ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

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

Building a better
working world

Güney Bağımsız Denetim ve SMMM A.Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27
Kat: 2-3-4 Daire: 54-57-59
34485 Sarıyer
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Enerjisa Enerji A.Ş:

Report on the audit of the consolidated financial statements

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Building a better working world

Key Audit Matter	How key audit matter addressed in the audit
IFRIC Interpretation 12 - Service Concession Arrangements	
In accordance with the terms of the service concession agreement with the government, the Group has applied the IFRIC Interpretation 12 financial asset model and identified it in a financial asset in the consolidated financial statements. Revenue calculated over the financial assets according to the effective interest method is accounted as "financial income from service concession agreement" by the Group. In addition, since the financial assets carried at the balance sheet is an asset subject to impairment in accordance with IFRS 9 "Financial Instruments" standard, the Group provides impairment for financial assets by making a credit risk assessment. As of 31 December 2019, the Group has financial assets amounting to 10,543,836 thousand TL, 492 thousand TL impairment for related assets and accounted interest income amounting to 1,959,219 thousand TL in the statement of profit or loss between 1 January and 31 December 2019. Given the complexity of the accounting of the elements within the scope of IFRIC Interpretation 12 and the legislation and application of the assumptions (basically includes inflation rate assumptions), we determined this significant to our audit and therefore considered as key audit matter. The details of financial assets within the scope of IFRIC Interpretation 12 are disclosed in footnote 10 to the consolidated financial statements.	- The Service Concession Agreement was obtained and the contract conditions have been read. - Compatibility of the related calculation model in terms of legislation has been evaluated. - Since the interest income is calculated based on the internal rate of return, calculation of internal rate of return has been checked. - The payments which were committed by the Republic of Turkey Energy Market Regulatory Authority ("EMRA") as a consequence of the investments made were checked by the communiques of income requirements. - The rate of return has been checked from the communiques published in the Official Gazette. - The year-end financial asset amount in the financial statements was reconciled with the economic model of service concession contracts. - The fairness and the appropriateness of the key assessments and estimations used by the management together with the methods and data sources used in the calculation of impairment within the scope of "IFRS 9 Financial Instruments" were assessed. - The compliance of the applied accounting policies with IFRS 9, past performance of the Group and local and global practices were assessed. - Furthermore, within the scope of the above-mentioned specific accounting, the adequacy and sufficiency of the information included in the financial statements and explanatory notes for the users of the financial statements were evaluated.

Building a better working world

Recoverability of deferred tax assets recognized over tax losses carried forward	
As disclosed in footnote 24 to the consolidated financial statements as of 31 December 2019, the Group recognized deferred tax assets over the tax losses carried forward amounting to 185,354 thousand TL. Partially or fully recoverable amount of recognized deferred tax asset was estimated based on the Group Management's assumptions under current conditions. Business plans for the future, the loss amounts incurred in the last 5 years and the expiration dates of unused losses are taken into the consideration during the assessment. Given that the extent to which these assets are recognized is dependent on Group Management's assumptions, these assets are considered as key audit matter.	During our audit, we challenged the management's assumptions on the recoverability of tax assets by controlling the expiration dates of carry forward tax losses with the projected budgets approved by the management. To examine the management's assumptions about the subject, we involved tax experts to our audit team from another entity that is a part of the same audit network. Calculation of related deferred tax assets is presented for the examination and evaluation to tax experts. In addition, the conformity of the disclosures in the financial statements to IFRS has been evaluated.
Goodwill Impairment Test	
As at 31 December 2019, there is a goodwill amounting to 1,977,127 thousand TL on the consolidated statement of financial position as a result of previous acquisitions. In accordance with IFRS, the Group performs an impairment test per each cash generating unit to assess whether there is an impairment in the goodwill amount.	The assumptions, sensitivities and results of the tests performed are disclosed in footnote 2 to the financial statements. These tests are assessed as key audit matter due to the complexity, the required estimates of management and the dependency on future market circumstances. We involved the valuation specialists from another entity that is a part of the same audit network to support our assessment about the assumptions and methods used by the Group in testing the discount rates per cash generating unit and assessing the model that calculates future cash flows. Furthermore, we tested the expected growth rates and related expected future cash flows. We assessed whether these future cash flows, amongst others, were based on the strategic plan as prepared by the management. In addition, within the scope of the above-mentioned special accounting, the appropriateness and sensitivity of the disclosures contained in the financial statements and the importance of these information for the users of the financial statement were questioned by us.

Building a better
working world

Revenue recognition of incumbent suppliers	
Incumbent suppliers are obliged supply electricity on retail sales tariff regulated by the EMRA to the ineligible customers (regulated customers) in their respective distribution regions, eligible customers who have not used their eligibility right to become a free customer and to eligible customers as the last resource supplier. Along with that, incumbent suppliers, supplies electricity to eligible customers in the distribution regions through bilateral agreement based on free market conditions. Incumbent suppliers' revenue from the consumers subject to tariff regulation, is determined by the cost of carrying out their activities related to energy sales. In this context, the gross margin is taken into the consideration which is determined based on the depreciation expenses related to the investment expenditures required to carry out the activities, billing and customer services, operating expenses such as retail sales services, active energy costs and the costs to cover all the costs and services incurred to sustain the activity and the risks exposed. Therefore, the Group calculates and accounts for the revenue amount on consolidated financial statements prepared in accordance with IFRS on the basis of costs by considering gross profit margin determined by regulations. Furthermore, invoices of the subscribers other than eligible residential and commercial groups are issued monthly at the end of each month by the Group whereas the invoices of the residential subscribers are issued continuously during each month due to the high number of subscribers in this group. As a result, the total electricity supplied to the residential and commercial subscribers during each month cannot be invoiced and income accruals are recognized as revenue at period-ends for these customer groups based on the actual billing performance. Given the complexity of such transactions, we determined this significant to our audit and therefore considered as key audit matter.	We examined the customer classification, EMRA communiques and the correctness of calculations mentioned in these communiques, calculations and seasonality of invoicing that are used in the calculation of Group's revenue. We also performed sample tests of key controls over information technology systems where the information used in these calculations is provided. The overall consistency of the inputs and parameters used in the calculations are evaluated. To evaluate conformity of applied calculations to communiques and IFRS, we especially focused on the accounting adjustments related to revenue recognition. The sources used for these adjustments and consistency of these adjustments with prior years are controlled. In addition, the adequacy of the disclosures in Note 18 of the financial statements and conformity with IFRS were also assessed.

Provision for impairment of trade receivables	
Trade receivables are considered as an important balance sheet item as they represent 13% of the total assets in consolidated statement of financial position. Besides, the collectability of trade receivables is key elements of the Group's credit risk and business capital management and includes significant management judgment and estimates. As of December 31, 2019, there is a provision amounting to 2,077,215 thousand TL for impairment of trade receivables amounting to 3,009,455 thousand TL (net) in the consolidated statement of financial position. Determining the collection risk and the provision for trade receivables or determining whether a specific trade receivable is collectible requires significant management judgment. The Group management assesses all other information together with the aging of trade receivables, analyzing the risk of ongoing lawsuits taking letters from the company lawyers, the qualifications of the collaterals under the credit risk management and the collaterals, the collection performance after the current period and the balance sheet date. As of 1 January 2018, the Group has adopted IFRS 9 "Financial Instruments" standard and as of this date accounted for the expected credit losses for financial assets in the consolidated financial statements. Given the size of the amounts, the assessment required for the collectability evaluations of trade receivables and the complexity and the comprehensive application of IFRS 9, the existence and collectability of trade receivables is considered as key audit matter. The details of trade receivables are disclosed in footnote 6 to the consolidated financial statements.	Following procedures have been applied for the audit of provisions on trade receivables: - Evaluation of the Group's collection follow-up process and operational effectiveness of related internal controls for trade receivables from third parties, - Understanding, evaluating and testing the effectiveness of the internal controls related to financial reporting for credit risk, - Analytical review of the aging tables and comparison of the collection turnover rate with the previous year, - Testing of trade receivable balances by sending confirmation letters by sampling method, - Testing of subsequent collections by sampling method, - Testing of the guarantees received against receivables by sampling method and evaluation of their ability to convert into cash, - Evaluation of the fairness and appropriateness of the key assessments and estimations used by the management together with the methods and data sources used in the calculation of impairment within the scope of "IFRS 9 Financial Instruments" with the support of our valuation specialists from our entity, - Evaluation of the compliance of the applied accounting policies with IFRS 9, past performance of the Group and local and global practices, - Investigation of disputes and lawsuits related to receivables and obtaining confirmation letter about legal proceedings of ongoing legal lawsuits for the audit of the appropriateness of specific provisions for trade receivables, - Assessment of the adequacy of the trade receivables and impairment of trade receivables disclosures to the consolidated financial statements and conformity with IFRS.

Other matters

We have expressed an unqualified opinion in our auditor's report dated February 19, 2020 on the consolidated financial statements of the Group for the period of 1 January 2019 – 31 December 2019, which are prepared in accordance with Turkish Accounting Standards.

We have expressed an unqualified opinion in our auditor's report dated February 19, 2020 on the annual report of Enerjisa Enerji A.Ş. for the period of 1 January 2019 – 31 December 2019, which are prepared in accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC").

Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 19, 2020.

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

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

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

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

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

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

Building a better
working world

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

The partner in charge of the audit resulting in this independent auditor's report is Erdem Tecer.

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

Erdem Tecer, SMMM
Partner

February 19, 2020
İstanbul, Türkiye

ENERJİSA ENERJİ A.Ş. AND ITS SUBSIDIARIES

CONTENT **PAGE**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

ASSETS	Notes	Audited / current period 31 December 2019	Audited / prior period 31 December 2018
Current Assets		**5,781,800**	**5,872,184**
Cash and Cash Equivalents	28	469,786	562,352
Financial Assets	10	1,098,550	791,117
Trade Receivables	6	3,009,455	3,512,389
Due from Related Parties	*5*	*17,679*	*130,832*
Due from Third Parties		*2,991,776*	*3,381,557*
Other Receivables	7	1,022,446	458,449
Due from Third Parties		*1,022,446*	*458,449*
Derivative Financial Instruments	26	7,829	313,028
Inventory	8	131,953	147,956
Prepaid Expenses	9	41,474	71,355
Assets Related with Current Taxes	24	60	8,565
Other Current Assets	17	247	6,973
Non-Current Assets		**17,613,658**	**16,720,626**
Other Receivables	7	737,736	983,545
Due from Third Parties		*737,736*	*983,545*
Derivative Financial Instruments	26	960	-
Financial Assets	10	9,445,286	8,503,518
Right of Use Assets	11	145,483	-
Property, Plant and Equipment	12	483,543	358,781
Intangible Assets	13	6,548,405	6,745,195
Goodwill		*1,977,127*	*1,977,127*
Other Intangible Assets		*4,571,278*	*4,768,068*
Prepaid Expenses	9	1,642	2,575
Deferred Tax Assets	24	244,040	2,847
Other Non-Current Assets	17	6,563	124,165
TOTAL ASSETS		**23,395,458**	**22,592,810**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

LIABILITIES	Notes	Audited / current period 31 December 2019	Audited / prior period 31 December 2018
Current Liabilities		**7,331,012**	**7,011,907**
Short-Term Financial Liabilities	25	676,281	998,170
Short-Term Portion of Long Term Financial Liabilities	25	3,015,735	2,435,639
Other Financial Liabilities	25	51,184	44,302
Trade Payables	6	2,611,620	2,480,917
Due to Related Parties	*5*	*96,906*	*94,217*
Due to Third Parties		*2,514,714*	*2,386,700*
Payables for Employee Benefits	16	52,358	43,217
Other Payables	7	174,660	223,902
Due to Third Parties		*174,660*	*223,902*
Derivative Financial Instruments	26	66,655	3,582
Deferred Income	9	8,284	74,752
Income Tax Liability	24	79,733	52,416
Short-Term Provisions		289,026	364,105
Provisions for Employment Benefits	*16*	*41,190*	*28,779*
Other Short-Term Provisions	*14*	*247,836*	*335,326*
Other Short-Term Liabilities	17	305,476	290,905
Non-Current Liabilities		**9,229,943**	**9,281,988**
Long-Term Financial Liabilities	25	5,378,462	5,765,047
Other Financial Liabilities	25	302,714	321,720
Other Payables	7	1,903,683	1,693,350
Due to Third Parties		*1,903,683*	*1,693,350*
Derivative Financial Instruments	26	-	7,722
Long-Term Provisions		167,216	115,366
Provisions for Employment Benefits	*16*	*167,216*	*115,366*
Deferred Tax Liabilities	24	1,477,868	1,378,783
TOTAL LIABILITIES		**16,560,955**	**16,293,895**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

LIABILITIES	Notes	Audited / current period 31 December 2019	Audited / prior period 31 December 2018
Equity		**6,834,503**	**6,298,915**
Registered Share Capital	18	1,181,069	1,181,069
Adjustments to Share Capital	18	2,626,532	2,784,755
Total Share Capital		**3,807,601**	**3,965,824**
Other Funds		4,340	4,340
Accumulated Other Comprehensive Expenses not to be Reclassified to Profit or Loss in Subsequent Periods		(3,464)	(3,464)
Accumulated Loss on Remeasurement of Defined Benefit Plans		*(3,464)*	*(3,464)*
Accumulated Other Comprehensive (Expense) / Income to be Reclassified to Profit or Loss in Subsequent Periods		(2,248)	23,359
Hedge Reserves		*(2,248)*	*23,359*
Restricted Profit Reserves	18	251,545	216,612
Retained Earnings		1,743,107	1,344,547
Profit for the Period		1,033,622	747,697
TOTAL LIABILITIES AND EQUITY		**23,395,458**	**22,592,810**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

	Notes	Audited / current period 1 January - 31 December 2019	Audited / prior period 1 January - 31 December 2018
Revenue	19	19,453,085	18,346,787
Cost of Sales (-)	20	(14,108,614)	(12,380,265)
GROSS PROFIT		**5,344,471**	**5,966,522**
General Administrative Expenses (-)	21	(2,170,485)	(1,848,857)
Other Income from Operating Activities	22	552,300	373,549
Other Expenses from Operating Activities (-)	22	(662,080)	(1,680,023)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)		**3,064,206**	**2,811,191**
Finance Income	23	170,627	104,870
Finance Expense (-)	23	(1,843,477)	(1,594,065)
PROFIT BEFORE TAX		**1,391,356**	**1,321,996**
Tax Expense		**(357,734)**	**(574,299)**
Current Tax Expense	24	(492,099)	(85,949)
Deferred Tax Income / (Expense)	24	134,365	(488,350)
PROFIT FOR THE PERIOD		**1,033,622**	**747,697**
OTHER COMPREHENSIVE INCOME AND EXPENSE			
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods		**-**	**1,777**
Gain on Measurement of Defined Benefit Obligation		-	*2,279*
Income Tax Relating to Other Comprehensive Income	*24*	-	*(502)*
Other Comprehensive (Expense) / Income to be Reclassified to Profit or Loss in Subsequent Periods		**(25,607)**	**23,359**
(Losses) / Gains on Hedges	*26*	*(33,350)*	*29,947*
Income Tax Relating to Other Comprehensive Income / Expense	*24*	*7,743*	*(6,588)*
TOTAL COMPREHENSIVE INCOME		**1,008,015**	**772,833**
Earnings per share			
Earnings per share (kr)	18	0.88	0.63

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

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

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

					Accumulated Other Comprehensive (Expenses) not to be Reclassified to Profit or Loss in Subsequent Periods	Accumulated Other Comprehensive Income / (Expense) to be Reclassified to Profit or Loss in Subsequent Periods			
	Share Capital	Adjustment to Share Capital	Restricted Profit Reserves	Other Funds	Accumulated Loss on Remeasurement of Defined Benefit Plans	Hedge Reserves	Retained Earnings	Profit for the Period	Total Equity
Balance as at 1 January 2018 (*)	**1,181,069**	**2,836,364**	**185,265**	**4,340**	**(5,241)**	**-**	**690,597**	**988,009**	**5,880,403**
Transfers (**)	-	(51,609)	31,347	-	-	-	1,008,271	(988,009)	-
Dividend	-	-	-	-	-	-	(354,321)	-	(354,321)
Total comprehensive income	-	-	-	-	1,777	23,359	-	747,697	772,833
Balance as at 31 December 2018	**1,181,069**	**2,784,755**	**216,612**	**4,340**	**(3,464)**	**23,359**	**1,344,547**	**747,697**	**6,298,915**
Balance as at 1 January 2019	**1,181,069**	**2,784,755**	**216,612**	**4,340**	**(3,464)**	**23,359**	**1,344,547**	**747,697**	**6,298,915**
Transfers (**)	-	(158,223)	34,933	-	-	-	870,987	(747,697)	-
Dividend (***)	-	-	-	-	-	-	(472,427)	-	(472,427)
Total comprehensive (expense) / income	-	-	-	-	-	(25,607)	-	1,033,622	1,008,015
Balance as at 31 December 2019	**1,181,069**	**2,626,532**	**251,545**	**4,340**	**(3,464)**	**(2,248)**	**1,743,107**	**1,033,622**	**6,834,503**

(*) With the decision of the Board of Directors on 20 April 2017, Enerjisa Enerji A.Ş. merged with Enerjisa Elektrik Dağıtım A.Ş. ("EEDAŞ") and the subsidiaries of EEDAŞ together with all their assets and liabilities with the takeover method. In addition, on 25 August 2017, the Group's electricity generation and wholesale business areas were separated and structured under another company. As a result of these transactions, necessary corrections are made in the registered share capital and the statutory capital after merger and split has been reached. Adjustment to share capital represents the portion of registered share capital which has been treated as a capital reserve in the statutory books after the merger and split process due to local regulations (Note 1). Such amount has been classified as adjustment to share capital to comply with the International Financial Reporting Standards ("IFRS") requirements.

