost of sales and TL 544.733 has been included in general administrative expenses.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2019	Additions	Transfers(***)	Disposals	Revalutation fund	31 December 2019
Cost						
Lands	159.340	-	-	-	122.264	281.604
Land improvements (*)	2.375.272.846	11.468.696	-	-	1.146.454.603	3.533.196.145
Buildings	673.291.034	845.624	17.678	-	92.506.573	766.660.909
Machinery and equipment (**)	2.802.613.464	1.850.617	1.224.941	(26.400)	221.836.627	3.027.499.249
Motor vehicles	1.392.418	336.378	-	(117.900)	-	1.610.896
Furnitures and fixtures	10.985.288	399.349	-	(42.978)	-	11.341.659
Leasehold improvements	1.759.706	-	-	(339)	-	1.759.367
Construction in progress	30.306.034	7.622.483	(1.421.869)	-	-	36.506.648
	5.895.780.130	**22.523.147**	**(179.250)**	**(187.617)**	**1.460.920.067**	**7.378.856.477**
Accumulated depreciation						
Land improvements	(239.838.433)	(81.901.500)	-	-	-	(321.739.933)
Buildings	(44.506.973)	(18.085.745)	-	-	-	(62.592.718)
Machinery and equipment	(374.189.706)	(150.312.932)	-	149	-	(524.502.489)
Motor vehicles	(620.240)	(232.028)	-	117.900	-	(734.368)
Furnitures and fixtures	(7.824.060)	(685.762)	-	42.978	-	(8.466.844)
Leasehold improvements	(862.803)	(87.668)	-	339	-	(950.132)
	(667.842.215)	**(251.305.635)**	**-**	**161.366**	**-**	**(918.986.484)**
Net book value	**5.227.937.915**					**6.459.869.993**

(*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through finance lease on 27 January 2017 is amounting to TL 495.485. As of 31 December 2019, the total amount of accumulated depreciation of related land improvement is TL 39.117.

(**) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through finance lease on 27 January 2017 is amounting to TL 49.219.854. As of 31 December 2019, the total amount of accumulated depreciation of the related machinery and equipment is TL 14.765.956.

(***) Comprised of transfers to intangible assets.

Current period depreciation expense amounting to TL 250.819.645 has been included in cost of sales and TL 485.990 has been included in general administrative expenses.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

There are no capitalized borrowing costs on construction in progress for the year ended 31 December 2020 (31 December 2019: None).

If the Group has not adopted the revaluation model according to TAS 16 tangible fixed assets, the net book values of asset as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Lands	786.521.105	801.043.731
Land improvements	972.695.921	1.026.003.740
Buildings	263.884.508	271.053.585
Machinery and equipment	131.325	131.325

Details of the guarantees, pledges and mortgages on property, plant and equipments as of 31 December 2020 and 2019 are explained in Note 16.

As of 31 December 2020 and 2019 the movements for increase on revaluation of property, plant and equipment are as follows:

	2020	2019
1 January	**3.635.344.991**	**2.548.936.335**
Revaluation of land	-	122.264
Revaluation of land improvements	-	1.146.454.603
Revaluation of buildings	-	92.506.573
Revaluation of machinery and equipments	-	221.836.627
	3.635.344.991	**4.009.856.402**
Adjustments of deferred tax related to increase on revaluation of property, plant and equipment	-	(221.731.029)
Disposal from revaluation increase funds	(7.867.483)	-
Depreciation and amortisation transfers	(193.786.678)	(152.780.382)
31 December	**3.433.690.830**	**3.635.344.991**

NOTE 14 - INTANGIBLE ASSETS

As of 31 December 2020 and 2019, movements of intangible assets are as follows:

	1 January 2020	Additions	Transfers	Disposals	31 December 2020
Cost					
Rights	7.812.361	136.473	-	-	7.948.834
Licenses	126.007.599	-	-	-	126.007.599
	133.819.960	**136.473**	**-**	**-**	**133.956.433**
Accumulated amortisation					
Rights	(5.327.913)	(939.386)	-	-	(6.267.299)
Licenses	(19.936.896)	(1.725.976)	-	-	(21.662.872)
	(25.264.809)	**(2.665.362)**	**-**	**-**	**(27.930.171)**
Net book value	**108.555.151**				**106.026.262**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 14 - INTANGIBLE ASSETS (Continued)

	1 January 2019	Additions	Transfers(*)	Disposals	31 December 2019
Cost					
Rights	7.369.288	265.402	179.250	(1.579)	7.812.361
Licenses	126.170.949	-	-	(163.350)	126.007.599
	133.540.237	**265.402**	**179.250**	**(164.929)**	**133.819.960**
Accumulated amortisation					
Rights	(4.369.157)	(960.335)	-	1.579	(5.327.913)
Licenses	(18.237.119)	(1.732.836)	-	33.059	(19.936.896)
	(22.606.276)	**(2.693.171)**	**-**	**34.638**	**(25.264.809)**
Net book value	**110.933.961**				**108.555.151**

(*) Transferred from property, plant and equipment.

Current period amortisation expense amounting to TL 188.148 (31 December 2019: TL 185.634) has been included in cost of sales and remaining TL 2.477.214 (31 December 2019: TL 2.507.537) has been included in general administrative expenses.

NOTE 15 – RIGHT OF USE ASSETS

	1 January 2020	Additon	Disposals	31 December 2020
Cost				
Land (*)	19.541.243	4.300.628	-	23.841.871
Buildings	2.942.713	2.830.855	-	5.773.568
Motor vehicles	2.934.711	1.185.441	(95.297)	4.024.855
	25.418.667	**8.316.924**	**(95.297)**	**33.640.294**
Accumulated depreciation				
Land	(537.771)	(635.742)	-	(1.173.513)
Buildings	(1.024.362)	(1.184.397)	-	(2.208.759)
Motor vehicles	(804.002)	(1.259.585)	95.297	(1.968.290)
	(2.366.135)	**(3.079.724)**	**95.297**	**(5.350.562)**
Net defter book value	**23.052.532**			**28.289.732**

(*) Comprised of land rent and forest permit.

Current period depreciation expense of amounting to TL 635.743 has been included in cost of sales and TL 2.443.981 has been included in general administrative expenses.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 16 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Other short - term provisions

As of 31 December 2020, there are various lawsuits against or in favor of the Group. The Group management estimates the outcomes of these lawsuits and the financial effects thereof, and the required provisions are accounted for based on these estimates. The amount of provisions for the lawsuits as of 31 December 2020 is TL 36.531.270 (31 December 2019: TL 31.516.633).