(**) In the statutory financial statement prepared in accordance with the tax procedure law, the loss for previous years amounting to TL 158,223 has been netted off with adjustments to share capital (31 December 2018: TL 51,609).

(***) During the Ordinary General Assembly held on 28 March 2019, it has been resolved to distribute the dividend at the amount of TL 472,427 derived from the Group's distributable earnings at 2018 and pay the cash dividend beginning from 2 April 2019. Dividends were paid out in cash in April 2019. Dividend paid by the Group per share with a TL 1 (full digit) nominal value is gross TL 0.40 (full digit).

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

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

	Notes	Audited / current period 1 January - 31 December 2019	Audited / prior period 1 January - 31 December 2018
Cash Flows from Operating Activities		**3,712,134**	**2,086,590**
Profit for the period		**1,033,622**	**747,697**
Profit for the period		1,033,622	747,697
Adjustments to reconcile net profit for the period		**1,087,976**	**2,395,079**
Adjustments related to the depreciation and amortization	11, 12, 13	372,867	258,182
Adjustments related to the depreciation of right of use assets	11	73,422	-
Adjustments related to the depreciation of property, plant and equipment	12	65,502	31,791
Adjustments related to the amortization of intangible assets	13	233,943	226,391
Adjustments related to impairment loss		603,686	1,344,756
Adjustments related to doubtful provision expenses	6, 10	603,686	591,852
Adjustments related to goodwill impairment	13	-	752,904
Adjustments related to provisions		120,251	246,755
Adjustments related to provisions for employee benefits		100,445	68,667
Adjustments related to provision for employee termination benefits	15	52,180	34,052
Adjustments related to unused vacation provision	15	11,608	8,771
Adjustments related to provision for bonus	15	36,657	25,844
Adjustments related to legal case provisions	14	19,806	178,088
Adjustments related to interest (income) and expenses, net		1,707,923	1,428,403
Adjustments related to interest income	23	(135,554)	(104,870)
Adjustments related to interest expense	23	1,843,477	1,533,273
Adjustments related to unrealized foreign exchange loss		(111,471)	25,528
Adjustments related to tax expense	24	357,734	574,299
Adjustments related to change in fair value losses / (gains)		67,730	35,264
Other adjustments to reconcile profit / (loss)	28	(2,030,744)	(1,518,108)
Adjustments related to interest (income) / expense based on revenue cap regulation	22	(185,915)	(44,183)
Adjustments related to financial income from service concession arrangements	10, 19	(1,959,219)	(1,716,597)
Adjustments related to revaluation differences arising from deposits and guarantees	22	114,390	242,672
Changes in operating assets and liabilities		**166,960**	**(2,573,989)**
Adjustments related to (increase) / decrease in trade receivables		(281,098)	(1,873,807)
Adjustments related to (increase) / decrease in inventories		16,004	(46,202)
Adjustments related to (increase) / decrease in other receivables and assets		665,835	(2,040,470)
Adjustments related to increase / (decrease) in trade payables		143,490	973,037
Adjustments related to increase / (decrease) in other payables and expense accruals		(377,271)	413,453
Cash generated from operating activities		**2,288,558**	**568,787**
Payments related with provisions for employee benefits	16	(36,184)	(37,699)
Payments related with other provisions	14	(107,296)	-
Tax payments	24	(456,277)	(34,608)
Other cash in-flows	28	2,023,333	1,590,110
Capital expenditures reimbursements related to service concession arrangements	10	1,057,528	798,304
WACC reimbursements related to service concession arrangements	10	781,494	634,564
Collections from doubtful trade receivable	6	184,311	157,242
Cash Flows from Investing Activities		**(1,498,919)**	**(1,505,968)**
Cash used for purchase of tangible and intangible assets		(251,889)	(278,326)
Interest received		122,406	96,087
Other cash out-flows	28	(1,369,436)	(1,323,729)
Capital expenditures related to service concession arrangements		(1,369,436)	(1,323,729)
Cash Flows from Financing Activities		**(2,305,781)**	**(191,020)**
Cash in-flows from borrowings		21,517,121	37,998,133
Cash out-flows for borrowings		(21,554,598)	(36,763,095)
Repayment of of lease liabilities	25	(87,791)	-
Interest paid		(1,708,086)	(1,143,096)
Dividend paid		(472,427)	(354,321)
Other in-flows		-	71,359
Increase / (decrease) in cash and cash equivalents		(92,566)	389,602
Cash and cash equivalents at the beginning of the period	28	562,352	172,750
Cash and cash equivalents at the end of the period		**469,786**	**562,352**

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

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP

Enerjisa Enerji A.Ş. (the "Company") and its subsidiaries will be referred as the "Group" for consolidated financial statements. The Company is established on 26 December 2011 as a joint venture between Hacı Ömer Sabancı Holding A.Ş. ("Sabancı") and Verbund International GmbH ("Verbund International"). On 4 December 2012, Verbund and DD Turkey Holdings S.A.R.L., E.ON SE ("E.ON") entered into a Share Purchase Agreement for the sales and transfer of all Verbund shares in the Company to E.ON and the transfer is finalized on 24 April 2013.

The Company is registered to the Capital Markets Board ("CMB") and its shares are publicly traded in Borsa Istanbul A.Ş. ("BIST") with ticker "ENJSA.E" since 8 February 2018. The Company is registered in Turkey and the address of the headquarters is as follows:

Barbaros Mahallesi, Begonya Sokak, Nida Kule Ataşehir Batı Sit. No: 1/1, Ataşehir / İstanbul, Turkey.

The Company served as the parent company for generation, trading, sale, distribution and retail service of electricity business lines until 25 August 2017. On 28 April 2017 as the first stage of the reorganization, the Company merged with Enerjisa Elektrik Dağıtım A.Ş. ("EEDAŞ") by taking over its all assets and liabilities along with its subsidiaries (distribution and retail service companies). On 25 August 2017 as the second stage of the reorganization, the Company transferred three subsidiaries (electricity generation, wholesale trading and natural gas trading) by spin-off method with the carrying amounts to a newly established company called Enerjisa Üretim Santralleri A.Ş. ("EÜSAŞ"). On 25 September 2017, the Company has sold its subsidiary which operates in solar energy generation to the generation company that is owned by EÜSAŞ. As a result of these transactions, the Company's main activities under the new structure are customer-focused electricity distribution and retail service.

Subsidiaries consolidated in the consolidated financial statements as of 31 December 2019 and their activities are as follows:

Başkent Elektrik Dağıtım A.Ş. ("BAŞKENT EDAŞ")	Distribution of electricity
İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş. ("AYEDAŞ")	Distribution of electricity
Toroslar Elektrik Dağıtım A.Ş. ("TOROSLAR EDAŞ")	Distribution of electricity
Enerjisa Başkent Elektrik Perakende Satış A.Ş. ("EPS")	Retail service of electricity
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş. ("AEPSAŞ")	Retail service of electricity
Enerjisa Toroslar Elektrik Perakende Satış A.Ş. ("TOROSLAR EPSAŞ")	Retail service of electricity
Enerjisa Müşteri Çözümleri A.Ş.	Customer solutions and distributed generation services
E-şarj Elektrikli Araçlar Şarj Sistemleri A.Ş. ("E-şarj")	Electric vehicles and charging stations equipment services

The Group's operations are carried out only in Turkey.

The Group has 10,240 employees as of 31 December 2019 (31 December 2018: 9,734 employees).

The consolidated financial statements were authorized for issue by the Board of Directors of the Company on 19 February 2020. The General Assembly and certain regulatory bodies have the power to amend the consolidated financial statements after the issue.

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

BAŞKENT EDAŞ and EPS

BAŞKENT EDAŞ has been acquired by EEDAŞ as of 28 January 2009 by privatization bid for the consideration of USD 1,225 million. BAŞKENT EDAŞ currently operates in province including Ankara, Kırıkkale, Kastamonu, Zonguldak, Bartın, Çankırı and Karabük and holds the licence that gives the right for distribution of electricity in these provinces for 30 years starting from the date of Transfer of Operation Rights ("TOR") agreement signed with Türkiye Elektrik Dağıtım A.Ş. ("TEDAŞ") on 31 March 2006.

As of 1 January 2013, BAŞKENT EDAŞ is obliged to carry out the distribution and the retail sales activities under separate legal entities in accordance with Electricity Market Law. On 12 September 2012, EPS was established with the same shareholder structure and as of 31 December 2012, BAŞKENT EDAŞ has transferred some of its assets and liabilities to EPS, due to the fact that, legal unbundling and the unbundling related transactions have been registered as of 31 December 2012. Starting from 1 January 2013, BAŞKENT EDAŞ has undertaken only the distribution activities. In addition, with the new regulation applied by Energy Market Regulatory Authority ("EMRA"), BAŞKENT EDAŞ started retail sales only for illumination customers starting from 1 April 2013.

AYEDAŞ and AEPSAŞ

AYEDAŞ has been acquired by EEDAŞ as of 31 July 2013 by privatization bid for the consideration of USD 1,227 million. AYEDAŞ currently operates in Anatolian Side of İstanbul and holds the license that gives the right for distribution of electricity in this province until 31 December 2042 starting from the date of TOR agreement signed with TEDAŞ on 24 July 2006.

As of 1 January 2013, AYEDAŞ is obliged to carry out the distribution and the retail sales activities under separate legal entities in accordance with Electricity Market Law. On 13 December 2012, AEPSAŞ was established with the same shareholder structure and as of 31 December 2012, AYEDAŞ has transferred some of its assets and liabilities to AEPSAŞ due to the legal unbundling. The aforementioned unbundling transactions have been registered as of 31 December 2012 and AEPSAŞ started retail sales operations on 1 January 2013 according to the Retail Sales License obtained due to unbundling. Starting from 1 January 2013, AYEDAŞ has undertaken only distribution activities. In addition, with the new regulation applied by EMRA, AYEDAŞ started retail sales only for illumination customers starting from 1 April 2013.

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS OF THE GROUP (Continued)

TOROSLAR EDAŞ and TOROSLAR EPSAŞ

TOROSLAR EDAŞ has been acquired by EEDAŞ as of 30 September 2013 by privatization bid for the consideration of USD 1,725 million. TOROSLAR EDAŞ currently operates in Adana, Gaziantep, Hatay, Kilis, Mersin and Osmaniye and holds the license that gives the right for distribution of electricity in these provinces until 31 December 2042 starting from the date of TOR agreement signed with TEDAŞ on 24 July 2006.

As of 1 January 2013, TOROSLAR EDAŞ is obliged to carry out the distribution and the retail sales activities under separate legal entities in accordance with Electricity Market Law. On 13 December 2012, TOROSLAR EPSAŞ was established with the same shareholder structure and as of 31 December 2012, TOROSLAR EDAŞ has transferred some of its assets and liabilities to TOROSLAR EPSAŞ due to the legal unbundling. The aforementioned unbundling transactions have been registered as of 31 December 2012 and TOROSLAR EPSAŞ started retail sales operations on 1 January 2013 according to the Retail Sales License obtained due to unbundling. Starting from 1 January 2013, TOROSLAR EDAŞ has undertaken only distribution activities. In addition, with the new regulation applied by EMRA, TOROSLAR EDAŞ started retail sales only for illumination customers starting from 1 April 2013.

In 2006, EMRA has set a unique pricing mechanism for all of the electricity distribution companies in Turkey which will be effective for the period between 1 January 2006 and 31 December 2012 which is called the "transition period". In accordance with this pricing mechanism, distribution companies in Turkey have already determined their regional tariffs for the period between 1 January 2006 and 31 December 2010 and by using these regional tariffs, EMRA has already determined the national tariffs for the same period. In December 2010, EMRA has announced a new tariff for the period between 1 January 2011 and 31 December 2015; and also in December 2015, EMRA has announced a new tariff for the period between 2016 and 2020.

Enerjisa Müşteri Çözümleri A.Ş.

Enerjisa Müşteri Çözümleri A.Ş. was established on 29 December 2017, in order to conduct activities in customer solutions and distributed generation.

E-şarj

Enerjisa Müşteri Çözümleri A.Ş., acquired 80% of the shares of E-şarj with an amount of TL 4,000 on 26 April 2018. E-şarj is mainly involved in the operation of charging network for electric vehicles and supply of charging stations equipment.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain assets and liabilities being carried by their fair values.

In order to determine the historical cost, the fair values paid for assets are considered.

2.2 Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB").

2.3 Functional and Presentation of Currency

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

In preparing the financial statements of the individual entities, transactions in foreign currencies (currencies other than TL) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses arising on settlement and translation of foreign currency items are included in the consolidated statement of comprehensive income.

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

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

2.4 Comparative Information and Reclassification of Prior Period Consolidated Financial Statements

In order to allow for the determination of the financial situation and performance trends, the Group’s consolidated financial statements have been presented comparatively with the prior period.

If the presentation or classification of the current period financial statements is changed, in order to maintain consistency, comparative information are also adjusted or reclassified in line with the related changes. The nature, amount and reasons for each of the reclassifications and adjustments are described below:

	Notes	Previously Reported 31 December 2018	Impact of nettings and reclassifications	Restated 31 December 2018
Short Term Other Receivables	a	990,680	(532,231)	458,449
Short Term Deferred Income	a	606,983	(532,231)	74,752
Property, Plant and Equipment	b	365,027	(6,246)	358,781
Intangible Assets	b	6,738,949	6,246	6,745,195

a) Group has reviewed “Short Term Other Receivables” and “Short Term Deferred Income” accounts and reclassified tariff related payables amounting to TL 532,231, which had been accounted as “Short Term Deferred income” previously, to “Short Term Other Receivables” for netting off tariff related receivables and payables as at 31 December 2018, retrospectively.

b) Group has reviewed “Property, Plant and Equipment” account and reclassified net book value of TL 6,246 to “Intangible assets” as at 31 December 2018, retrospectively.

2.5 Changes in Accounting Policies

The significant changes that were made on accounting policies applied retrospectively and the financial statements of preceding period are restated.

No changes have been applied to the accounting policies of the Group in the current period.

2.6 Changes and Misstatements in Accounting Estimates

If changes in accounting estimates are related to only one period, the changes are applied prospectively in the current period in which changes are made. If changes in accounting estimates are related to future periods, the changes are applied prospectively both in the current period in which changes are made and also in future periods. The accounting misstatements which are identified are applied retrospectively and consolidated financial statements of preceding period are restated. No changes have been applied to the accounting estimates of the Group in the current year.

2.7 Going Concern

The Group has prepared its consolidated financial statements in accordance with going concern principle.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

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

2.8 Basis of Consolidation

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

	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group (%)		Principal activity
		31 December 2019	31 December 2018	
Başkent Elektrik Dağıtım A.Ş.	Ankara	100	100	Electricity distribution services
Enerjisa Başkent Elektrik Perakende Satış A.Ş.	Ankara	100	100	Electricity retail services
İstanbul Anadolu Yakası Elektrik Dağıtım A.Ş.	İstanbul	100	100	Electricity distribution services
Enerjisa İstanbul Anadolu Yakası Elektrik Perakende Satış A.Ş.	İstanbul	100	100	Electricity retail services
Toroslar Elektrik Dağıtım A.Ş.	Adana	100	100	Electricity distribution services
Enerjisa Toroslar Elektrik Perakende Satış A.Ş.	Adana	100	100	Electricity retail services
Enerjisa Müşteri Çözümleri A.Ş.	İstanbul	100	100	Customer solutions and distributed generation services
E-şarj Elektrikli Araçlar Şarj Sistemleri A.Ş.	İstanbul	80	80	Electric vehicles and charging stations equipment services

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

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

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

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

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

2.8 Basis of Consolidation (Continued)

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

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

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

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

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

In business combinations involving entities under common control, assets and liabilities subject to a business combination are recognized at their carrying amounts in the consolidated financial statements. In addition, statements of income are consolidated from the beginning of the financial year in which the business combination takes place. Similarly, comparative consolidated financial statements are restated retrospectively for comparison purposes. As a result of these transactions, neither goodwill nor negative goodwill are recognized.

2.9 New and Revised International Financial Reporting Standards

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2019 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

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

i) The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right of use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right of use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right of use asset.

Transition to IFRS 16:

The Group adopted IFRS 16 using the modified retrospective approach. The Group elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group therefore did not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

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

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

Assets	
Right of use assets	133,666
Prepaid expenses	(1,479)
Liabilities	
Lease liabilities	132,187

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

2.9 New and Revised International Financial Reporting Standards (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows (Continued)

IFRS 16 Leases (Continued)

Transition to IFRS 16 (Continued)

The standard is applied for annual periods beginning on or after 1 January 2019. The Group disclosed the impact of the standard on financial position or performance of the Group in Note 2.10.

Amendments to IAS 28 "Investments in Associates and Joint Ventures" (Amendments)

In October 2017, the IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

IFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. In this amendment, IASB clarified that the exclusion in IFRS 9 applies only to interests a company accounts for using the equity method. A company applies IFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "IAS 12 Income Taxes" when there is uncertainty over income tax treatments.

When there is uncertainty over income tax treatments, the interpretation addresses:

(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

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

2.9 New and Revised International Financial Reporting Standards (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows (Continued)

IFRIC 23 Uncertainty over Income Tax Treatments (Continued)

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019. The interpretation did not have an impact on the financial position or performance of the Group.

Annual Improvements – 2015–2017 Cycle

In December 2017, the IASB issued Annual Improvements to IFRS Standards 2015–2017 Cycle, amending the following standards:

- *IFRS 3 Business Combinations and IFRS 11 Joint Arrangements* — The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- *IAS 12 Income Taxes* — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

- *IAS 23 Borrowing Costs* — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

Plan Amendment, Curtailment or Settlement" (Amendments to IAS 19)

On 7 February 2018, the IASB published Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs.

The amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

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

2.9 New and Revised International Financial Reporting Standards (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2019 are as follows (Continued)

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The IASB issued minor amendments to IFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying IFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

The amendments are applied for annual periods beginning on or after 1 January 2019. The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

ii) Standards 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 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 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

The Group will wait until the final amendment to assess the impacts of the changes.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features.

IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2021; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

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

2.9 New and Revised International Financial Reporting Standards (Continued)

ii) Standards issued but not yet effective and not early adopted (Continued)

Definition of a Business (Amendments to IFRS 3) (Continued)

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide certain reliefs for 4 fundamental matters in connection with interest rate benchmark reform. These reliefs are related to hedge accounting as follows:

- Highly probable requirement
- Prospective Assessments
- Retrospective Assessments
- Separately identifiable risk components

Reliefs used as a result of amendments in IFRS 9 and IAS 39 is aimed to be disclosed in financial statements based on the amendments made in IFRS 7.

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

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

2.9 New and Revised International Financial Reporting Standards (Continued)

ii) Standards issued but not yet effective and not early adopted (Continued)

Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

23 January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted.

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

2.10 Amendments to Accounting Standards and Effects on Consolidated Financial Tables

The Group applied IFRS 16 by using the simplified modified retrospective approach and the new accounting policies related to the adoption of IFRS 16 are disclosed below.

Right of use assets

Regarding to the contracts signed before IFRS 16's initial application date which is 1 January 2019 and for the financial lease contracts in progress as of 1 January 2019, the Group recognises the right of use assets by accepting the commencement date of the leases as 1 January 2019 since the Group chose the simplified modified retrospective approach among IFRS 16 rulings.

The Group recognises right of use assets at the commencement date of the lease for the contracts signed after 1 January 2019 (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right of use assets includes:

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

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

Right of use assets consist of buildings and vehicles and also are subject to impairment.

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

2.10 Amendments to Accounting Standards and Effects on Consolidated Financial Tables (Continued)

Lease Liabilities

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

Lease payments which are included in the calculation of lease liability at the commencement date of the lease, are consisted of payments which will be made for right of use of the underlying asset through the lease term and the payments which have not been made at the commencement date are listed below:

(a) Fixed payments (including in-substance fixed payments) less any lease incentives receivable,

(b) Variable lease payments that depend on an index or a rate,

(c) Amounts expected to be paid under residual value guarantees,

(d) The exercise price of a purchase option reasonably certain to be exercised by the the Group and

(e) Payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The Group has used 14.60% and 15.44% interest rate for 3-years and 5-years TL contracts, respectively and 2.19% interest rate for 3-years EUR contracts.

After the commencement date Group measures the lease obligation as follows:

(a) The amount of lease liabilities is increased to reflect the accretion of interest and
(b) The amount of lease liabilities is reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

There is not any change in the Group's accounting policies in the current period from those mentioned above.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

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

2.10 Amendments to Accounting Standards and Effects on Consolidated Financial Tables (Continued)

Lease Liabilities (Continued)

The impacts of the IFRS 16 applications on consolidated statement of financial position and statement of profit or loss, respectively as at and for the year ended 31 December 2019 are disclosed below.

(i) Consolidated Statement of Financial Position

ASSETS	31 December 2019 (Pre-impacts)	IFRS 16 Impacts	31 December 2019 (Post impacts)
Current Assets	**5,782,344**	**(544)**	**5,781,800**
Prepaid expenses	42,018	(544)	41,474
Non-Current Assets	**17,463,893**	**149,765**	**17,613,658**
Right of Use Assets	-	145,483	145,483
Deferred Tax Assets	239,758	4,282	244,040
TOTAL ASSETS	**23,246,237**	**149,221**	**23,395,458**
LIABILITIES			
Current Liabilities	**7,262,255**	**68,757**	**7,331,012**
Short Term Portion of Long Term Financial Liabilities	2,946,978	68,757	3,015,735
Non-Current Liabilities	**9,133,037**	**96,906**	**9,229,943**
Long Term Financial Liabilites	5,281,556	96,906	5,378,462
Equity	**6,850,945**	**(16,442)**	**6,834,503**
Profit / (Loss) for the Period	1,050,064	(16,442)	1,033,622
TOTAL LIABILITIES AND EQUITY	**23,246,237**	**149,221**	**23,395,458**

(ii) Consolidated Statement of Profit or Loss

	31 December 2019 (Pre-impacts)	IFRS 16 Impacts	31 December 2019 (Post impacts)
General Administrative Expenses (-)	(2,184,854)	14,369	(2,170,485)
OPERATING PROFIT BEFORE FINANCE INCOME / (EXPENSE)	**3,049,837**	**14,369**	**3,064,206**
Finance Expense (-)	(1,808,384)	(35,093)	(1,843,477)
PROFIT / (LOSS) BEFORE TAX	**1,412,080**	**(20,724)**	**1,391,356**
Tax (Expense) / Income	**(362,016)**	**4,282**	**(357,734)**
Deferred Tax Income	130,083	4,282	134,365
PROFIT / (LOSS) FOR THE PERIOD	**1,050,064**	**(16,442)**	**1,033,622**
TOTAL COMPREHENSIVE INCOME / (EXPENSE)	**1,024,457**	**(16,442)**	**1,008,015**
Earnings per share (kr)	0.89		0.88

As of 31 December 2019, with the adoption of IFRS 16, the rent expenses of the Group have decreased by TL 87,791, depreciation and finance expenses have increased by TL 73,422 and TL 35,093 respectively; deferred tax income has increased by TL 4,282.

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

2.11 Summary of Significant Accounting Policies

Business Combinations

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

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

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

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

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. When the contingent consideration classified as asset or liability is in the nature of financial instruments and within the context of IFRS 9 *Financial Instruments*, it is re-measured at fair value and; gain or loss due to changes are recognized in profit or loss or other comprehensive income. Those are not within the context of IFRS 9 are re-measured in accordance with IAS 37 *Provisions*, Contingent Liabilities and Contingent Assets.

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

2.11 Summary of Significant Accounting Policies (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually (Note: 2.12), or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Related Parties

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

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

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

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

i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii. Both entities are joint ventures of the same third party.

iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

vi. The entity is controlled or jointly controlled by a person identified in (a).

vii. A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2.11 Summary of Significant Accounting Policies (Continued)

Related Parties (Continued)

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

Revenue Recognition

Distribution part of the revenue is composed of distribution, meter reading services, transmission and theft and loss components. Distribution and meter reading service components are considered within the content of service concession arrangements due to the regulations of EMRA. Additionally, according to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations, the Group's distribution, transmission and meter reading services are subject to revenue caps which cover operating expenses and investment requirements related to distribution and meter reading services. Moreover, transmission revenue is a complete pass-through of transmission costs as charged by Türkiye Elektrik İletim A.Ş. ("TEİAŞ"). These regulations guarantee revenue to the Group during the transition period regardless of the consumption level. The under billings or overbillings made by the Group are adjusted by EMRA in the tariffs to be effective in two years.

Revenue recognition principles other than the assets classified as due from service concession arrangements under IFRIC 12 are as follows:

Revenue (excluding the distribution business) is recognized upon delivery of electricity to customers or upon fulfilment of services. Delivery is deemed complete when the risk and rewards associated with ownership has been transferred to the buyer as contractually agreed, compensation has been contractually established and collection of the resulting receivable is probable.

Gross profit to be gained from the regulatory portfolio of the Group is determined by EMRA and the revenue of the companies related to the regulated portfolio is computed in accordance with the provisions of "Regulation of Retail Energy Sales Prices" issued by EMRA on 30 December 2015 and "Amendments to Regulation of Retail Energy Sales Prices" published on 31 August 2018 by considering revenue requirements to cover the operational expenses and the doubtful receivable expenses are reflected in the consolidated financial statements accordingly.

Revenue from the sale and delivery of electricity is measured at the fair value of the consideration received or receivable. The estimated value of the electricity supplied but not invoiced to the customers is considered for the measurement of revenue.

Revenue is recognized on an accrual basis at the time the electricity is distributed, at the invoiced values. Net sales represent the invoiced value of electricity distributed excluding TRT energy contribution share, sales commission and sales taxes.

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

2.11 Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Principal and agent assessment

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.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Interest income related to service concession arrangements is recognized in accordance with Service Concession Arrangements ("IFRIC 12"). Interest income on receivable from concession arrangement is recognized on a time-proportion basis using the effective interest method.

Service Concession Arrangements

Service concession arrangements are defined within scope of IFRIC 12 as those whereby a government or other body grants contracts for the supply of public services – operations such as roads, energy distribution, prisons or hospitals – to private operators. The Group's electricity distribution and meter reading service businesses are in the scope of service concession agreements.

Considering the Group's terms in the service concession arrangements, a financial asset model where the Group recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor has been applied, since the right to receive cash for the distribution and meter reading services are constituted through actual billing to subscribers where the distribution and meter reading service components of the billing are already specified or determinable through the regulated by EMRA.

The Group recognizes the revenue on an effective interest method as "Financial Income from Service Concession Arrangements" in profit or loss and other comprehensive income and "Financial Assets" on the consolidated statement of financial position.

Inventories

Inventories mainly include electricity equipment and materials related to the Group's electricity distribution business. Inventories are stated at the lower of cost or net realizable value. The cost of inventories is determined on a weighted average basis. Additional costs, incurred to bring the inventories to the intended usable condition or position, are included in determination of cost.

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

2.11 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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

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

Intangible assets

Customer contracts and relations and Transfer of Operational Rights

Customer contracts and relations and TOR are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The useful lives of customer contracts and relations range between 25-30 years.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3-5 years).

Financial leasing transactions

Leasing - the Group as Lessee

Operating lease payments were recognized as an expense on a straight-line basis over the lease term until 1 January 2019. Contingent rentals arising under operating leases were recognized as an expense in the period in which they are incurred until 1 January 2019.

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

2.11 Summary of Significant Accounting Policies (Continued)

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment 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 asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. There were no capitalized borrowing costs in 2018 and 2019.

All other borrowing costs are recognized in statement of profit or loss and other comprehensive income in the period in which they are incurred.

Financial instruments

Financial assets - Classification and measurement

The 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 than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group’s financial assets carried at amortized cost comprise “trade receivables”, “other receivables”, “financial assets” (IFRIC 12) and "cash and cash equivalents” in the statement of financial position.

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

2.11 Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

Financial assets - Classification and measurement (Continued)

(a) Financial assets carried at amortised cost (Continued)

Impairment

The Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables and financial assets (IFRIC 12) carried at amortized cost on its consolidated financial statements, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables and financial assets as a result of a specific events, the Group measures expected credit loss from these receivables and financial assets by the life-time expected credit loss. The calculation of expected credit loss is performed based on the experience of the Group and its expectation based on the macroeconomic indications.

(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 instruments" in the statement of financial position. Derivative 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. The Group's financial instruments at fair value through profit or loss consist of forward contracts.

ii) Financial assets carried at fair value through other comprehensive income

Financial assets carried at fair value through other comprehensive income comprise of "derivative instruments" in the statement of financial position. Gains or losses on a financial asset carried at fair value through other comprehensive income is recognized in other comprehensive income under the scope of hedge accounting. The Group's financial assets carried at fair value through other comprehensive income consist of cross currency swaps.