	31 December 2020	31 December 2019
Litigation provision	36.531.270	31.516.633
Periodical maintenance provisions	3.900.473	1.629.271
	40.431.743	**33.145.904**

The movements of litigation provision are as follows:

	2020	2019
1 January	**31.516.633**	**18.338.205**
Current period provision (Note 24)	3.812.239	15.671.264
Interest charges of litigation provision	2.285.535	293.791
Released provisions (Note 24)	(1.083.137)	(2.786.627)
31 December	**36.531.270**	**31.516.633**

b) Contingent liabilities

- **Guarantees given**

The commitments and contingent liabilities of the Group those are not expected to be resulted in a significant loss or liability to the Group are summarized below:

		31 December 2020		31 December 2019	
	Original currency	Original Amount	TL equivalent	Original Amount	TL Equivalent
Letters of guarantees given	TL	127.300.676	127.300.676	112.488.595	112.488.595
	USD	8.190.000	60.118.695	6.622.421	39.338.503
	EUR	200.000	1.801.580	200.000	1.330.120
			189.220.951		**153.157.218**

Guarantees given, in general, are comprised of the letters of guarantees given to the several institutions and organizations within the operations of the Group (to EMRA, vendors whom electricity purchased and electricity transmission and distribution related government authorities) and to the judicial authorities for some of the on - going lawsuits.

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 16 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Guarantees, pledges, mortgages (“GPM”) given by the Group as of 31 December 2020 and 2019 are as follows:

		31 December 2020		**31 December 2019**	
	Currency	**Original currency**	**TL equivalent**	**Original currency**	**TL equivalent**
GPMs given by the Group					
A. GPMs given for companies’ own legal entity	TL	6.545.761.519	6.545.761.519	6.530.949.438	6.530.949.438
	USD	925.705.600	6.795.141.957	924.138.021	5.489.564.670
	EUR	200.000	1.801.580	200.000	1.330.120
B. Total amount of GPM given for the subsidiaries and associates in the scope of consolidation		-	-	-	-
C. Total amount of GPM given for the purpose of maintaining operating activities		-	-	-	-
D. Total other GPMs given		-	-	-	-
i) Total amount of CPMB’s given on behalf of the majority shareholder		-	-	-	-
ii) Total amount of CPMB’s given to on behalf of other which are not in scope of B and C.		-	-	-	-
iii) Total amount of CPMB’s given on behalf of third parties which are not in scope of C.		-	-	-	-
			13.342.705.056		**12.021.844.228**

Details of the guarantees given by Akenerji for its own legal entity as of 31 December 2020 are as follows:

As of 11 November 2019, within the scope of financial restructuring between our company Akenerji (“Borrower”) and Yapı ve Kredi Bankası A.Ş., a total of USD 859 million refinancing loan agreement for the maturity of 13 years has been concluded, in order to provide refinancing and maturity extension of all existing debts of our company. In addition to the related loan agreement, Akenerji signed agreements for the Transfer of Receivables, Transfer of Epiaş Receivables, Real Estate and Supreme Rights to constitute the collateral of the refinancing loans amounting to USD 465 million and TL 2.271.037.258. In accordance with the Movable Pledge Agreements signed between Akenerji and the Bank, a movable pledge with a total value of TL 6.418.460.843 and a second order of USD 917.515.600 has been established, creating an upper limit for Akenerji. In addition, Yapı ve Kredi Bankası A.Ş. has been determined as a pledge creditor in the insurance policies of power plants as a crew.

As of 31 December 2020, GPMs given by the Group to equity ratio is (10.374%) (31 December 2019: 1.251%).

- **Sales and purchase commitments**

Electricity sales and purchase commitments:

The Group has entered into contracts to sell electricity energy amounting to MWh 2.123.595, which will be executed in 2020. As of 31 December 2020, sales of the electricity amounting to MWh 2.123.595 has been completed.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 16 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The Group has entered into contracts to buy electricity energy amounting to MWh 163.788, which will be executed in 2020. As of 31 December 2020, purchase of the electricity amounting to MWh 163.788 has been completed.

As of 31 December 2020, the Group has a 87.600 MWh physical electricity purchase protocol and a 87.600 MWh sales protocol to be committed in 2021 and beyond.

Natural gas puchase commitments:

In 2020, the Group provides 70% of its natural gas supply by Botaş and 30% from the free market through Akenerji Doğalgaz Company. The minimum purchase commitment amount is available only for the Botaş contract in accordance with the agreements made within this scope, and there is no minimum purchase commitment for Akenerji Doğalgaz. The Group has completed its take – or - pay obligation with consumption exceeding its commitment which is 351.140.134 cm³ to the 2020 Botaş Agreement within October. Although the Group has consumed the 2020 Botaş Agreement, it has fulfilled the 80.214.420 cm³ buy - or - pay obligation, equivalent to the 1 - month consumption of the Erzin combined natural gas cycle power plant transferred from 2019.

As of 31 December 2020, the Group has a 317.526.245 cm³ minimum purchase commitment to be committed in 2021 and beyond.

Other matters

Kemah Hydroelectric Power Plant project in the Group, which is 198 MW of installed power higher, reservoir capacity, and also with Turkey's leading locations of hydropower projects. The State Hydraulic Works Final Project approval process of the project, which is planned to be established in Erzincan and expected to generate an average of 560 GWh of electricity per year, was completed in 2017, the license was modified in 2020 and the pre - construction period was extended. The currently working Kemah HPP passes through the lake area will be under water (inundated) after the completion of the project. The relocation of this line will be made by the state as a public investment, and it will be included in the upcoming investment plan by Turkey Republic State Railways and the Ministry of Transport.The Group plans to make the necessary preparatory work for the project after mentioned relocation plan realized. As of December 31, 2020, the carrying value of the related investment in the statement of financial positionof the Group is TL 84.697.943.

c) Contingent Assets

Guarantees received

		31 December 2020		31 December 2019	
	Currency	**Original Currency**	**TL Equivalent**	**Original currency**	**TL Equivalent**
Letters of guarantees received	TL	43.008.307	43.008.307	22.774.713	22.774.713
	EURO	1.026.250	9.244.357	2.035.264	13.535.729
	USD	4.000	29.362	4.000	23.761
Notes of guarantees received	TL	2.752.432	2.752.432	2.752.432	2.752.432
	USD	4.340.544	31.861.763	4.340.544	25.783.699
	EURO	33.800	304.467	33.800	224.790
	GBP	5.675	56.431	5.675	44.132
Cheques of guarantees received	TL	106.000	106.000	106.000	106.000
	USD	16.650	122.219	16.650	98.904
Mortgages received	TL	3.242.000	3.242.000	3.242.000	3.242.000
			90.727.338		**68.586.160**

Letters of guarantees received, in general, comprised of the letters of guarantees received from the customers in relation to the Group's electricity sales operations.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 17 - DERIVATIVE INSTRUMENTS