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

2.11 Summary of Significant Accounting Policies (Continued)

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

Provisions, contingent liabilities, contingent assets

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities are assessed continuously to determine probability of outflow of economically beneficial assets. For contingent liabilities, when an outflow of resources embodying economic benefits are probable, provision is recognized for this contingent liability in the period when the probability has changed, except for cases where a reliable estimate cannot be made.

Possible assets that arise from past events and whose existence not wholly within the control of the Group and that will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events are recognized as contingent assets. When an inflow of resources embodying economic benefits is probable, the Group discloses contingent assets in the notes.

When the outflow of economic benefits from the Group is probable but the amount cannot be measured reliably, the Group discloses this fact in the notes.

Earnings per share

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

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

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

2.11 Summary of Significant Accounting Policies (Continued)

Segment reporting

The Group has electricity distribution and retail operating segments, which includes the information used from management to evaluate performance and taking decision for resource allocation. These segments are managed separately because it is influenced by different economic situations and business positions in terms of risk and return.

Operating segments are reported in a manner consistent with the reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for the decisions related to the allocation of resources to the segments and assessment of performance of segments.

Government grants

The Group has obtained the investment incentive certificate from the Ministry of Economy on 15 January 2016 and utilizes VAT exemption for machinery equipment purchases from domestic suppliers in the scope of renewal of existing investments.

Taxation and deferred income taxes

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

Income tax expense represents the sum of current tax and deferred tax expenses.

Current tax expense

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the comprehensive income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

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

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

2.11 Summary of Significant Accounting Policies (Continued)

Taxation and deferred income taxes (Continued)

Deferred tax (Continued)

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

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

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

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

Subsequent events

Subsequent events; even if they occur after any announcement related with profit or public announcement of other chosen financial information, covers any event between the balance sheet date and the publication date of the balance sheet.

In the case that events requiring an adjustment to the financial statements occur subsequent to the date of statement of financial position, the Group makes the necessary corrections on the consolidated financial statements.

Employment benefits

Termination and retirement benefits

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

The retirement benefit obligation recognized in the statement of the financial position represents the present value of the defined benefit obligation. Actuarial gains and losses have no material impact in the consolidated financial statements and are recognized in the statement of profit or loss and other comprehensive income.

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

2.11 Summary of Significant Accounting Policies (Continued)

Employment benefits (Continued)

Vacation rights

The liabilities related to unused vacation rights are accrued when they are entitled.

Defined contribution plans

The Group pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Statement of cash flow

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

Cash flows from operating activities represent the cash flows generated from the Group's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Group (tangible and intangible assets and financial assets).

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

Share capital and dividends

Common shares are classified as equity.

Dividends on common shares are recognized in equity in the period in which they are approved and declared. Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

2.12 Significant Accounting Estimates and Assumptions

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

Critical judgments in applying the Group's accounting policies

Use of Estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

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

2.12 Significant Accounting Estimates and Assumptions (Continued)

Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Critical judgments in applying the Group's accounting policies (Continued)

Impairment test of Goodwill

Pursuant to IAS 36 *Impairment of Assets*, the Group tested goodwill as of 31 December 2019 in accordance with the accounting policy stated at Note: 2.11. The goodwill impairment test is carried out for Retail and Distribution Cash Generating Units ("CGUs"). As of 31 December 2019, the following assumptions were used to determine the recoverable amount of Retail CGU:

CGU:	**Retail**
Base used for the recoverable amount:	Value in use
Source:	Forecasted cash flows
WACC (TL):	18.2%
Annual weighted electricity demand increase rate	5%
Annual average inflation rate	15.7%

The net present value of Retail CGU was calculated by discounting the post-tax TL, which is the functional currency of the Group, free cash flows. The Group compared the recoverable amount calculated based on the aforementioned assumptions to the total value of Retail CGU and no impairment was identified.

1% increase of weighted average cost of capital decreases the recoverable amount of Retail CGU by 5%, 1% decrease of weighted average cost of capital increases the recoverable amount of Retail CGU by 6%. No impairment is identified based on the sensitivity analysis.

As of 31 December 2019, the following assumptions were used to determine the recoverable amount of Distribution CGU:

CGU:	**Distribution**
Base used for the recoverable amount:	Value in use
Source:	Forecasted cash flows during the license period
WACC (TL):	16.0%
Annual weighted electricity demand increase rate	5%
Annual average inflation rate	15.7%

The net present value of Distribution CGU was calculated by discounting the post-tax free cash flows for the discrete period from 2015 to 2036 for BAŞKENT EDAŞ and from 2015 to 2042 for AYEDAŞ and TOROSLAR EDAŞ. This calculation includes the discounted values of the TL cash flows of Distribution CGU which is the functional currency of the Group. The Group compared the recoverable amount calculated based on the aforementioned assumptions to the total value of Distribution CGU and no impairment was identified.

1% increase of weighted average cost of capital decreases the recoverable amount of Distribution CGU by 12%, 1% decrease of weighted average cost of capital increases the recoverable amount of Distribution CGU by 14%. No impairment is identified based on the sensitivity analysis.

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

2.12 Significant Accounting Estimates and Assumptions (Continued)

Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the consolidated balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below:

Service concession arrangements

The Group determines the financial assets and financial income balances recognized under service concession arrangements based on the cash flows derived from the tariffs announced by EMRA. The distribution revenue requirement of the Group during the second (2011 - 2015) and third tariff periods (2016 - 2020) was determined by EMRA considering the projected expenses and related tariffs which were published in 2010 and 2015. Moreover, distribution revenue requirements from the end of third tariff period to the end of license (2036 for BAŞKENT EDAŞ and 2042 for AYEDAŞ and TOROSLAR EDAŞ) are expected by the Group management based on the tariff components announced for the third tariff period. These tariffs are revised yearly due to inflation, based on the changes in the Electricity Market Index ("EMI") (Since the "EMI" is not announced, CPI ("Consumer Pirce Index") is considered as based). In determination of the aforementioned projected cash inflows in the upcoming periods the Group management made estimates related to the CPI rate and the WACC ("Weighted Average Capital Cost") rate determined in the latest tariff period continued to be used until the end of the license period.

Revenue recognition

Invoices of the subscribers other than residential and commercial groups are issued monthly at the end of each month by the Group whereas the invoices of the residential subscribers are issued continuously during each month due to the high number of subscribers in this group. Commercial group subscribers are also issued continuously during the month due to the high number of customers in this group although the subscribers with high consumption level are billed at the end of the month. As a result, the total electricity supplied to the residential and commercial subscribers during each month cannot be invoiced and income accruals are recognized as revenue at period-ends for these customer groups based on the actual billing performance.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 3 - SHARES IN OTHER PARTIES

Subsidiaries

			Proportion of ownership (%)	
Name of Subsidiary	**Principal activity**	**Place of incorporation and operation**	**31 December 2019**	**31 December 2018**
BAŞKENT EDAŞ	Electricity Distribution Services	Ankara	100	100
EPS	Electricity Retail Services	Ankara	100	100
AYEDAŞ	Electricity Distribution Services	İstanbul	100	100
AEPSAŞ	Electricity Retail Services	İstanbul	100	100
TOROSLAR EDAŞ	Electricity Distribution Services	Adana	100	100
TOROSLAR EPSAŞ	Electricity Retail Services	Adana	100	100
Enerjisa Müşteri Çözümleri A.Ş.	Customer Solutions and Distributed Generation Services	İstanbul	100	100
E-şarj	Charging Stations Equipment Services	İstanbul	80	80

		Number of subsidiaries owned by the Group	
Principal Activity	**Place of incorporation and operation**	**31 December 2019**	**31 December 2018**
Electricity Distribution Services	Ankara, İstanbul, Adana	3	3
Electricity Retail Services	Ankara, İstanbul, Adana	3	3
Customer Solutions and Distributed Generation Services	İstanbul	1	1
Electric Vehicles and Charging Stations Equipment Services	İstanbul	1	1

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 4 - SEGMENT REPORTING

The business activities of the Group are managed and organized according to the services provided in the electricity market. The Group has two main operating segments; electricity distribution and retail. The principal activity of distribution segment is the transmission of electricity over lines to the end users through distribution networks, by also providing infrastructure investments due to the regulated tariffs announced by EMRA; whereas the retail segment conduct retail sales of electricity to the customers. Enerjisa Müşteri Çözümleri A.Ş.'s and E-şarj Elektrikli Araçlar Şarj Sistemleri A.Ş.'s activities are also disclosed under Retail segment. The Group performs segment reporting according to IFRS 8 in order to provide unbiased and transparent information to the investor. The Group management follows the performance of the business segments with operating profit and net profit for the period, as well as financial and non-financial indicators. In addition to the requirements for segment reporting, Group management have included this information in their reporting footnotes, considering that some financial statement readers may use this information in their analyzes.

The following table contains information on the Group's sales and profit from its operations for the year ended 31 December 2019 and 31 December 2018.

1 January - 31 December 2019	**Distribution**	**Retail**	**Unallocated (*)**	**Eliminations**	**Total**
Revenue	6,599,410	12,853,675	26,673	(26,673)	19,453,085
Cost of sales (-)	(2,028,673)	(12,079,941)	-	-	(14,108,614)
Gross profit / (loss)	**4,570,737**	**773,734**	**26,673**	**(26,673)**	**5,344,471**
General administrative expenses (-)	(1,563,120)	(367,331)	(272,295)	32,261	(2,170,485)
Other income / (expense) from operating activities - net	(106,032)	(8,857)	10,697	(5,588)	(109,780)
Operating profit / (loss)	**2,901,585**	**397,546**	**(234,925)**	**-**	**3,064,206**
Financial income	14,133	470,781	459,482	(773,769)	170,627
Financial expense (-)	(1,628,693)	(17,939)	(970,614)	773,769	(1,843,477)
Profit / (loss) before taxation on income	**1,287,025**	**850,388**	**(746,057)**	**-**	**1,391,356**
Current tax expense (-)	(103,763)	(388,336)	-	-	(492,099)
Deferred tax income / (expense)	(214,971)	201,029	148,307	-	134,365
Net profit / (loss) for the period	**968,291**	**663,081**	**(597,750)**	**-**	**1,033,622**

(*) TL 208,663 of TL 372,867 depreciation and amortization expenses represents amortization expenses of intangible assets (Note 13), which is presented as unallocated under operating expenses. The majority of financial expenses under unallocated part mainly represent costs of loans utilized for the acquisitions of distribution and retail business. The Group management follows the performances of the operating segments excluding acquisitions related loans, therefore the amounts have not been distributed to the segments.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 4- SEGMENT REPORTING (Continued)

1 January - 31 December 2018	Distribution	Retail	Unallocated (*)	Eliminations	Total
Revenue	6,985,840	11,360,947	29,157	(29,157)	18,346,787
Cost of sales (-)	(1,689,929)	(10,690,336)	-	-	(12,380,265)
Gross profit / (loss)	**5,295,911**	**670,611**	**29,157**	**(29,157)**	**5,966,522**
General administrative expenses (-)	(1,271,605)	(341,348)	(269,674)	33,770	(1,848,857)
Other income / (expense) from operating activities - net	(240,692)	(305,473)	(755,696)	(4,613)	(1,306,474)
Operating profit / (loss)	**3,783,614**	**23,790**	**(996,213)**	**-**	**2,811,191**
Financial income	8,076	323,313	398,790	(625,309)	104,870
Financial expense (-)	(1,267,369)	(7,933)	(944,072)	625,309	(1,594,065)
Profit / (loss) before taxation on income	**2,524,321**	**339,170**	**(1,541,495)**	**-**	**1,321,996**
Current tax expense (-)	(24,524)	(61,425)	-	-	(85,949)
Deferred tax income / (expense)	(507,025)	(24,174)	42,849	-	(488,350)
Net profit / (loss) for the period	**1,992,772**	**253,571**	**(1,498,646)**	**-**	**747,697**

(*) TL 208,663 of TL 258,182 depreciation and amortization expenses, represents amortization expenses of intangible assets (Note 13), which is presented as unallocated under operating expenses. The majority of financial expenses under unallocated part mainly represent costs of loans utilized for the acquisitions of distribution and retail business. The Group management follows the performances of the operating segments excluding acquisitions related loans, therefore the amounts have not been distributed to the segments.

(*) Other income / (expense) from operating expenses – net includes goodwill impairment provision of TL 752,904.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 4- SEGMENT REPORTING (Continued)

The information below includes information about the Group's financial position of its business segments related to the year ended 31 December 2019 and 31 December 2018.

As at 31 December 2019	Distribution	Retail	Unallocated (*)	Eliminations	Total
Segment assets					
Cash and cash equivalents	270,558	199,146	82	-	469,786
Trade receivables	1,940,517	1,672,994	2,325	(606,381)	3,009,455
Inventories	129,230	2,723	-	-	131,953
Derivative instruments	-	8,789	-	-	8,789
Financial assets	10,544,328	-	(492)	-	10,543,836
Right of use assets	107,944	31,093	6,446	-	145,483
Property, plant and equipment	425,856	61,950	2,737	(7,000)	483,543
Intangible assets	10,567	48,664	6,489,174	-	6,548,405
Deferred tax assets	-	136,401	107,639	-	244,040
Other receivables and assets	1,489,057	2,435,412	3,724,664	(5,838,965)	1,810,168
Total assets	**14,918,057**	**4,597,172**	**10,332,575**	**(6,452,346)**	**23,395,458**
Segment liabilities					
Financial liabilities	5,220,497	36,318	4,745,481	(931,818)	9,070,478
Other financial liabilities	353,898	-	-	-	353,898
Trade payables	1,610,018	1,597,266	10,717	(606,381)	2,611,620
Derivative instruments	62,961	3,694	-	-	66,655
Deferred tax liabilities	576,550	-	901,318	-	1,477,868
Other payables and liabilities	3,446,908	2,303,426	2,137,249	(4,907,147)	2,980,436
Total liabilities	**11,270,832**	**3,940,704**	**7,794,765**	**(6,445,346)**	**16,560,955**

(*) The majority of intangible assets under unallocated part represents customer contracts, transfer of operating rights and goodwill (Note 13). The majority of bank borrowings under unallocated part represent loans utilized for the acquisitions of distribution and retail business. The related amounts were not distributed to the segments since the Group management follows the performances of the operating segments excluding this related assets and liabilities.

(*) As of 31 December 2019, the Group has recorded an impairment provision of TL 492 for its financial assets in accordance with IFRS 9 Financial Instruments.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 4- SEGMENT REPORTING (Continued)

As at 31 December 2018	Distribution	Retail	Unallocated (*)	Eliminations	Total
Segment assets					
Cash and cash equivalents	261,559	300,696	97	-	562,352
Trade receivables	1,289,687	2,539,979	36,637	(353,914)	3,512,389
Inventories	145,851	2,105	-	-	147,956
Derivative instruments	313,028	-	-	-	313,028
Financial assets	9,299,871	-	(5,236)	-	9,294,635
Property, plant and equipment	306,241	57,008	2,532	(7,000)	358,781
Intangible assets	709	47,307	6,697,179	-	6,745,195
Deferred tax assets	-	2,847	-	-	2,847
Other receivables and assets	1,373,926	1,197,935	1,902,406	(2,818,640)	1,655,627
Total assets	**12,990,872**	**4,147,877**	**8,633,615**	**(3,179,554)**	**22,592,810**
Segment liabilities					
Financial liabilities	5,502,238	-	4,081,190	(384,572)	9,198,856
Other financial liabilities	366,022	-	-	-	366,022
Trade payables	1,566,252	1,255,813	12,766	(353,914)	2,480,917
Derivative instruments	8,732	2,572	-	-	11,304
Deferred tax liabilities	369,342	67,475	941,966	-	1,378,783
Other payables and liabilities	2,197,434	2,155,726	938,921	(2,434,068)	2,858,013
Total liabilities	**10,010,020**	**3,481,586**	**5,974,843**	**(3,172,554)**	**16,293,895**

(*) The majority of intangible assets under unallocated part represents customer contracts, transfer of operating rights and goodwill (Note 13). The majority of bank borrowings under unallocated part represent loans utilized for the acquisitions of distribution and retail business. The related amounts were not distributed to the segments since the Group management follows the performances of the operating segments excluding this related assets and liabilities.