	31 December 2020		31 December 2019	
	Contract amount	**Fair value**	**Contract amount**	**Fair value**
Forward contracts	-	-	11.880.400	283.082
Forward term electricity purchase and sale contracts	39.873.831	10.470.084	-	-
Derivative financial assets	**39.873.831**	**10.470.084**	**11.880.400**	**283.082**
Interest rate swaps				
- Short - term	268.684.322	15.525.001	203.624.116	7.829.133
- Long - term	590.679.024	34.130.367	695.428.124	26.738.480
Forward contracts				
- Short - term	55.414.066	2.251.799	2.926.264	88.829
- Long - term	14.313.975	554.041	266.024	8.326
Forward term electricity purchase and sale contracts				
- Short - term	52.145.967	9.695.301	-	-
Derivative financial liabilities	**981.237.354**	**62.156.509**	**902.244.528**	**34.664.768**

Movement of derivative instruments during the period is as follows:

	2020	**2019**
1 January	**34.381.686**	**30.177.432**
To be reclassified to profit or loss		
- Financial income/(expense)	16.602.958	4.204.254
- Other operating income/(expenxse)	701.781	-
31 December	**51.686.425**	**34.381.686**

NOTE 18 - EMPLOYEE BENEFITS

a) Employee benefit obligations

	31 December 2020	**31 December 2019**
Social security payment	854.925	749.396
Due to personnel	58.899	62.794
	913.824	**812.190**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 18 - EMPLOYEE BENEFITS (Continued)

b) Short - term provisions for employee benefits

	31 December 2020	31 December 2019
Bonus provision	7.983.571	5.324.376
	7.983.571	**5.324.376**

The movements of bonus provision are as follows:

	2020	2019
1 January	**5.324.376**	**3.340.000**
Current year charges	7.983.571	5.324.376
Payments during the year	(5.242.242)	(2.936.026)
Provisions no longer required	(82.134)	(403.974)
31 December	**7.983.571**	**5.324.376**

c) Long - term provisions for employee benefits

	31 December 2020	31 December 2019
Provisions for employee termination benefits	6.741.483	5.211.456
Provisions for unused vacation rights	1.411.494	1.164.346
	8.152.977	**6.375.802**

Under the Turkish Labor Law, companies are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and achieves 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 7.117,17 for each year of service as of 31 December 2020 (31 December 2019: TL 6.379,86).

Termination benefits liability is not dependent on any funding legally and any funding requirement does not exist.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees.

TFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans, The Group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension, this provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 18 – EMPLOYEE BENEFITS (Continued)

Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2020	**2019**
Discount rate (%)	4,70	4,96
Turnover rate related the probability of retirement (%)	95,13	95,88

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi - annually, the maximum amount of full TL 7.638,96 (1 January 2020: full TL 6.730,15) which is effective from 1 January 2021 has been taken into consideration in calculating the reserve for employment termination benefits of the Group.

The movements of provisions for employment termination benefits are as follows:

	2020	**2019**
1 January	**5.211.456**	**3.419.847**
Interest cost	708.758	846.181
Service cost	680.813	787.732
Actuarial losses	692.248	496.399
Payments during the year	(551.792)	(338.703)
31 December	**6.741.483**	**5.211.456**

The movements of provisions for unused vacation rights are as follows:

	2020	**2019**
1 January	**1.164.346**	**911.565**
Current year provision	349.746	375.354
Payment during the year	(102.598)	(122.573)
31 December	**1.411.494**	**1.164.346**

NOTE 19 - EQUITY

Share capital

Akenerji adopted the registered capital system applicable to the companies registered on the CMB and defined a limit to its registered capital for shares whose nominal value is TL 1 ("One Turkish Lira"). As of 31 December 2020 and 2019 the share capital held is as follows:

	31 December 2020	**31 December 2019**
Limit on registered share capital (historical)	1.500.000.000	1.500.000.000
Issued capital	729.164.000	729.164.000

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 19 - EQUITY (Continued)

The Company's shareholders and shareholding structure as of 31 December 2020 and 2019 are as follows:

	31 December 2020		31 December 2019	
	Share (%)	**Amount**	**Share (%)**	**Amount**
CEZ a.s.	37,36	272.425.943	37,36	272.425.943
Akkök Holding A.Ş.	20,43	148.989.090	20,43	148.989.090
Akarsu Enerji Yatırımları San. ve Ticaret A.Ş. ("Akarsu")	16,93	123.436.852	16,93	123.436.852
Publicly held	25,28	184.312.115	25,28	184.312.115
		729.164.000		**729.164.000**
Adjustment to share capital		101.988.910		101.988.910
Total paid - in capital		**831.152.910**		**831.152.910**

The share capital of the Company consists of 72.916.400.000 shares with a nominal value of 1 Kr for each where no privilege rights are provided for any kind of shares.

Share premium

Share premiums presented in the consolidated financial statements represent the proceeds from the excess of the amount of shares compared to their nominal values.

Reserves

	31 December 2020	31 December 2019
Legal reserves	12.053.172	12.053.172
	12.053.172	**12.053.172**

Turkish Commercial Code stipulates that the legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid - in share capital. Other legal reserve is appropriated out of 10% of the distributable income after 5% dividend is paid to shareholders. Under the TCC, legal reserves can only be used for compensating losses, continuing operations in severe conditions or preventing unemployment and taking actions for relieving its effects in case general legal reserves does not exceed half of paid - in capital or issued capital.

Dividend distribution

Dividends are distributed according to Communiqué Serial: IV, No: 27 on "Principles Regarding Distribution of Interim Dividends for quoted entities subject to Capital Market Board Law", principles on corporate articles and dividend distribution policy which is declared by Companies.

In addition to the CMB, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué II - 14,1 that sufficient reserves exists in the stand alone statutory books.

The remaining current year income and the reserves of the Group that can be subject to the dividend distribution does not exist (31 December 2019: None).

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 20 - TAX ASSETS AND LIABILITIES

	31 December 2020	**31 December 2019**
Current income tax expenses	-	113.408
Prepaid taxes	(1.048.119)	(2.547.602)
Current income tax liabilities/ (Current income tax assets), net	**(1.048.119)**	**(2.434.194)**

Corporation tax

The Group is subject to corporate income tax effective in Turkey. Provisions are made in the accompanying financial statements for the estimated tax liabilities related to the Company's results for the current period.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Losses can be carried for a maximum 5 years for deducted from the taxable profit to be incurred in future years. However, the losses cannot be deducted retrospectively from the retained earnings.

In Turkey, there is no application with the tax authorities on the tax reconciliation. The corporate tax declaration is declared until the evening of the 30th day of the fourth month following the end of the accounting period and paid until the end of the month.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income (22% for the taxation periods 2018, 2019 and 2020). Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to offset against other liabilities to the government.

Income tax withholding

Limited taxpayer that earn income through by a permanent establishment or permanent representative and paid to companies (dividends) resident in Turkey not subject to withholding tax. Dividend payments made to persons other than these are subject to 15% withholding tax. The profit included to the capital is not a profit distribution.