(*) As of 31 December 2018, the Group has recorded an impairment provision of TL 5,236 for its financial assets in accordance with IFRS 9 Financial Instruments.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 4- SEGMENT REPORTING (Continued)

1 January - 31 December 2019	Distribution	Retail	Unallocated	Eliminations	Total
Cash Flows from Operating Activities	**2,294,259**	**1,402,457**	**15,418**	**-**	**3,712,134**
Profit for the period	968,291	663,081	(597,750)	-	1,033,622
Adjustments to reconcile net profit for the period	518,493	(7,140)	576,623	-	1,087,976
Changes in operating assets and liabilities	(1,054,328)	1,182,636	38,652	-	166,960
Cash generated from operating activities	432,456	1,838,577	17,525	-	2,288,558
Tax payments	(83,035)	(373,242)	-	-	(456,277)
Other cash inflows / (outflows)	1,944,838	(62,878)	(2,107)	-	1,879,853
Cash Flows from Investing Activities	**(1,554,819)**	**411,415**	**472,725**	**(828,240)**	**(1,498,919)**
Cash used for purchase of property, plant and equipment and intangible assets	(185,383)	(50,672)	(15,834)	-	(251,889)
Interest received	-	462,087	488,559	(828,240)	122,406
Other cash out-flows (*)	(1,369,436)	-	-	-	(1,369,436)
Cash Flows from Financing Activities	**(730,441)**	**(1,915,422)**	**(488,158)**	**828,240**	**(2,305,781)**
Increase in cash and cash equivalents	8,999	(101,550)	(15)	-	(92,566)
Cash and cash equivalents at the beginning of the period	261,559	300,696	97	-	562,352
Cash and cash equivalents at the end of the period	**270,558**	**199,146**	**82**	**-**	**469,786**

(*) Other cash out-flows include capital expenditures related to service concession arrangements.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 4- SEGMENT REPORTING (Continued)

1 January - 31 December 2018	**Distribution**	**Retail**	**Unallocated**	**Eliminations**	**Total**
Cash Flows from Operating Activities	**2,354,837**	**(151,615)**	**(116,632)**	**-**	**2,086,590**
Profit for the period	1,992,772	253,571	(1,498,646)	-	747,697
Adjustments to reconcile net profit for the period	621,144	269,595	1,504,340	-	2,395,079
Changes in operating assets and liabilities	(1,744,123)	(706,248)	(123,618)	-	(2,573,989)
Cash generated from operating activities	869,793	(183,082)	(117,924)	-	568,787
Tax payments	(19,136)	(16,703)	1,231	-	(34,608)
Other cash inflows / (outflows)	1,504,180	48,170	61	-	1,552,411
Cash Flows from Investing Activities	**(2,376,072)**	**278,091**	**1,105,105**	**(513,092)**	**(1,505,968)**
Restructring effects of companies under common control (*)	(827,279)	-	827,279	-	-
Cash used for purchase of property, plant and equipment and intangible assets	(225,438)	(38,327)	(14,561)	-	(278,326)
Interest received	-	316,418	292,761	(513,092)	96,087
Other cash out-flows (**)	(1,323,355)	-	(374)	-	(1,323,729)
Cash Flows from Financing Activities	**265,846**	**29,970**	**(999,928)**	**513,092**	**(191,020)**
Increase in cash and cash equivalents	244,611	156,446	(11,455)	-	389,602
Cash and cash equivalents at the beginning of the period	16,948	144,250	11,552	-	172,750
Cash and cash equivalents at the end of the period	**261,559**	**300,696**	**97**	**-**	**562,352**

(*) As of 31 December 2017, work force operating for distribution services, previously as a separate business line under Enerjisa Enerji A.Ş., has been transferred to distribution companies.

(**) Other cash out-flows include capital expenditures related to service concession arrangements.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 5 - RELATED PARTY TRANSACTIONS

The immediate parents and ultimate controlling parties of the Group are Sabancı (incorporated in Turkey) and E.ON (incorporated in Germany). Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

Transactions with related parties are classified according to the following groups and include all related party disclosures:

(1) Sabancı Holding and E.ON group companies
(2) Shareholder

Details of transactions between the Group and other related parties are disclosed below:

Related Party Bank Balances- Akbank T.A.Ş. (1)	31 December 2019	31 December 2018
Demand deposits	29,767	42,061
Time deposits	263,831	289,212
	293,598	331,273

			31 December 2019	
Loans provided by related parties	Original currency	Maturity	Current liabilities	Non-current liabilities
Akbank T.A.Ş. (1)	TL	2 January 2020	65,200	-
Akbank T.A.Ş. (1)	TL	9 January 2020	512,032	-
Akbank T.A.Ş. (1)	USD	30 April 2020	36,032	-
Akbank T.A.Ş. (1)	TL	2 June 2020	304,016	-
Akbank T.A.Ş. (1)	TL	2 June 2020	151,814	-
Akbank T.A.Ş. (1)	TL	30 September 2020	313,685	-
Akbank T.A.Ş. (1)	TL	9 September 2021	7,401	100,000
Akbank T.A.Ş. (1)	TL	4 October 2021	5,947	100,000
Akbank T.A.Ş. (1)	TL	4 October 2021	6,073	100,000
Akbank T.A.Ş. (1)	TL	4 October 2021	5,808	100,000
Akbank T.A.Ş. (1)	TL	28 March 2022	7,659	200,000
Akbank T.A.Ş. (1)	TL	28 March 2022	1,873	50,000
Akbank T.A.Ş. (1)	TL	11 April 2022	17,514	450,000
Akbank T.A.Ş. (1)	TL	28 March 2022	3,933	100,000
Akbank T.A.Ş. (1)	TL	29 July 2022	11,559	297,000
			1,450,546	1,497,000

As of 31 December 2019, the interest rates of TL intercompany loans utilized are in the range of 10.24% - 18.38% (31 December 2018: 13.51% - 34.44%). As of 31 December 2019, the interest rate of USD related party loans utilized is 6.27% (31 December 2018: 4.88%).

As of 31 December 2019 and 31 December 2018, the Group has not given any collateral for the loans.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

			31 December 2018	
Loans provided by related parties	Original currency	Maturity	Current liabilities	Non-current liabilities
Akbank T.A.Ş. (1)	TL	2 January 2019	11,625	-
Akbank T.A.Ş. (1)	TL	2 January 2019	2,606	-
Akbank T.A.Ş. (1)	TL	29 July 2019	315,135	-
Akbank T.A.Ş. (1)	USD	5 August 2019	348,574	-
Akbank T.A.Ş. (1)	TL	9 September 2019	201,650	-
Akbank T.A.Ş. (1)	USD	27 September 2019	529,030	-
Akbank T.A.Ş. (1)	TL	25 October 2019	106,080	-
Akbank T.A.Ş. (1)	TL	25 October 2019	53,253	-
Akbank T.A.Ş. (1)	TL	9 January 2020	32,032	480,000
Akbank T.A.Ş. (1)	TL	2 June 2020	3,882	300,000
Akbank T.A.Ş. (1)	TL	2 June 2020	1,691	150,000
Akbank T.A.Ş. (1)	TL	30 September 2020	10,570	303,000
Akbank T.A.Ş. (1)	TL	5 November 2020	15,810	300,000
Akbank T.A.Ş. (1)	TL	20 May 2021	5,485	150,000
			1,637,423	1,683,000

Related party derivative instruments – Akbank T.A.Ş. (1)

	31 December 2019				
	Contract Amount (USD)	Contract Amount (EUR)	Contract Amount (TL)	Assets	Liabilities
Forward exchanges	121,147	44,000	1,012,264	3,914	(43,584)
Cross currency swap	6,000	-	35,641	-	(3,233)
	127,147	44,000	1,047,905	3,914	(46,817)

	31 December 2018				
	Contract Amount (USD)	Contract Amount (EUR)	Contract Amount (TL)	Assets	Liabilities
Forward exchanges	16,993	51,105	397,459	-	(9,379)
Cross currency swap	174,595	-	918,527	312,996	-
	191,588	51,105	1,315,986	312,996	(9,379)

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

	31 December 2019	
	Receivables	Payables
	Current	Current
Balances with Related Parties	Trade	Trade
Akbank T.A.Ş. (1)	5,202	-
Akçansa Çimento Sanayi ve Ticaret A.Ş. (1)	1	-
Aksigorta A.Ş. (1)	4	-
Avivasa Emeklilik ve Hayat A.Ş. (1)	95	-
Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş. (1)	41	768
Carrefoursa A.Ş. (1)	10,792	-
Çimsa Çimento Sanayi A.Ş. (1)	149	-
Enerjisa Üretim Santralleri A.Ş. (1)	46	94,811
Hacı Ömer Sabancı Holding A.Ş. (2) (**)	594	22
Sabancı Dijital Teknolojileri A.Ş. ("Sabancı DX") (1) (*)	-	1,196
Teknosa İç ve Dış Ticaret A.Ş. (1)	513	109
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. (1)	199	-
Other (1)	43	-
	17,679	96,906

	31 December 2018	
	Receivables	Payables
	Current	Current
Balances with Related Parties	Trade	Trade
Akbank T.A.Ş. (1)	876	-
Akçansa Çimento Sanayi ve Ticaret A.Ş. (1)	67,751	-
Aksigorta A.Ş. (1)	2	-
Avivasa Emeklilik ve Hayat A.Ş. (1)	101	-
Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş. (1)	-	594
Carrefoursa A.Ş. (1)	2,710	-
Çimsa Çimento Sanayi A.Ş. (1)	57,567	10
Enerjisa Üretim Santralleri A.Ş. (1)	424	92,803
Hacı Ömer Sabancı Holding A.Ş. (2) (**)	306	-
Philip Morris Sabancı Pazarlama Satış A.Ş. (1)	98	-
Sabancı Dijital Teknolojileri A.Ş. ("Sabancı DX") (1) (*)	-	807
Teknosa İç ve Dış Ticaret A.Ş. (1)	245	3
Temsa Global San. ve Tic. A.Ş. (1)	572	-
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. (1)	180	-
	130,832	94,217

(*) Includes IT consulting and software fees that are billed to the Group companies by Sabancı DX one of the Group companies.

(**) Includes electricity sales to Sabancı.

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

Key management compensation

Key management includes Chairman and members of the Board of Directors, General Manager, Heads of Units and Directors. The compensation paid or payable to key management for employee services is shown below:

	1 January - 31 December 2019	1 January - 31 December 2018
Short-term employee benefits	27,924	21,100
Long-term employee benefits	856	790
	28,780	21,890

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

	1 January - 31 December 2019					
Transactions with Related Parties	Electricity sales	Electricity purchases	Interest income	Interest expense	General administrative expenses	Other income
Akbank T.A.Ş. (1)	45,604	-	18,362	618,990	-	-
Akçansa Çimento Sanayi ve Ticaret A.Ş. (1)	22,771	-	-	-	-	-
Aksigorta A.Ş. (1)	51	-	-	-	-	-
Avivasa Emeklilik ve Hayat A.Ş. (1)	873	-	-	-	-	-
Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş. (1)	184	-	-	-	4,130	-
Carrefoursa A.Ş. (1)	96,366	-	-	-	-	-
Çimsa Çimento Sanayi A.Ş. (1)	17,690	-	-	-	-	-
Enerjisa Üretim Santralleri A.Ş. (1)	28,379	582,883	-	-	111	1,934
Hacı Ömer Sabancı Holding A.Ş. (2) (**)	6,972	-	-	-	-	-
Philip Morris Sabancı Pazarlama Satış A.Ş. (1)	638	-	-	-	-	-
Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (1)	148	-	-	-	-	-
Sabancı Dijital Teknolojileri A.Ş. ("Sabancı DX") (1) (*)	-	-	-	-	21,967	-
Teknosa İç ve Dış Ticaret A.Ş. (1)	5,114	-	-	-	123	-
Other (1)	466	-	-	-	-	-
	225,256	582,883	18,362	618,990	26,331	1,934

(*) Includes IT consulting and software fees that are billed to the group companies by Sabancı DX one of the group companies.

(**) Includes electricity sales to Sabancı.

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 5 - RELATED PARTY TRANSACTIONS (Continued)

	1 January - 31 December 2018					
Transactions with Related Parties	Electricity sales	Electricity purchases	Interest income	Interest expense	General administrative expenses	Other income
Akbank T.A.Ş. (1)	7,562	-	871	358,064	-	-
Akçansa Çimento Sanayi ve Ticaret A.Ş. (1)	139,336	-	-	-	-	-
Aksigorta A.Ş. (1)	39	-	-	-	3	-
Avivasa Emeklilik ve Hayat A.Ş. (1)	681	-	-	-	-	-
Brisa Bridgestone Sabancı Lastik San. ve Tic. A.Ş. (1)	2	-	-	-	2,122	-
Carrefoursa A.Ş. (1)	57,528	-	-	-	8	-
Çimsa Çimento Sanayi A.Ş. (1)	121,886	-	-	-	-	-
Enerjisa Üretim Santralleri A.Ş. (1)	402	279,770	-	-	552	2,425
Hacı Ömer Sabancı Holding A.Ş. (2) (**)	3,756	-	-	-	1,384	-
Philip Morris Sabancı Pazarlama Satış A.Ş. (1)	578	-	-	-	-	-
Philip Morris Sabancı Sigara ve Tütün San. ve Tic. A.Ş. (1)	132	-	-	-	-	-
Sabancı Dijital Teknolojileri A.Ş. ("Sabancı DX") (1) (*)	-	-	-	-	8,409	-
Teknosa İç ve Dış Ticaret A.Ş. (1)	2,143	-	-	-	5	-
Temsa Global San. ve Tic. A.Ş. (1)	4,062	-	-	-	-	-
Tursa Sabancı Turizm ve Yatırım İşletmeleri A.Ş. (1)	958	-	-	-	-	-
	339,065	279,770	871	358,064	12,483	2,425

(*) Includes IT consulting and software fees that are billed to the group companies by Sabancı DX one of the group companies.

(**) Includes electricity sales to and rent expenses from Sabancı.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

6.1 Trade Receivables:

Current Trade Receivables	31 December 2019	31 December 2018
Trade receivables	5,068,991	5,086,804
Due from related parties (Note 5)	17,679	130,832
Allowance for doubtful receivables (-)	(2,077,215)	(1,705,247)
	3,009,455	3,512,389

As of 31 December 2019, trade receivables amounting TL 2,164,701 (31 December 2018: TL 1,866,858) were neither past due nor impaired. Interest is charged at 2% for the period of 1 January 2019 – 30 June 2019, at 2.5% for the period of 1 July 2019 – 30 September 2019 and at 2% for the period of 1 October 2019 – 31 December 2019 (31 December 2018: 2%) per month on the overdue receivable balances. With the decision of the Presidency of the Republic of Turkey, published in the Official Gazette on 30 December 2019, the monthly late payment interest rate, under Article 51/1 of the Law No 6183 "Procedure for Collection of Public Receivable" is reduced from 2% to 1.6%.