The details of tax income/(expense) for the year ended 31 December 2020 and 2019 are as follows:

	1 January - 31 December 2020	**1 January - 31 December 2019**
Deferred tax income	77.093.890	89.967.213
Current income tax expense (-)	-	(113.408)
	77.093.890	**89.853.805**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

As of 31 December 2020 and 2019 the reconciliation of tax income stated in consolidated profit or loss statement is as follows:

	2020	**2019**
Profit/(loss) before tax	**(1.161.890.348)**	**(830.527.078)**
Tax rate (%)	22	22
Tax income/(expense) calculated at domestic tax rate	255.615.877	182.715.957
Tax exemptions	1.164.764	1.150.616
Expenses not deductible for tax purposes	(1.753.609)	(3.796.665)
Temprorary differences not subject to deferred tax calculation	(150.435.129)	(73.904.935)
Utilized carry forward tax losses	752.556	-
Effect of different tax rate	(23.266.639)	(14.739.856)
Investment incentives	(5.694.012)	(1.552.237)
Other	710.082	(19.075)
Current year tax income	**77.093.890**	**89.853.805**

Deferred taxes

	31 December 2020	**31 December 2019**
Deferred tax assets	4.176.768	4.420.521
Deferred tax liabilities	(240.949.948)	(317.803.371)
Deferred tax assets, net	**(236.773.180)**	**(313.382.850)**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising from its financial statements prepared in compliance with TAS and its statutory tax financial statements. The temporary differences usually result from the recognition of revenue and expenses in different reporting periods according to TAS and Tax Laws.

The tax rate applied in calculation of deferred tax asset and liabilities for the temporary differences expected to be closed by 2018, 2019 and 2020 is 22% and after 2020 is 20%. (2018: temporary differences expected to be closed in 2018, 2019 and 2020 22% and after 2020 is 20%).

The breakdown of cumulative temporary differences and the resulting deferred tax assets/liabilities provided using principal tax rates is as follows:

	Total temporary differences		**Deferred tax assets/(liabilities)**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
Deferred tax assets on tax losses	(15.769.799)	(126.469.406)	3.469.356	25.572.342
Investment incentives (*)	(141.682.127)	(113.212.065)	28.336.425	22.642.413
Provisions for lawsuits	(3.115.125)	(2.357.013)	623.025	471.403
Provision for employment termination benefit	(5.202.610)	(3.700.012)	1.040.522	740.002
Provision for unused vacations	(282.299)	(232.869)	56.460	46.574
Adjustments to property, plant and equipment	1.198.902.547	1.752.700.400	(239.780.509)	(350.531.881)
Adjustments to borrowings	153.141.636	66.018.516	(30.628.327)	(13.203.703)
Provision for doubtful receivables	-	(4.000.000)	-	880.000
Other	(626.817)	-	109.868	-
Deferred tax assets/(liabilities), net			**(236.773.180)**	**(313.382.850)**

(*) Within the scope of former Article 19 of Income Taxation Law, the related amount of investment incentive is mainly due to investment expenditures of Uluabat HEPP.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 20 - TAX ASSETS AND LIABILITIES (Continued)

The movements of deferred tax assets and liabilities for the year ended 31 December 2020 and 2019 are as follows:

	2020	**2019**
1 January	**(313.382.850)**	**(181.097.343)**
Recognised in statement of profit or loss	77.093.890	89.967.213
Recognised in other comprehensive income	(484.220)	(222.252.720)
31 December	**(236.773.180)**	**(313.382.850)**

Details of tax losses on which deferred taxes are recognized, along with the year it is incurred and the maximum year it can be utilized, are provided below:

Year incurred	**Year can be used**	**31 December 2020**	**31 December 2019**
2017	2022	4.095.277	3.501.950
2019	2024	10.181.258	122.967.456
2020	2025	1.493.264	-
		15.769.799	**126.469.406**

Details of tax losses on which deferred taxes are not recognized, along with the year it is incurred and the maximum year it can be utilized, are provided below:

Year incurred	**Year can be used**	**31 December 2020**	**31 December 2019**
2015	2020	-	51.724.908
2016	2021	104.375.065	104.375.065
2017	2022	86.943.115	86.943.115
2018	2023	296.812.402	296.812.402
2019	2024	266.523.719	1.006.960
2020	2025	528.473.885	-
		1.283.128.186	**540.862.450**

NOTE 21 - REVENUE AND COST OF SALES

a) Revenue

	1 January - 31 December 2020	**1 January - 31 December 2019**
Electricity sales revenue	1.405.642.777	1.304.500.758
Revenue on sharing of instability	386.260.440	225.498.305
Revenue on loading orders	187.021.015	120.461.042
Revenue on secondry frequency control	105.390.106	99.749.277
Revenue on capacity mechanism	76.765.892	63.079.376
Other revenues	26.428.267	9.919.909
	2.187.508.497	**1.823.208.667**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 21 - REVENUE AND COST OF SALES (Continued)

b) Cost of sales

	1 January - 31 December 2020	1 January - 31 December 2019
Direct raw materials consumed and cost of electricity purchased(*)	1.603.637.308	1.317.261.884
Depreciation and amortisation expenses	286.933.617	251.543.050
Personnel expenses	35.929.146	30.199.265
Maintenance and repair expenses	34.394.449	20.439.646
Insurance expenses	15.394.356	12.807.481
Other materials and spare parts consumed	3.829.381	3.827.314
Other expenses	9.102.172	9.290.286
	1.989.220.429	**1.645.368.926**

(*) Direct raw materials consumed comprised of cost of natural gas purchased, cost of energy purchased, imbalance sharing costs, system usage costs, and etc.

NOT 22 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses	30.812.054	26.169.658
Taxes and duties	7.156.135	9.114.620
Consultancy expenses	5.902.648	4.624.545
Depreciation and amortisation expenses	5.465.928	4.821.890
Advertising and sponsorship expenses	5.063.502	4.266.960
IT expenses	4.425.901	3.501.647
Office expenses	2.999.901	2.359.425
Vehicle expenses	674.626	1.106.613
Travel expenses	288.908	1.006.766
Insurance expenses	232.357	75.970
Other expenses	5.752.250	3.966.695
	68.774.210	**61.014.789**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 23 - EXPENSES BY NATURE

	1 January - 31 December 2020	**1 January - 31 December 2019**
Direct raw materials consumed and cost of electricity purchased	1.603.637.308	1.317.261.884
Depreciation and amortisation expenses (*)	292.399.545	256.364.940
Personnel expenses (**)	66.741.200	56.368.923
Maintenance and repair expenses	34.394.449	20.439.646
Insurance expenses (***)	15.626.713	12.883.451
Taxes and duties	7.156.135	9.114.620
Consultancy expenses	5.902.648	4.624.545
Advertising and sponsorship expenses	5.063.502	4.266.960
IT expenses	4.425.901	3.501.647
Other materials and spare parts consumed	3.829.381	3.827.314
Office expenses	2.999.901	2.359.425
Vehicle expenses	674.626	1.106.613
Travel expenses	288.908	1.006.766
Other expenses	14.854.422	13.256.981
	2.057.994.639	**1.706.383.715**

(*) Depreciation and amortization expenses amounting to TL 286.933.617 TL (31 December 2019: TL 251.543.050) is classified in cost of sales, TL 5.465.928 (31 December 2019: TL 4.821.890) of amortization and depreciation expenses is classified in general administrative expenses.