As of 31 December 2019, trade receivables amounting TL 844,754 (31 December 2018: TL 1,645,531) were past due but not impaired. The aging analysis of trade receivables past due but not impaired as of 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019	31 December 2018
Up to 1 months	436,893	373,724
1 to 3 months	238,685	232,242
Over 3 months	169,176	1,039,565
	844,754	1,645,531

In accordance with the requirements of IFRS 9 introducing a new impairment model based on expected credit losses, the Group has modified impairment calculation method for trade receivables. 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 thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

6.1 Trade Receivables (Continued)

Movement of allowance for the doubtful trade receivables are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	(1,705,247)	(1,275,873)
Charge for the period	(608,430)	(586,616)
Amounts collected during the period	184,311	157,242
Write offs	52,151	-
Closing balance	(2,077,215)	(1,705,247)

The Group received guarantee letters amounting to TL 976,850 (31 December 2018: TL 834,699) and deposits and guarantees amounting to TL 1,903,683 (31 December 2018: TL 1,693,350) as collateral for its electricity receivables.

6.2 Trade Payables

Current Trade Payables	31 December 2019	31 December 2018
Trade payables	2,514,714	2,386,700
Due to related parties (Note 5)	96,906	94,217
	2,611,620	2,480,917

Trade payables mainly arise from the Group's electricity purchases from Türkiye Elektrik A.Ş. ("EÜAŞ") and Enerji Piyasaları İşletme A.Ş. ("EPİAŞ"). The average maturity of the payables related to electricity purchases is between 18 - 20 days.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

7.1 Other Receivables

Other Current Receivables	31 December 2019	31 December 2018
Income accruals (*)	1,004,443	419,134
Deposits and guarantees given	-	382
Receivables from personnel	32	218
Allowance for other doubtful receivables (-)	(3,123)	(3,123)
Other sundry receivables	21,094	41,838
	1,022,446	458,449

Other Non-Current Receivables	31 December 2019	31 December 2018
Deposits and guarantees given (**)	306,667	273,428
Income accruals (*)	309,699	628,120
Other sundry receivables (***)	121,370	81,997
	737,736	983,545

(*) According to the Electricity Market Law, the Electricity Market Tariffs Communiqué and other related regulations the Group's distribution, transmission and meter reading services are subject to revenue caps. Realized revenue is determined in a way to cover operating expenses and investment requirements related to distribution, transmission and meter reading. Moreover, transmission revenue is a complete pass-through of transmission costs as charged by Türkiye Elektrik İletim A.Ş.. These regulations guarantee revenue to the Group regardless of the consumption level. The under billings or overbillings made by the Group are calculated at every year end and are adjusted through the tariffs to be effective in two years by EMRA. The effects of the under billings, which means the actual revenue is below the revenue cap set by EMRA, are accounted as income accruals at the Group's accompanying consolidated financial statements.

(**) The balance represents subscription fees refunded to the subscribers, subscribed before 31 March 2006 for EPS and 24 July 2006 for AEPSAŞ and TOROSLAR EPSAŞ (Note 1) when they leave the system. The balances were paid to the subscribers based on their indexed amounts as required by EMRA periodically. According to the TOR Agreement signed with TEDAŞ, retail companies (EPS, AEPSAŞ and TOROSLAR EPSAŞ) are obliged to keep deposits refunded with their fair values and the net balance of deposits received and paid will be paid back to TEDAŞ at the end of the license periods.

(***) The Group management has assessed that the severance payment provision can be taken with the revenue requirement according to the tariff structure changing with the third tariff period and has imposed an accrued income for the severance payment provision calculated.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 7 - OTHER RECEIVABLES AND PAYABLES (Continued)

7.1 Other Receivables (Continued)

Movement of allowance for other doubtful receivables is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	(3,123)	(3,123)
Closing balance	(3,123)	(3,123)

7.2 Other Payables

Other Current Payables	31 December 2019	31 December 2018
Payables to tax authority (*)	-	86,918
Deposits received	23,603	16,187
Lighting payables	43,236	43,236
Other	107,821	77,561
	174,660	223,902

Other Non-Current Payables	31 December 2019	31 December 2018
Deposits received (**)	1,903,683	1,693,350
	1,903,683	1,693,350

(*) The balance represents the instalments made by Ministry for VAT and other taxes related to the year 2018 for BAŞKENT EDAŞ, AYEDAŞ and TOROSLAR EDAŞ according to article of "Tax deferment of debt-compliant taxpayers" within the scope of "Law No: 6183 amending the Procedure Law on Collection of Public Claims". Related payables were paid within 2019.

(**) The Group receives deposits from the customers subscribed after 31 March 2006 for EPS and 24 July 2006 for AEPSAŞ and TOROSLAR EPSAŞ (Note 1) upon their subscription on behalf of TEDAŞ and these deposits are initially recorded at their fair values as the subscription fee charged to customers represents the fees announced by EMRA. According to the TOR Agreements signed with TEDAŞ, retail companies (EPS, AEPSAŞ and TOROSLAR EPSAŞ) are obliged to carry the deposits received by their revalued amounts and the net balance of deposits received and paid will be paid back to TEDAŞ at the end of the license period.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 8 – INVENTORIES

	31 December 2019	31 December 2018
Spare parts and equipments	126,976	144,718
Trade goods	1,927	2,105
Other inventories	3,050	1,133
	131,953	147,956

NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME

9.1 Prepaid Expenses

Short-term prepaid expenses	31 December 2019	31 December 2018
Prepaid expenses	26,672	59,050
Inventory advances given	12,129	11,239
Personnel advances	664	834
Other advances given	2,009	232
	41,474	71,355

Long-term prepaid expenses	31 December 2019	31 December 2018
Prepaid expenses	1,642	2,575
	1,642	2,575

9.2 Deferred Income

Short Term Deferred Income	31 December 2019	31 December 2018
Advances received	8,284	74,752
	8,284	74,752

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 10 – FINANCIAL ASSETS

	Financial assets	
	31 December 2019	31 December 2018
Within one year	1,098,550	791,117
1-3 years	3,613,964	2,027,826
3-5 years	2,269,850	1,924,743
More than 5 years	3,561,472	4,550,949
	10,543,836	9,294,635
Current financial assets	1,098,550	791,117
Non - current financial assets	9,445,286	8,503,518
	10,543,836	9,294,635

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	9,294,635	6,438,431
Investments	1,417,620	1,604,664
Collections	(1,839,022)	(1,432,868)
CAPEX reimbursements	*(1,057,528)*	*(798,304)*
WACC reimbursements	*(781,494)*	*(634,564)*
Prior period advances added to investments in the current year	(63,375)	-
Financial income	1,959,219	1,716,597
Fair value difference and other	(229,985)	973,047
Reversal / (recognition) of impairment for financial assets (*)	4,744	(5,236)
Closing balance	10,543,836	9,294,635

(*) As of 31 December 2019, the Group has reversed the impairment provision of TL 4,744 for its financial assets which has been recorded as at 31 December 2018 in the amount of TL 5,236 in accordance with the amendments in IFRS 9 Financial Instruments Standard.

NOTE 11 – RIGHT OF USE ASSETS

	Buildings	Motor vehicles	Total
Cost			
Opening balance as of 1 January 2019	56,797	76,869	133,666
Additions	15,432	65,120	80,552
Variable lease payment adjustment	4,687	-	4,687
Closing balance as of 31 December 2019	76,916	141,989	218,905
Accumulated Depreciation			
Opening balance as of 1 January 2019	-	-	-
Charge for the period	(19,163)	(54,259)	(73,422)
Closing balance as of 31 December 2019	(19,163)	(54,259)	(73,422)
Carrying value as of 31 December 2019	57,753	87,730	145,483

Depreciation expense of TL 73,422 are accounted in general administrative expenses (31 December 2018: None).

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 12 - PROPERTY, PLANT AND EQUIPMENTS

	Plant, machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost					
Opening balance as of 1 January 2019	238,239	14,760	107,307	42,429	402,735
Additions	122,559	356	69,229	41,299	233,443
Transfers from constructions in progress (*)	-	-	-	(43,179)	(43,179)
Closing balance as of 31 December 2019	360,798	15,116	176,536	40,549	592,999
Accumulated Depreciation					
Opening balance as of 1 January 2019	(26,693)	(3,551)	(13,710)	-	(43,954)
Charge for the period	(34,910)	(4,717)	(25,875)	-	(65,502)
Closing balance as of 31 December 2019	(61,603)	(8,268)	(39,585)	-	(109,456)
Carrying value as of 31 December 2019	299,195	6,848	136,951	40,549	483,543

	Plant, machinery and equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost					
Opening balance as of 1 January 2018	104,736	14,760	44,676	2,050	166,222
Additions	131,345	-	62,631	42,537	236,513
Transfers from constructions in progress	2,158	-	-	(2,158)	-
Closing balance as of 31 December 2018	238,239	14,760	107,307	42,429	402,735
Accumulated Depreciation					
Opening balance as of 1 January 2018	(5,196)	(2,055)	(4,912)	-	(12,163)
Charge for the period	(21,497)	(1,496)	(8,798)	-	(31,791)
Closing balance as of 31 December 2018	(26,693)	(3,551)	(13,710)	-	(43,954)
Carrying value as of 31 December 2018	211,546	11,209	93,597	42,429	358,781

(*) Transfers amounting to TL (42,487) out of TL (43,179) are transfers to financial assets related to concession agreements.

	Useful Life
Plant, machinery and equipment	5 years
Motor vehicles	3 years
Furniture and fixtures	5 years

Depreciation expense of TL 61,566 and TL 3,936 are accounted in general administrative expenses and cost of sales, respectively (31 December 2018: general administrative expenses: TL 27,747 and cost of sales: TL 4,044).

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 13 - INTANGIBLE ASSETS

	Customer contracts and related relationships	Transfer of operating rights	Goodwill	Computer software	Leasehold improvements	Other intangible assets	Total
Cost							
Opening balance as of 1 January 2019	4,390,673	1,650,121	2,730,031	69,087	3,917	7,389	8,851,218
Additions	-	-	-	36,004	394	63	36,461
Transfers from constructions in progress	-	-	-	629	63	-	692
Closing balance as of 31 December 2019	4,390,673	1,650,121	2,730,031	105,720	4,374	7,452	8,888,371
Accumulated Amortization							
Opening balance as of 1 January 2019	(1,003,587)	(321,696)	(752,904)	(26,324)	(29)	(1,483)	(2,106,023)
Charge for the period	(152,108)	(56,555)	-	(23,438)	(935)	(907)	(233,943)
Closing balance as of 31 December 2019	(1,155,695)	(378,251)	(752,904)	(49,762)	(964)	(2,390)	(2,339,966)
Carrying value as of 31 December 2019	3,234,978	1,271,870	1,977,127	55,958	3,410	5,062	6,548,405

	Customer contracts and related relationships	Transfer of operating rights	Goodwill	Computer software	Leasehold improvements	Other intangible assets	Total
Cost							
Opening balance as of 1 January 2018	4,390,673	1,650,121	2,730,031	39,996	32	3,171	8,814,024
Additions	-	-	-	29,091	3,885	4,218	37,194
Closing balance as of 31 December 2018	4,390,673	1,650,121	2,730,031	69,087	3,917	7,389	8,851,218
Accumulated Amortization							
Opening balance as of 1 January 2018	(851,479)	(265,141)	-	(9,637)	(29)	(442)	(1,126,728)
Charge for the period	(152,108)	(56,555)	-	(16,687)	-	(1,041)	(226,391)
Impairment	-	-	(752,904)	-	-	-	(752,904)
Closing balance as of 31 December 2018	(1,003,587)	(321,696)	(752,904)	(26,324)	(29)	(1,483)	(2,106,023)
Carrying value as of 31 December 2018	3,387,086	1,328,425	1,977,127	42,763	3,888	5,906	6,745,195

Amortization expense of TL 233,462 and TL 481 are accounted in general administrative expenses and cost of sales, respectively (31 December 2018: general administrative expenses: TL 226,391 and cost of sales: None).

Customer contracts and related relationships and transfer of operating rights are recognized separately during the business combination according to IFRS 3.

On 31 March 2006 BAŞKENT EDAŞ and on 24 July 2006, AYEDAŞ and TOROSLAR EDAŞ signed TOR Agreements with TEDAŞ. In accordance with the TOR agreement, TEDAŞ transferred the operating rights of the distribution system, the distribution facilities, and the other movables and immovable which are crucial for the operation of the distribution facilities to BAŞKENT EDAŞ until the end of 2036 and to AYEDAŞ and TOROSLAR EDAŞ until the end of 2042. Based on the future cash flows fair value of the TOR agreements are determined. The residual value of TOR after the portion recognized as financial asset which calculated based on IFRIC 12 (Note 10) is recognized as intangible asset based on IFRS 3.

The Group recognized TL 3,997 under other intangible assets, in connection with E-şarj purchase price amounting to TL 4,000. TL 200 portion of this price which was accounted as contingent liabilities for 13 months following the purchase transaction is paid to the shareholders in accordance with agreement conditions on 31 May 2019.

In recognition of customer contracts and related relationships; relationships with the different customer groups are identified and a fair value for retail customers is estimated by Group management.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 13 - INTANGIBLE ASSETS (Continued)

Customer contracts and related relationships and TOR amortization is calculated on a straight line basis in a range between 25-30 years and charged to operating expenses.

As of 31 December 2019, there is no impairment on goodwill (31 December 2018: TL 752,904).

NOTE 14 - PROVISIONS

Current Provisions	31 December 2019	31 December 2018
Legal claims (*)	247,836	228,030
Competition Authority administrative fine (**)	-	107,296
	247,836	335,326

(*) Legal claims are set for the probable cash outflows related to the legal disputes. As of 31 December 2019, the provision amount for the legal claims are determined according to the assessment made by the Group management, considering the probability of legal cases that will be finalized against the Group.

(**) The Competition Authority conducted an examination for electricity distribution and electricity retail sales companies in the market. Within this scope the Competition Authority started an investigation against distribution and incumbent retail companies in İstanbul Anatolian Side, Başkent and Toroslar regions to determine whether the companies had violated Article 6 of the Law on the Protection of Competition in December 2016.

The Competition Board announced its short decision on 9 August 2018 and imposed AYEDAŞ, AEPSAŞ, EPS and TOROSLAR EPSAŞ a total administrative fine in the amount of TL 143,062. The reasoned decision of the investigation initiated by the Competition Board has been notified on February 7, 2019. The board has decided that that there is no need to impose an administrative fine to Enerjisa Enerji A.Ş., TOROSLAR EDAŞ and BAŞKENT EDAŞ. As a consequence, Group recognized a provision of TL 107,296 at 31 December 2018, as a discount of 25% can be applied to the fine in case the payment is made within 30 days as of the submission date of the reasoned decision. The administrative fine in the total amount of TL 107,296 was paid by the aforementioned companies on 7 March 2019.

Accordingly, AYEDAŞ has initiated a lawsuit regarding the cancellation of the Competition Authority's decision within 13th Administrative Court of Ankara on 5 April 2019, with the file number 2019/660 E. Ankara 13th Administrative Court refused our request on 10 July 2019. An objection was made by AYEDAŞ to the Ankara Regional Administrative Court's 8th Administrative Law Chambers regarding the decision of refusal within the legal period. Objection was refused on 16 August 2019 by the Ankara Regional Administrative Court's 8th Administrative Law Chambers, since there was no violation of the law in the decision of refusal.