(**) Personnel expenses amounting to TL 35.929.146 (31 December 2019: TL 30.199.265) is classified in cost of sales, TL 30.812.054 (31 December 2019: TL 26.169.658) is classified in general and administrative expenses.

(***) Insurance expenses amounting to TL 15.394.356 (31 December 2019: TL 12.807.481) is classified in cost of sales, TL 232.357 (31 December 2019: TL 75.970) is classified in general and administrative expenses.

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 24 - OTHER OPERATING INCOME AND EXPENSES

a) Other operating income

	1 January - 31 December 2020	1 January - 31 December 2019
Profits from forward electricity purchase and sale contracts	10.470.084	-
Gain on futures and options markets	10.371.909	8.629.244
Gain on risk sharing contracts	7.347.068	1.077.029
Provisions no longer required (*)	5.179.423	4.190.601
Foreign exchange gains from trading activities	4.798.913	1.938.876
Income from insurance compensation	1.430.793	10.267.578
Carbon certification revenues	761.532	252.094
Income from compensation	106.348	5.619
Other income	1.146.639	2.408.342
	41.612.709	**28.769.383**

(*) As of 31 December 2020, TL 1.083.137 (31 December 2019: TL 2.786.627) of the provisions no longer required comprised of released provisions of litigation provisions, TL 82.134 of premium provisions (31 December 2019: TL 403.974), TL 4.000.000 (31 December 2019: None) released provisions of doubtful receivables, and TL 14.152 of other provisions (31 December 2019: TL 1.000.000).

b) Other operating expenses

	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange losses from trading activities	22.789.527	12.496.273
Losses on futures and options market	11.179.384	11.624.737
Losses from forward electricity purchase and sale contracts	9.695.301	-
Losses on risk sharing contracts	5.201.891	557.846
Provisions for litigations	3.812.239	15.671.264
Discount expenses from trading activities	1.129.993	556.562
Doubtful trade receivables profitability	547.131	11.334.266
Other expenses	639.669	4.088.779
	54.995.135	**56.329.727**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 25 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

a) Income from investing activites

	1 January - 31 December 2020	1 January - 31 December 2019
Gain on sale of property, plant and equipment	2.084.618	59.470
Dividend income	18.331	16.871
	2.102.949	**76.341**

b) Expenses from investing activites

	1 January - 31 December 2020	1 January - 31 December 2019
Loss on sale of property, plant and equipment	-	130.291
	-	**130.291**

NOTE 26 - FINANCIAL INCOME AND EXPENSES

a) Financial income

	1 January - 31 December 2020	1 January - 31 December 2019
Interest income	10.091.132	15.763.479
Foreign exchange gains	7.900.998	2.491.623
Gain on derivative instruments	3.347.628	997.194
	21.339.758	**19.252.296**

b) Financial expenses

	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange losses	674.416.101	452.960.105
Interest and commission expenses	562.364.770	445.050.923
Losses on derivative instruments	24.961.934	26.385.677
Other financial expenses (*)	39.721.682	14.593.327
	1.301.464.487	**938.990.032**

(*) For the period 1 January - 31 December 2020, TL 35.042.135 (1 January - 31 December 2019: TL 10.911.161) of the respective amount is comprised of the indexation difference of the liability due to Uluabat DSİ Water Use Agreement calculated by WPT.

NOTE 27 - EARNINGS/(LOSSES) PER SHARE

	31 December 2020	31 December 2019
Weighted average number of issued shares	72.916.400.000	72.916.400.000
Net loss for the period	(1.084.796.458)	(740.673.273)
Losses per share - TL (1.000 shares)	**(1,488)**	**(1,016)**

Nominal value of each of the issued share as of 31 December 2020 and 2019 is 1 Kr.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 28 - RELATED PARTY DISCLOSURE

a) Transaction with related parties

- *Purchases from related parties*

	1 January - 31 December 2020	**1 January - 31 December 2019**
Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş") (1) (****)	37.797.287	28.248.304
Aksa Akrilik Kimya Sanayi A.Ş. ("Aksa) (2) (**)	17.640.968	4.541.476
CEZ Trade Bulgaria Ead. (3) (***)	7.415.957	2.519.934
CEZ a.s. (4)) (*)	6.205.119	557.846
Aktek Bilgi İletişim Tek. San. ve Tic. A.Ş. ("Aktek") (5) (**)	5.878.083	4.445.339
Ak-Han Bak. Yön. Serv. Hiz. Güv. Malz. A.Ş. ("Ak-Han") (6) (**)	3.389.754	3.124.110
Dinkal Sigorta Acenteliği A.Ş. ("Dinkal") (7) (**)	2.202.606	23.627.219
Akkök Holding A.Ş. ("Akkök") (8)) (*)	707.025	642.257
Ak-pa Tekstil İhracat Pazarlama A.Ş. ("Ak-pa") (9) (**)	67.173	127.947
Other	11.998	12.748
	81.315.970	**67.847.180**

(1) Comprised of sharing of instability.
(2) Comprised of purchase of electricity and sharing of instability.
(3) Comprised of purchase of electricity and capacity.
(4) Comprised of purchase of electricity and risk sharing
(5) Comprised of IT services and equipments received
(6) Comprised of office maintenance and management service received.
(7) Comprised of insurances purchased from insurance companies by the intermediary of Dinkal
(8) Comprised of rent service received.
(9) Comprised of rent service received.

- *Sales to related parties*

	1 January - 31 December 2020	**1 January - 31 December 2019**
Sepaş (1) (****)	634.265.667	80.390.322
CEZ Trade Bulgaria Ead. (2) (***)	23.547.846	30.068.888
CEZ a.s. (3) (*)	15.836.439	26.247.243
Aksa (4) (**)	3.702.088	7.288.170
Akcez Enerji Yat. San. ve Tic. A.Ş. ("Akcez") (5) (****)	84.714	118.576
CEZ a.s. Turkey Daimi Tem. (6) (***)	58.096	241.998
Other	3.826	20.660
	677.498.676	**144.375.857**

(1) Comprised of sales of electricity and risk sharing of instability.
(2) Comprised of sales of electricity and capacity.
(3) Comprised of sales of electricity and risk sharing contracts.
(4) Comprised of sharing of instability.
(5) Comprised of consultancy services provided and cost sharing invoices issued.
(6) Comprised of rent services provided .
(*) Shareholder.
(**) Akkök Holding group company.
(***) CEZ a.s. group company.
(****) Akkök Holding and CEZ a.s. group company.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

b) Balances with related parties

- *Short - term trade receivables from related parties*

	31 December 2020	31 December 2019
Sepaş (1) (****)	12.205.186	2.881.024
CEZ Trade Bulgaria Ead. (2) (***)	1.878.469	460.571
CEZ a.s. (3) (*)	1.244.764	1.246.456
Aksa (4) (**)	178.766	358.298
Akcez (****)	7.694	8.750
CEZ a.s. Turkey Daimi Tem. (***)	5.539	11.086
	15.520.418	**4.966.185**

(1) Comprised of receivables from sales of electricity and sharing of instability.
(2) Comprised of receivables from sales of electricity and capacity.
(3) Comprised of sales of electricity and risk sharing contracts.
(4) Comprised of receivables from sharing of instability.