AEPSAŞ, EPS and TOROSLAR EPSAŞ have initiated the lawsuits regarding the cancellation of the Competition Authority's decision within 2nd Administrative Court of Ankara on 4 April 2019 with the file number 2019/641 E. The first degree court has rejected Enerjisa Retail Sales Companies requests regarding suspension of execution. Objections to the District Administrative Court have been filed against the rejection decisions regarding suspension of execution. District Administrative Court rejected our objections.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 14 – PROVISIONS (Continued)

(**) Enerjisa Retail Sales Companies have submitted their reply's against defendant Competition Authority's rebuttal petition. First Degree Court's litigation is proceeding.

It has been detected that the Competition Board had alleged that the cancellation of lawsuit initiated by AYEDAŞ has connection with the cancellation of lawsuits initiated by AEPSAŞ, EPS and TOROSLAR EPSAŞ and requested the files to be collected in a single court.

Accordingly, 8th Administrative Court Office of Ankara Regional Administrative Court decided that the 13th Administrative Court of Ankara will be authorized for all the files.

The Group is charging the theft and loss costs to the subscribers in accordance with the tariff determined by EMRA. There are legal cases filed by the subscribers to claim back the theft and loss amounts from the Group claiming that they are unfair. Some cases are finalized against the Group while some others in favor of the Group at local courts and consumer arbitrage committees. In June of 2016, statement of "In applications filed in respect of the amounts determined by EMRA within the scope of income and tariff regulations, the authority of the consumer arbitration committees and the courts is limited to the control of compliance with the regulatory procedures of EMRA." has been added to article 17 of Law No. 6446. By this article, it has been determined that in the cases for the theft and loss amounts, the courts can only examine if the theft and loss amounts incurred in accordance with the regulations of the EMRA and it has been ruled that no judgement can be made whether the theft and loss amounts will be collected or not. As of reporting date, the total amount of ongoing cases against the Group is TL 62,672 (31 December 2018: TL 78,812).

Movements of provisions are as follows:

	Other provisions	Legal claims	Total
Opening balance as of 1 January 2019	107,296	228,030	335,326
Additional provisions recognized	-	82,903	82,903
Payments	(107,296)		(107,296)
Reversal of provisions	-	(63,097)	(63,097)
Closing balance as of 31 December 2019	-	247,836	247,836

	Other provisions	Legal claims	Total
Opening balance as of 1 January 2018	-	157,238	157,238
Additional provisions recognized	107,296	137,499	244,795
Reversal of provisions	-	(66,707)	(66,707)
Closing balance as of 31 December 2018	107,296	228,030	335,326

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 15 - COMMITMENT AND CONTINGENCIES

31 December 2019	TL Equivalent	TL	USD	EUR
A. Total amount of Collateral Pledge Mortgage (CPM) given on behalf of the legal entity	7,993	7,714	-	42
- Collateral	*7,993*	*7,714*	-	*42*
B. Total amount of CPM given against the subsidiaries included in full consolidation	2,008,140	1,964,028	7,426	-
- Collateral	*2,008,140*	*1,964,028*	*7,426*	-
Total	2,016,133	1,971,742	7,426	42

31 December 2018	TL	TL	USD	EUR
A. Total amount of Collateral Pledge Mortgage (CPM) given on behalf of the legal entity	7,778	7,778	-	-
- Collateral	*7,778*	*7,778*	-	-
B. Total amount of CPM given against the subsidiaries included in full consolidation	1,701,231	1,701,231	-	-
- Collateral	*1,701,231*	*1,701,231*	-	-
Total	1,709,009	1,709,009	-	-

Mandatory investments

As the regulated incumbent electricity distribution operator, the Distribution companies have an obligation to make any required expansion investments to the grid infrastructure in order to ensure the security of supply to all customers of the respective region. Such expansion investments are mostly a result of new customer or transmission connection requests as well as new street lighting projects initiated by municipalities that also fall under the regulated activities of Distribution companies.

Energy Sales Agreements

Distribution and retail companies signed Energy Sales Agreements (“ESA”) with EÜAŞ in order to obtain their energy needs during the year. These energy sales agreements have been established based on regulated prices. During the year, the Group is obliged to purchase the energy quantity stated in these agreements. At the current operating conditions and market structure, the Group’s energy needs are higher than the contracted quantities and the Group makes purchases regularly from EPİAŞ. As a result, the Group management does not expect any liability related to the Energy Sales Agreements arising from not fulfilling the requirements of Energy Sales Agreements.

Loan Agreements

The Group signed facility agreement with European Bank for Reconstruction and Development (“EBRD”) on 18 December 2019 amounting to TL Equivalent of 100,000 USD with interest rate indexed to TLREF. Subject to the terms of the Agreement, EBRD makes available to the Group a TL term loan facility which can be utilized until the end of 2020. The loan, which has been committed by EBRD, is 5 year instalment loan with 1 year grace period.

If Group utilizes the loan which has been committed by EBRD, compliance with the following financial covenants will be required:

- The Group should, at all times, maintain a ratio of Net Debt to Operational Earnings for the 12 months preceding the date of calculation, of not more than 3.0x.
- The Group should, at all limes, maintain a ratio of Operational Earnings to Net Interest Expense for the 12 months preceding the date of the calculation of not less than 2.5x.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 15 - COMMITMENT AND CONTINGENCIES (Continued)

Loan Agreements (Continued)

As of 31 December 2019 calculated ratios are as follows:

The ratio of Net Debt / Operational earnings: 2.0x
The ratio of Operational earnings / Net interest expenses: 3.4x

NOTE 16 - EMPLOYMENT BENEFITS

Payables Related to Employee benefits	31 December 2019	31 December 2018
Social security premiums payable	30,543	23,984
Payable to personnel	21,815	19,233
	52,358	43,217

Short-term Provisions Related to Employee Benefits	31 December 2019	31 December 2018
Bonus provisions	41,190	28,779
	41,190	28,779

Long-term Provisions Related to Employee Benefits	31 December 2019	31 December 2018
Provisions for unused vacation	43,567	31,959
Provision for employment termination benefits	123,649	83,407
	167,216	115,366

The movement of bonus and unused vacation provisions are as follows:

	Bonus provisions	Unused vacation provision	Total
Opening balance as of 1 January 2019	28,779	31,959	60,738
Additional provisions recognized	36,657	11,608	48,265
Payments	(24,246)	-	(24,246)
Closing balance as of 31 December 2019	41,190	43,567	84,757

	Bonus provisions	Unused vacation provision	Total
Opening balance as of 1 January 2018	22,724	23,188	45,912
Additional provisions recognized	25,844	8,771	34,615
Payments	(19,789)	-	(19,789)
Closing balance as of 31 December 2018	28,779	31,959	60,738

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 16 - EMPLOYMENT BENEFITS (Continued)

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

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

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. IAS 19 *Employee Benefits* requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 7.50% and a discount rate of 11.80%, resulting in a real discount rate of approximately 4.00% (31 December 2018: inflation rate of 9.50% and a discount rate of 15.00%, resulting in a real discount rate of approximately 5.20%) Ceiling amount of TL 6,730.15 (full digit) which is in effect since 1 January 2020 is used in the calculation of Groups' provision for retirement pay liability (1 January 2019: TL 6,017.60 (full digit)).

Group management has assessed that the severance payment provisions of electricity distribution companies within the Group can be taken with the revenue requirement according to the changed tariff structure with "Third Tariff Period" and has accounted accrued income for the severance payment provisions calculated for those companies as of 31 December 2019 and 31 December 2018.

The movement for retirement pay provisions is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	83,407	69,544
Service cost	42,867	29,010
Interest cost	9,313	5,042
Actuarial (gain) / loss	-	(2,279)
Retirement payments	(11,938)	(17,910)
Closing balance	123,649	83,407

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 17 - OTHER ASSETS AND LIABILITIES

17.1 Other Current Assets

	31 December 2019	31 December 2018
Deferred VAT	-	6,856
Other	247	117
	247	6,973

17.2 Other Non-current Assets

	31 December 2019	31 December 2018
Deferred VAT	6,563	124,165
	6,563	124,165

17.3 Other Current Liabilities

	31 December 2019	31 December 2018
Taxes and funds payable	303,272	285,907
Other	2,204	4,998
	305,476	290,905

NOTE 18 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

18.1 Share Capital

	31 December 2019		31 December 2018	
Shareholders	Share (%)	TL	Share (%)	TL
Hacı Ömer Sabancı Holding A.Ş.	40	472,427.6	40	472,427.6
DD Turkey Holdings S.A.R.L. (E.ON)	40	472,427.6	40	472,427.6
Other	20	236,213.8	20	236,213.8
	100	1,181,069	100	1,181,069
Adjustment to share capital (*)		2,626,532		2,784,755
Total share capital		3,807,601		3,965,824

(*) Adjustment to share capital, refers to the amount of registered capital as a capital reserve in the statutory capital after the merger and separation processes according to the legislation (Note 1). This amount is classified as capital adjustment differences to comply with IFRS requirements.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 18 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

18.1 Share Capital (Continued)

With the decision of the Board of Directors on 20 April 2017, Enerjisa Enerji A.Ş. merged with Enerjisa Elektrik Dağıtım A.Ş. ("EEDAŞ") and the subsidiaries of EEDAŞ together with all their assets and liabilities with the takeover method. In addition, on 25 August 2017, the Group's electricity generation and wholesale business areas were separated and structured under another company. As a result of these transactions, necessary corrections are made in the registered share capital and the statutory capital after merger and split has been reached.

In the statutory financials prepared in accordance with the tax procedure law, the loss for previous years in amount of TL 158,223 has been netted off with adjustments to share capital (31 December 2018: TL 51,609).

As at 31 December 2019, the capital of the Company comprising 118,106,897 thousand (31 December 2018: 118,106,897 thousand) registered ordinary shares of TL 0.01 each (31 December 2018: TL 0.01 each).

18.2 Earnings per share

Earnings per share for each class of share disclosed in the consolidated statements of profit or loss and other comprehensive income is determined by dividing the profit for the period attributable to ordinary equity holders of the parent entity by the weighted average number of shares that have been outstanding during the year.

	1 January - 31 December 2019	1 January - 31 December 2018
Profit for the period	1,033,622	747,697
Weighted average shares	118,106,896,712	118,106,896,712
Earnings per share (kr)	0.88	0.63

18.3 Restricted Profit Reserves

	31 December 2019	31 December 2018
Restricted Profit Reserves	251,545	216,612
	251,545	216,612

The Company reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. The other legal reserve is appropriated at the rate of 10% per annum of all cash dividend distributions after the payment of dividends to the shareholders at a rate of 5%. According to Turkish Commercial Law, if they do not exceed the capital or issued capital general legal reserves can be used to offset prior year losses or recapitalize the business in case of distress.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 19 – REVENUE

	1 January - 31 December 2019	1 January - 31 December 2018
Revenue from electricity sales and services provided	17,472,567	16,614,264
Retail sales revenue	*12,490,388*	*10,962,588*
Regulated revenue	*11,026,825*	*9,918,503*
Liberalised revenue	*1,463,563*	*1,044,085*
Retail service revenue	*341,988*	*382,433*
Distribution lighting sales revenue	*290,441*	*228,345*
Distribution service revenue	*3,351,451*	*4,280,904*
Transmission revenue	*998,299*	*759,994*
Financial income from service concession arrangements	1,959,219	1,716,597
Other revenue	21,299	15,926
	19,453,085	18,346,787

NOTE 20 - COST OF SALES

	1 January - 31 December 2019	1 January - 31 December 2018
Electricity purchases	(13,097,123)	(11,611,362)
Retail energy purchases	*(12,073,435)*	*(10,681,826)*
Distribution related energy purchases (*)	*(1,023,688)*	*(929,536)*
System usage fee (**)	(998,299)	(759,994)
Depreciation and amortization expenses (Note 12, 13)	(4,417)	(4,044)
Other	(8,775)	(4,865)
	(14,108,614)	(12,380,265)

(*) Includes theft/loss and lighting related electricity purchases.
(**) Includes system usage costs reflected as transmission revenue.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
General administrative expenses (-)	(2,170,485)	(1,848,857)
	(2,170,485)	(1,848,857)

Details of general administrative expenses are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Payroll and employee benefit expenses	(1,043,008)	(824,373)
Depreciation and amortization expenses (Note 11, 12, 13)	(368,450)	(254,138)
Material expenses	(153,218)	(132,581)
Fleet management expenses	(124,807)	(133,030)
Legal and lawsuit provision expenses	(57,990)	(107,828)
Outsourcing expenses	(56,302)	(42,922)
Repair and maintenance expenses	(46,654)	(56,910)
Duties, taxes and levies	(44,452)	(51,997)
Consulting expenses	(26,453)	(20,325)
Travel expenses	(23,571)	(17,378)
Insurance expenses	(22,972)	(17,938)
Rent expenses	(20,145)	(29,714)
Other expenses	(182,463)	(159,723)
	(2,170,485)	(1,848,857)

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

22.1 Other Income From Operating Activities

	1 January - 31 December 2019	1 January - 31 December 2018
Late payment interest income from electricity receivables	189,223	114,641
Interest income related to revenue cap regulation - net (Note 28)	185,915	44,183
Power theft penalties	140,652	172,313
Rent and advertisement income	25,727	7,554
Reversal of impairment provision on financial assets (Note 10) (*)	4,744	-
Lawsuit income	80	57
Compensation and penalty income	-	57
Income from derivative financial instruments - net	-	5,066
Other income	5,959	29,678
	552,300	373,549

(*) As of 31 December 2019, the Group has reversed the impairment provision of TL 4,744 for its financial assets, which had been recorded as at 31 December 2018 in the amount of TL 5,236 in accordance with the amendments in IFRS 9 Financial Instruments Standard.

22.2 Other Expenses From Operating Activities

	1 January - 31 December 2019	1 January - 31 December 2018
Provision for doubtful receivables - net (Note 6, 10)	(424,119)	(434,610)
Valuation differences arising from deposits and guarantees (Note 28)	(114,390)	(242,672)
Penalty expenses	(58,235)	(17,994)
Donations	(10,513)	(18,377)
Losses from derivative financial instruments - net	(8,387)	-
Foreign exchange losses from operating activities	(3,768)	(44,128)
Impairment provison expense for goodwill (Note 13)	-	(752,904)
Competition Authority administrative fine (Note 14)	-	(107,296)
Other expenses	(42,668)	(62,042)
	(662,080)	(1,680,023)

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 23 - FINANCE INCOME AND EXPENSES

23.1 Finance Income

	1 January - 31 December 2019	1 January - 31 December 2018
Interest income	135,554	104,870
Foreign exchange gains / (losses) - net	35,073	-
	170,627	104,870

23.2 Finance Expenses

	1 January - 31 December 2019	1 January - 31 December 2018
Interest expenses of borrowings	(1,693,215)	(1,522,209)
Foreign exchange gains / (losses) - net	-	(60,792)
Bank commission expenses	(150,262)	(11,064)
	(1,843,477)	(1,594,065)

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 24 - TAXATION ON INCOME

Current assets related with current taxes	31 December 2019	31 December 2018
Prepaid taxes and funds	60	8,565
	60	8,565

Current tax liability	31 December 2019	31 December 2018
Current corporate tax provision	492,099	85,949
Less: Prepaid taxes and funds	(412,366)	(33,533)
	79,733	52,416

Tax expense recognized in profit or loss	1 January - 31 December 2019	1 January - 31 December 2018
Current tax expense	(492,099)	(85,949)
Deferred tax income / (expense) relating to the origination and reversal of temporary differences, net	134,365	(488,350)
Total tax expense	(357,734)	(574,299)

Corporate tax

The Group is subject to Turkish corporate taxes. A provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the period.