The average maturity days of trade receivables from related parties is 20 days.

- *Other receivables from related parties*

	31 December 2020	31 December 2019
CEZ a.s. (1) (*)	9.007.900	1.330.120
	9.007.900	**1.330.120**

(1) Comprised of cash collateral given amounting to EUR 1.000.000 within the scope of electricity exported (31 December 2019: comprised of EUR 200.000 cash collateral given).

- *Short - term trade payables to related parties*

	31 December 2020	31 December 2019
Dinkal (1) (**)	8.000.454	22.382.188
Sepaş (2) (****)	4.326.098	3.713.756
Akkök (3) (*)	3.563.000	2.759.257
CEZ a.s. Turkey Daimi Tem. (4) (***)	1.897.016	1.400.581
Aksa (5) (**)	1.862.191	403.656
Aktek (6) (**)	904.203	430.151
CEZ a.s (7)(*)	370.643	-
Ak-Han (8) (**)	301.010	361.375
Ak Havacılık ve Ulaştırma Hizmetleri A.Ş (9) (**)	243.565	197.102
Ak-Pa (10) (**)	206.133	126.869
CEZ Trade Bulgaria Ead. (***)	-	618.885
	21.674.313	**32.393.820**

(1) Comprised of payables to Dinkal for the insurances purchased from insurance companies by the intermediary of Dinkal.
(2) Comprised of sharing of instability.
(3) Comprised of the payables related to rent services received.
(4) Comprised of the payables related to consultancy services received.
(5) Comprised of purchase of electricity and sharing of instability
(6) Comprised of payables related to IT services and equipments purchased.
(7) Comprised of payables on risk sharing.
(8) Comprised of the payables related to office maintenance and management services received.
(9) Comprised of payables related to aviation services received.
(10) Comprised of the payables related to rent services received.
(*) Shareholder.
(**) Akkök Holding group company.
(***) CEZ a.s. group company.
(****) Akkök Holding and CEZ a.s. group company.
The average maturity days of trade payables from related parties is 30 days.

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 28 - RELATED PARTY DISCLOSURES (Continued)

c) Key management compensation

For the purpose of these consolidated financial statements, key management compensation consists of the payments made to Group shareholders and top management (General Manager and Vice General Managers and directors).

	1 January - 31 December 2020	1 January - 31 December 2019
Salaries and benefits	4.333.723	3.842.439
Bonus	2.822.088	1.531.960
Attendance fee	724.914	839.915
	7.880.725	**6.214.314**

NOTE 29 - FINANCIAL RISK MANAGEMENT

Financial risk management

Financial risk factors

The Group’s activities expose it to a variety of financial risks. These risks are liquidity risk, market risk (foreign exchange risk, interest risk), credit risk and funding risks.

Management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. The Group uses financial instruments to hedge certain risk exposures.

Risk management is carried out by Finance and Financial Affairs Deputy General Manager where policies are approved by the Board of Directors, Finance and Financial Affairs Deputy General Manager identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units.

(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

a) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions, Due to the dynamic nature of business, the group aims to maintain flexibility in funding by keeping committed credit lines available. The Group, as aware of all of its short term and long term liabilities, has been taking the necessary actions and has been benefiting from all opportunities by communication with the financial instutions to maintain its operations in a healthy financial structure, to adjust the maturities of its liabilities in accordance with its cash flows and to provide a positive effect on its cash flows within the framework its proactive approach. In 2019, with the restructuring of loans within the scope of Financial Restructuring, the short - term liabilities of the Group decreased significantly and spread over the long term.

The following tables detail the Group’s contractual maturities for its non - derivative financial liabilities as of 31 December 2020 and 2019. The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes both interest and principal amounts. These amounts are contractual undiscounted cash flows. Balances with maturities less than 3 months are equal to their carrying values due to the negligible discounting effect.

31 December 2020 **Maturities in accordance with contract**	**Carrying value**	**Total contractual cash outflow (I-II-III-IV)**	**Demand or up to 3 months (I)**	**3 months - 1 year (II)**	**1 - 5 years (III)**	**5 years and over (IV)**
Non - derivative financial liabilities						
Borrowings	6.082.363.432	9.524.608.292	8.445.656	266.139.515	6.227.712.227	3.022.310.894
Trade payables	411.885.349	411.885.349	234.587.991	30.977.550	73.159.904	73.159.904
Other payables	6.843.715	6.843.715	6.826.559	-	17.156	-
Derivative financial liabilities						
Derivative financial instrument	62.156.509	62.156.509	11.350.926	13.680.310	37.125.273	-
	6.563.249.005	**10.005.493.865**	**261.211.132**	**310.797.375**	**6.338.014.560**	**3.095.470.798**

31 December 2019 **Maturities in accordance with contract**	**Carrying value**	**Total contractual cash outflow (I-II-III-IV)**	**Demand or up to 3 months (I)**	**3 months - 1 year (II)**	**1 - 5 years (III)**	**5 years and over (IV)**
Non-derivative financial liabilities						
Borrowings	5.098.567.768	8.822.302.050	12.521.296	180.904.357	5.743.007.977	2.885.868.420
Trade payables	406.303.063	405.173.070	200.564.701	29.002.230	103.100.564	72.505.575
Other payables	8.878.906	8.878.906	8.862.311	-	16.595	-
Derivative financial liabilities						
Derivative financial instrument	34.664.768	34.664.768	13.902	7.904.060	26.746.806	-
	5.548.414.505	**9.271.018.794**	**221.962.210**	**217.810.647**	**5.872.871.942**	**2.958.373.995**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

b) Market risk

- *Interest rate risk*

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group manages interest rate risk by using fixed or floating interest bearing assets and liabilities by considering the borrowing market conditions and expectations. In order to minimize the interest rate risk, the Group utlise borrowings with the most favorable conditions in line with the analysis of fixed and floating interest rates. The Group has converted a significant portion of its existing loans into fixed interest rates thanks to the refinancing it has made within the scope of Financial Restructuring on 11 November 2019, thereby significantly reducing the interest rate risk.Interest rate risk arising from assets and liabilities exposed to floating interest rate are managed through interest rate swap agreements.The Group invests, cash and cash equivalents which are not used, in time deposits.

The table of the interest position of the Group as of 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
Financial instruments with fixed interest rates		
Borrowings	5.971.263.595	5.008.870.223
Trade payables	230.695.920	232.289.682
Cash and cash equivalents	161.954.568	38.285.299
Trade receivables	98.229.976	72.138.699
Other receivables	13.412.971	8.356.000
Other debts	6.843.715	8.878.906
Financial instruments with floating interest rates		
Trade payables	181.189.429	174.013.381
Financial liabilities	111.099.837	89.697.545

The Group has analyzed various scenarios including refinancing the existing situation alternative financing options and to avoid the hedging risk. According to these scenarios, if annual interests of floating interest rated loans were 100 basis point high/low with all the other parameters are constant, current year income before tax have been TL 775.506 lower/higher as a result of interest expense of floating interest rated loans and swap transactions (2019: TL 411.908).

- *Foreign exchange risk*

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated assets and liabilities to local currency. Foreign exchange risk arises from future obligations as well as foreign currency denominated assets and liabilities. These risks are monitored and limited by the monitoring of the foreign currency position. In order to manage this risk, foreign exchange purchases are made from spot markets and derivative instruments are used. The management limits the foreign currency position of the Group through analyzing it. The Group has reduced its exposure to currency risk by converting a significant portion of its USD denominated loans into TL with the refinancing it has made within the scope of Financial Restructuring on 11 November 2019. In addition to these, the Group has reduced its exposure to currency risk by creating a natural hedge mechanism from USD based revenues obtained within the scope of Turkish Renewable Energy Resources Support Mechanism.

The details of the foreign currency assets and liabilities as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Assets	59.115.252	47.790.266
Liabilities	3.596.357.994	2.937.935.390
Net financial position	**(3.537.242.742)**	**(2.890.145.124)**
Net position of derivative instruments	(69.728.041)	8.688.112
Foreign currency position(net)	**(3.606.970.783)**	**(2.881.457.012)**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

Assets and liabilities denominated in foreign currency held by the Group at 31 December 2020 and 2019 and their TL equivalent are as follows:

			31 December 2020				31 December 2019	
	TL Equivalent	**USD**	**Euro**	**Other**	**TL Equivalent**	**USD**	**Euro**	**Other**
Trade receivables	3.124.676	50	346.841	-	3.056.667	227.071	256.792	-
Monetary financial assets	46.282.135	4.914.150	1.133.416	12	42.053.162	3.659.367	3.054.693	32
Current assets	**49.406.811**	**4.914.200**	**1.480.257**	**12**	**45.109.829**	**3.886.438**	**3.311.485**	**32**
Monetary financial assetsvarlıklar	9.708.441	3.400	1.074.999	-	2.680.437	3.400	400.000	-
Non-current assets	**9.708.441**	**3.400**	**1.074.999**	**-**	**2.680.437**	**3.400**	**400.000**	**-**
Total assets	**59.115.252**	**4.917.600**	**2.555.256**	**12**	**47.790.266**	**3.889.838**	**3.711.485**	**32**
Trade payables	79.659.361	10.429.525	344.297	4	81.954.943	13.246.781	489.054	1.789
Financial liabilities	257.205.477	33.594.684	1.177.155	-	174.304.491	28.009.165	1.191.539	-
Other monetary liabilities	1.674.867	228.168	-	-	856.725	144.225	-	-
Short-term liabilities	**338.539.705**	**44.252.377**	**1.521.452**	**4**	**257.116.159**	**41.400.171**	**1.680.593**	**1.789**
Trade payables	-	-	-	-	45.203.568	7.609.772	-	-
Financial liabilities	3.257.815.353	433.795.768	8.163.669	-	2.635.613.287	433.390.522	9.200.208	-
Other monetary liabilities	2.936	400	-	-	2.376	400	-	-
Long-term liabilities	**3.257.818.289**	**433.796.168**	**8.163.669**	**-**	**2.680.819.231**	**441.000.694**	**9.200.208**	**-**
Total liabilities	**3.596.357.994**	**478.048.545**	**9.685.121**	**4**	**2.937.935.390**	**482.400.865**	**10.880.801**	**1.789**
Net Asset(Liability) Position of Statement of Financial Position Derivative Instruments	**(69.728.0419**	**(9.450.000)**	**(40.000)**	-	**8.688.112**	**2.000.000**	**(480.000)**	**-**
Off statement of financial position foreign currency derivative assets	-	-	-	-	11.880.400	2.000.000	-	-
Off statement of financial position foreign currency derivative liabilities	69.728.041	9.450.000	40.000	-	3.192.288	-	480.000	-
Net foreign currency asset(liability) position	**(3.606.970.783)**	**(482.580.945)**	**(7.169.865)**	**8**	**(2.881.457.012)**	**(476.511.027)**	**(7.649.316)**	**(1.757)**
Net foreign currency asset(liability) position of monetary items	**(3.537.242.742)**	**(473.130.945)**	**(7.129.865)**	**8**	**(2.890.145.124)**	**(478.511.027)**	**(7.169.316)**	**(1.757)**
Total fair value of financial instruments used for foreign currency hedging	**2.805.840**	**372.296**	**8.104**	**-**	**185.927**	**47.655**	**(14.609)**	**-**
Export	**39.384.285**	**-**	**4.806.136**	**-**	**56.316.130**	**-**	**8.846.357**	**-**
Import	**47.717.492**	**4.347.398**	**2.158.423**	**80**	**21.736.039**	**2.789.873**	**919.345**	**7.313**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and EURO. As of 31 December 2020 and 2019, the following table details of Group's sensitivity to a 10% increase and decrease in the TL against relevant foreign currencies, all other variables held constant. The sensitivity analysis includes only monetary items in open foreign currency at the end of the year, and the positive effect of Turkish Renewable Energy Resources Support Mechanism revenues in foreign currency on operating profit is not taken into account in this calculation.

				31 December 2020
		Profit /Loss		**Equity**
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
+/- 10% fluctuation of USD rate				
1- USD net asset/liability	(347.301.770)	347.301.770	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(347.301.770)**	**347.301.770**	**-**	**-**
+/- 10% fluctuation of EUR rate				
4- EUR net asset/liability	(6.422.511)	6.422.511	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	**(6.422.511)**	**6.422.511**	**-**	**-**
+/- 10% fluctuation of other currencies rate against to TL				
7- Other currencies net asset/liability	8	(8)	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	**8**	**(8)**	**-**	**-**
Total (3+6+9)	**(353.724.273)**	**353.724.273**	**-**	**-**

				31 December 2019
		Profit /Loss		**Equity**
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
+/- 10% fluctuation of USD rate				
1- USD net asset/liability	(284.245.120)	284.245.120	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(284.245.120)**	**284.245.120**	**-**	**-**
+/- 10% fluctuation of EUR rate				
4- EUR net asset/liability	(4.768.025)	4.768.025	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	**(4.768.025)**	**4.768.025**	**-**	**-**
+/- 10% fluctuation of other currencies rate against to TL				
7- Other currencies net asset/liability	(1.366)	1.366	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	**(1.366)**	**1.366**	**-**	**-**
Total (3+6+9)	**(289.014.511)**	**289.014.511**	**-**	**-**

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

c) Funding risk

The funding risk of the current and future debt requirements is managed through rendering the availability of the qualified lenders. The Group's bank loans are provided by financially strong financial institutions.

d) Capital risk management

The Group manages its capital to ensure that 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 Group monitors capital on the basis of the ratio of net debt to total equity. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total equity is calculated as the difference between assets and liabilities. Additionally, the Group calculates the total equity/total assets ratio. Group's construction in progress is financed by miscellaneous potential financial institutions as mentioned in the funding risk. Completion periods and cash outflows of investments are assessed and valorized within capital risk management by the Group. The periods after the completion of investments expect a significant reduction in the ratio of net debt/total capital.

Net debt/total equity ratio as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Total borrowings	6.082.363.432	5.098.567.768
Trade payables to related parties and third parties	411.885.349	406.303.063
Other payables	6.843.715	8.878.906
Total debt	**6.501.092.496**	**5.513.749.737**
Less: Cash and Cash Equivalents (Note 3)	**(214.333.131)**	**(88.187.054)**
Net debt	**6.286.759.365**	**5.425.562.683**
Total equity	**(128.612.093)**	**961.167.509**
Net debt/total equity ratio	**(4.888)%**	**564%**

e) Credit risk

Credit risk consists of cash and cash equivalents, deposits held in banks and customers exposed to credit risk, which includes uncollected receivables.

The Group is exposed to credit risks due to its open receivable position with future collection dates and time deposits. If counterparties fail on the fulfillment of the agreement, the Group is exposed to the risk upon holding the financial instruments. Management covers the risk by limiting the average risk of counterparties (except for related parties) on agreements and by obtaining guarantees if necessary.

The Group has internal credit procedures, the credit rating system and internal policies for credit risk management related with the trade receivables from its customers. According to these procedures, the Group separately approves, increase or decrease the credit limits for customers with significant balances. The credit limits are determined in accordance with the historical payment performances, financial strengths, commercial relations, commercial growth potential, and management styles. Credit limits are reviewed every year and the group use bank guarantees, marketable securities and other guarantees for the customers which considered as high risk.

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

The exposure of the Group to credit risk as of 31 December 2020 and 2019 based on types of financial instruments is as follows:

	Trade receivables		Other receivables			
31 December 2020	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Cash at banks**	**Derivative financial instruments**
Maximum exposure to credit risk as of reporting date (*) (A+B+C+D+E)	15.520.418	82.709.558	9.00s7.900	4.405.071	115.100.142	10.470.084
- Secured with guarantees	-	18.663.638	-	-	-	-
A.Net book value of neither past due nor impaired financial assets (*)	15.520.418	79.463.218	9.007.900	4.405.071	115.100.142	10.470.084
- Secured with guarantees	-	15.421.638	-	-	-	-
B.Net book value of restructured financial assets	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
C.Net book value of past due but not impaired financial assets	-	3.246.340	-	-	-	-
- Secured with guarantees	-	3.242.000	-	-	-	-
D.Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross net book value)	-	19.713.618	-	-	-	-
- Impairment (-)	-	(19.713.618)	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
- Not past due (gross net book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
E.Collective provision for impairment (-)	-	-	-	-	-	-

(*) As of 31 December 2020, trade receivables from third parties categorized on neither past due nor impaired financial assets amounting to TL 57.590.801 are comprised of receivables from EPİAŞ and TEİAŞ within the scope of electricity trading operations with a due date less than 1 month.

Maturity of expected credit loss

31 December 2020	**Not due**	**Overdue up to 1 months**	**Overdue 1-3 months**	**Overdue 3 -12 months**	**Overdue more than 1 year**	**Total**
Closing balance	94.983.636	2.903	148.727	3.641.841	19.166.487	117.943.594
Credit loss rate (%)	%0	%0	%100	%11	%100	%17
Expected credit losses	-	-	(148.727)	(398.404)	(19.166.487)	(19.713.618)

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 29 - FINANCIAL RISK MANAGEMENT (Continued)

	Trade receivables		Other receivables			
31 December 2019	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Cash at banks**	**Derivative financial instruments**
Maximum exposure to credit risk as of reporting date (*) (A+B+C+D+E)	4.966.185	67.172.514	1.330.120	7.025.880	22.599.703	283.082
- Secured with guarantees	-	13.705.635	-	-	-	-
A.Net book value of neither past due nor impaired financial assets (*)	4.966.185	58.427.649	1.330.120	7.025.880	22.599.703	283.082
- Secured with guarantees	-	8.794.136	-	-	-	-
B.Net book value of restructured financial assets	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
C.Net book value of past due but not impaired financial assets	-	8.744.865	-	-	-	-
- Secured with guarantees	-	4.911.499	-	-	-	-
D.Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross net book value)	-	23.166.487	-	-	-	-
- Impairment (-)	-	(23.166.487)	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
- Not past due (gross net book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
E.Collective provision for impairment (-)	-	-	-	-	-	-

(*) As of 31 December 2019, trade receivables from third parties categorized on neither past due nor impaired financial assets amounting to TL 47.200.158 are comprised of receivables from EPİAŞ and TEİAŞ within the scope of electricity trading operations with a due date less than 1 month.

Maturity of expected credit loss

31 December 2019	**Not due**	**Overdue up to 1 months**	**Overdue 1-3 months**	**Overdue 3-12 months**	**Overdue more than 1 year**	**Total**
Closing balance	63.393.834	40.439	559.185	8.145.241	23.166.487	95.305.186
Credit loss rate (%)	0%	0%	0%	49%	83%	24%
Expected credit losses	-	-	-	(3.972.058)	(19.194.429)	(23.166.487)

NOTE 30 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize in a current market exchange.

Following methods and assumptions were used to estimate the fair value of the financial instruments for which is practicable to estimate fair value:

Financial assets

The carrying values of financial assets including cash and cash equivalents which are accounted with their costs are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectability are estimated to be their fair values.

Financial liabilities

The fair values of short - term bank borrowings and other financial liabilities are estimated to converge to their fair values. The fair values of the Group's long - term bank loans are considered to be equal to its carrying amount since long term borrowing was priced with the implementation of Financial Restructuring which was signed on 11 November 2019.

Fair value hierarchy table

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three - level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

As of 31 December 2020, the Group has short - term and long - term liabilities from derivative financial instruments amounting to TL 27.472.101 (31 December 2019: TL 7.917.962) and TL 34.684.408 (31 December 2019: TL 26.746.806) respectively and TL 10.470.084 derivative financial instruments in its current assets (31 December 2019: TL 283.082), which are categorized as level 2.

Fair value of the lands, land improvements, buildings, machinery and equipment of the Group's power plants were measured by a professional independent valuation company on 31 December 2019 through other valuation techniques involving direct and indirect observable inputs (Level 3).

NOTE 31 - SUBSEQUENT EVENTS

None.

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