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

Valid rate of corporate tax in 2019 is 22% (31 December 2018: 22%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was applied as 22% in 2019 (31 December 2018: 22%). 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%. The companies apply 22% (applied as 22% for 2018, 2019 and 2020 tax periods) tax rate over their quarterly profits when calculating their temporary tax payables; which they are obliged to declare via Advance Corporate Tax Declaration by the end of the 14th, and pay by the end of the 17th of the 2 month following the related period. Quarterly Advance Corporate Tax payments made within a year are deducted from the Corporate Income Tax calculated for the same fiscal year. Following the netting-off, if there is still remaining Advance Corporate Tax balance, it can be deducted from any other financial debt owed to the State or can be received in the form of a cash refund.

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 24 - TAXATION ON INCOME (Continued)

Corporate tax (Continued)

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

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied is 15%. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Deferred tax

The Group recognizes deferred tax assets and liabilities on the temporary timing differences between the legal books and the financial statements prepared in accordance with IFRS. Such differences generally arise from timing differences of some revenue and expense balances in legal books and financial statements prepared in accordance with IFRS and are explained below.

For calculation of deferred tax assets and liabilities as of 31 December 2019, the rate of 22% is used (2018: 22%).

As of 31 December 2019, the tax rate of 22% is used for the temporary differences expected to be realized/settled within 1 year (2020) for deferred tax calculation. However, 20% tax rate is used for the current differences expected/expected to be incurred after 2020 since the tax rate applicable for post-2020 corporations is 20%.

Deferred tax (assets) / liabilities	31 December 2019	31 December 2018
Differences arising from customer contracts and transfer of operational rights	901,383	943,116
Carrying amount differences of property, plant and equipment, intangible assets and concession arrangement difference	209,127	246,484
Carrying amount differences of right of use assets and lease liabilities	(4,282)	-
Provision for employment termination benefits	(2,558)	(3,145)
Provision for doubtful receivables	13,802	7,929
Provision for lawsuits	(51,560)	(47,081)
Provision for unused vacation	(9,257)	(6,745)
Effect of revenue cap adjustments	356,114	254,646
Late payment penalties	(23,862)	(63,790)
Adjustments due to system migration	(39,090)	(39,090)
Carry forward tax losses	(185,354)	(116,432)
Other	69,365	200,044
	1,233,828	1,375,936

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 24 - TAXATION ON INCOME (Continued)

Deferred tax (Continued)

	31 December 2019	31 December 2018
Deferred tax (asset)	(244,040)	(2,847)
Deferred tax liability	1,477,868	1,378,783
Deferred tax (asset) / liability, net	1,233,828	1,375,936

Movement of deferred tax (assets)/liabilities is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	1,375,936	880,496
Charged to statement of profit or loss	(134,365)	488,350
Charged to other comprehensive income / expense	(7,743)	7,090
Closing balance	1,233,828	1,375,936

Tax Reconciliation:	1 January - 31 December 2019	1 January - 31 December 2018
Profit from operations before tax	1,391,356	1,321,996
	22%	22%
Tax at the domestic income tax rate of 22% (2018: 22%)	306,098	290,839
Tax effects of:		
- revenue that is exempt from taxation (*)	-	165,639
- expenses that are not deductible in determining taxable profit	15,048	10,087
- current year's losses on which deferred tax assets are not recognized	9,934	126,433
- other (**)	26,654	(18,699)
Income tax expense recognised in profit or loss	357,734	574,299

(*) No deferred tax is recognized for goodwill impairment provision recorded as of 31 December 2018.

(**) In the period of 1 January – 31 December 2019, TL 39,113 out of TL 26,654 represents utilisation of previous years' losses on which deferred tax asset was recognized. TL (13,880) out of TL (18,669) represents the effect of the deemed interest deductions arising from the cash capital increase under the Law no: 6637 in the period of 1 January – 31 December 2018.

Deferred tax assets may only be recognized to the extent it is probable that sufficient taxable profit will be available in the future. In case of a probable tax advantage, deferred income tax asset is calculated for unused carry forward tax losses and unused investment incentive.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 24 - TAXATION ON INCOME (Continued)

Deferred tax (Continued)

At 31 December 2019, the Group recognized deferred tax assets amounting to TL 185,354 for unused carry forward tax losses amounting to TL 891,442 since it was considered as probable that there would be sufficient taxable income in the subsequent periods to utilise such assets based on the forecasts made (31 December 2018: TL 116,432 and TL 529,238 respectively).

The expiration dates of previous years' losses on which deferred tax asset was recognized are as follows:

	31 December 2019	31 December 2018
Expiring in 2019	-	177,786
Expiring in 2020	-	-
Expiring in 2021	78,146	77,184
Expiring in 2022	275,110	274,268
Expiring in 2023	191,236	-
Expiring in 2024	346,950	-
	891,442	529,238

The expiration dates of previous years' losses on which deferred tax asset was not recognized are as follows:

	31 December 2019	31 December 2018
Expiring in 2019	-	-
Expiring in 2020	77,323	77,323
Expiring in 2021	191,541	191,541
Expiring in 2022	-	-
Expiring in 2023	373,630	564,866
Expiring in 2024	192,664	-
	835,158	833,730

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 25 - FINANCIAL INSTRUMENTS

25.1 Financial Liabilities:

	31 December 2019	31 December 2018
Short-term borrowings	676,281	998,170
Short-term portion of long term lease liabilities	68,757	-
Short-term portion of long term bonds issued	23,978	533,563
Short-term portion of long-term borrowings	2,923,000	1,902,076
	3,692,016	3,433,809
Long-term borrowings	3,857,000	4,453,001
Long-term lease liabilities	96,906	-
Long-term bonds issued	1,424,556	1,312,046
	5,378,462	5,765,047
Total financial liabilities	9,070,478	9,198,856

The borrowings and bonds issued are repayable as follows:

	31 December 2019	31 December 2018
To be paid within 1 year	3,623,259	3,433,809
To be paid between 1-2 years	3,302,053	3,773,000
To be paid between 2-3 years	1,766,496	1,363,446
To be paid between 3-4 years	213,007	432,416
To be paid between 4-5 years	-	196,185
	8,904,815	9,198,856

As of 31 December 2019 and 31 December 2018, the Group has not given any collateral for the loans obtained.

As of 31 December 2019 the movement of borrowings and bonds issued are as follows:

	Borrowings and Bonds issued
Opening balance as of 1 January 2019	9,198,856
Additions	21,517,121
Payments	(21,508,040)
Change in interest accruals	(10,959)
Foreign exchange movements	(292,163)
Closing balance as of 31 December 2019	8,904,815

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 25 - FINANCIAL INSTRUMENTS (Continued)

25.1 Financial Liabilities (Continued)

As of 31 December 2019 and 31 December 2018, details of short and long term financial borrowings in terms of interest and currencies are as follows:

Currency	Weighted average effective interest rate	31 December 2019 Current	31 December 2019 Non-current
TL	15.55%	3,506,117	3,857,000
USD (*)	6.27%	36,022	-
EUR (*)	2.99%	57,142	-
		3,599,281	3,857,000

Currency	Weighted average effective interest rate	31 December 2018 Current	31 December 2018 Non-current
TL	19.05%	1,863,300	4,453,001
USD (*)	4.92%	932,640	-
EUR (*)	3.99%	104,306	-
		2,900,246	4,453,001

(*) Foreign currency risks associated with the USD and EUR denominated borrowings of the Group are fully hedged through currency swap instruments.

As of 31 December 2019 and 31 December 2018, details of bonds issued are as follows:

Currency	Weighted average effective interest rate (*)	31 December 2019 Current	31 December 2019 Non-current
TL	CPI + 4.8%-5.0%	23,978	1,424,556
		23,978	1,424,556

Currency	Weighted average effective interest rate (*)	31 December 2018 Current	31 December 2018 Non-current
TL	CPI + 4.0%-5.0%	533,563	1,312,046
		533,563	1,312,046

(*) As of 31 December 2019, the interest is CPI-indexed variable interest and the annual real coupon rate varies from 4.8% to 5% (31 December 2018: 4% - 5%).

As of 31 December 2019, the principal valuation of bonds is TL 422,556 (31 December 2018: TL 460,761).

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 25 - FINANCIAL INSTRUMENTS (Continued)

25.1 Financial Liabilities (Continued)

As of 31 December 2019, details of lease liabilities are as follows:

Short-term portion of long term lease liabilities	31 December 2019
Buildings	14,200
Vehicles	54,557
	68,757

Long-term lease liabilities	31 December 2019
Buildings	49,219
Vehicles	47,687
	96,906

The lease liabilities are repayable as follows:

	31 December 2019
To be paid within 1 year	68,757
To be paid between 1-2 years	51,374
To be paid between 2-3 years	25,994
To be paid between 3-4 years	12,436
To be paid between 4-5 years	4,883
To be paid after 5 years and over	2,219
	165,663

The movement of lease liabilities is as follows:

	Buildings	Vehicles	Total
Opening balance as of 1 January 2019	55,320	76,867	132,187
Additions	15,404	66,084	81,488
Interest expense	12,556	22,092	34,648
Variable lease payment adjustments	4,686	-	4,686
Payments	(24,547)	(63,244)	(87,791)
Foreign exchange movements	-	445	445
Closing balance as of 31 December 2019	63,419	102,244	165,663

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 25 - FINANCIAL INSTRUMENTS (Continued)

25.2 Other Financial Liabilities

	31 December 2019	31 December 2018
Other current financial liabilities	51,184	44,302
Other non-current financial liabilities	302,714	321,720
	353,898	366,022

The other financial liabilities are repayable as follows:

	31 December 2019	31 December 2018
To be paid within 1 year	51,184	44,302
To be paid between 1-2 years	50,975	45,232
To be paid between 2-3 years	52,093	46,191
To be paid between 3-4 years	27,900	47,203
To be paid between 4-5 years	29,120	25,272
To be paid after 5 years and over	142,626	157,822
	353,898	366,022

As of 31 December 2019 and 31 December 2018, details of short and long term other financial liabilities in terms of currencies are as follows:

	Weighted average	31 December 2019	
Currency	effective interest rate	Current	Non-current
EUR	4.70%	51,184	302,714
		51,184	302,714

	Weighted average	31 December 2018	
Currency	effective interest rate	Current	Non-current
EUR	4.70%	44,302	321,720
		44,302	321,720

After the acquisition of distribution regions, payment obligations of TEDAŞ denominated in EUR, which are in scope of loan agreements with European Investment Bank and World Bank have been transferred to the Group. Other financial liabilities are composed of EUR payment obligations of distribution companies to TEDAŞ in this scope.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 25 - FINANCIAL INSTRUMENTS (Continued)

25.2 Other Financial Liabilities (Continued)

As of 31 December 2019, the movement of other financial liabilities is as follows:

	Other Financial Liabilities
Opening balance as of 1 January 2019	366,022
Payments	(46,558)
Foreign exchange movements	34,434
Closing balance as of 31 December 2019	353,898

NOTE 26 – DERIVATIVE INSTRUMENTS

The Group utilizes forward exchange contracts in order to mitigate foreign exchange rate risk arising from feed-in-tariff cost ("FIT"). Furthermore, in order to mitigate the foreign exchange risk arising from foreign currency denominated bank loans, the Group entered cross currency swaps transactions. The details and fair values of the agreements as of 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019				
	Contract Amount (USD)	Contract Amount (EUR)	Contract Amount (TL)	Assets	Liabilities
Forward exchanges	276,871	59,600	2,041,045	8,789	(60,148)
Cross currency swap	6,000	8,500	92,171	-	(6,507)
	282,871	68,100	2,133,216	8,789	(66,655)

	31 December 2018				
	Contract Amount (USD)	Contract Amount (EUR)	Contract Amount (TL)	Assets	Liabilities
Forward exchanges	24,345	66,918	531,458	-	(11,304)
Cross currency swap	174,595	17,000	1,021,003	313,028	-
	198,940	83,918	1,552,461	313,028	(11,304)

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 26 – DERIVATIVE INSTRUMENTS (Continued)

As of 31 December 2019 and 31 December 2018, movements of fair value of derivative financial instruments are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Opening balance	301,724	42,257
Derivative financial (liabilities) / assets at fair value designated through income / expense	(63,137)	(35,264)
Derivative financial (liabilities) / assets at fair value designated through other comprehensive income / expense (*)	(296,453)	294,731
Total derivative financial (liabilities) / assets	(57,866)	301,724

(*) TL values of the Group's foreign currency denominated borrowings may increase or decrease as a result of exchange rates fluctuations, in return fair value of cross currency swaps are shown under derivative assets. Fair value differences amounting to TL 296,453 is netted off with the foreign exchange losses from borrowings amounting to TL 263,103, and the net amount, TL 33,350 is accounted to other comprehensive income before tax (31 December 2018: TL 29,947). Within those amounts, TL 275,403 fair value differences and 247,297 TL foreign exchange losses from borrowings are related to disposals for expired cross currency swap transactions and related loans as of 31 December 2019.

NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

27.1 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group management considers the cost of capital and the risks associated with each class of capital. The management of the Group aims to balance its overall capital structure through new share issues, and by issue of new debt or the redemption of existing debt.

	31 December 2019	31 December 2018
Total borrowings (Note 25)	9,424,376	9,564,878
Less: cash and cash equivalents (Note 28)	(469,786)	(562,352)
Less: derivative instruments (Note 26)	57,866	(301,724)
Net debt	9,012,456	8,700,802
Total equity	6,834,503	6,298,915
Total capital	15,846,959	14,999,717
Net debt / Total capital ratio (%)	57	58

NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance department. The finance department identifies and evaluates financial risks in close co-operation with the Group's operating units.

27.2.1 Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risks mainly arise from trade receivables. The Group manages this risk by the guarantees received from customers. Trade receivables, are evaluated based on the Group's policies and procedures and as a result presented net of doubtful provision in the consolidated financial statements. In accordance with the requirements of IFRS 9 introducing a new impairment model based on expected credit losses, the Group has modified impairment calculation method for trade receivables. 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.

Trade receivables consist of a large number of customers, spread across diverse industries within several different provinces. Credit risk of the financial instruments is as the follows:

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.1 Credit risk management (Continued)

Credit risk exposure based on financial instrument categories

	Receivables						
	Trade receivables		Other receivables				
			Current	Non-current			
31 December 2019	Related party	Other	Other	Other	Bank deposits	Financial assets excluding cash	Derivatives
Maximum net credit risk as of the balance sheet date (*)	17,679	2,991,776	1,022,446	737,736	469,786	10,543,836	8,789
The part of maximum risk under guarantee	-	2,880,533	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (**)	17,679	2,147,022	1,022,446	737,736	469,786	10,543,836	8,789
B. Net book value of financial assets that are due but not impaired (**)	-	844,754	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	2,052,560	3,123	-	-	-	-
- Impairment (-)	-	(2,052,560)	(3,123)	-	-	-	-
- Not due (gross book value)	-	24,655	-	-	-	-	-
- Impairment (-)	-	(24,655)	-	-	-	-	-
D. Credit risk factors off balance sheet	-	-	-	-	-	-	-

Maturity of Expected Credit Loss

31 December 2019	Not due	Overdue Up to 1 months	Overdue 1-3 months	Overdue more than 3 months	Total
Balance at period end	2,189,356	457,454	268,359	2,171,501	5,086,670
Credit loss rate (%)	1%	4%	11%	92%	41%
Expected credit losses	(24,655)	(20,561)	(29,674)	(2,002,325)	(2,077,215)

(*) The factors such as collaterals received, that increase the credit reliability, have not been taken into consideration in determination of the amount.
(**) Amounts have been subjected to impairment in accordance with IFRS 9.

(Amounts expressed in thousands of Turkish Lira (“TL”), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.1 Credit risk management (Continued)

Credit risk exposure based on financial instrument categories (Continued)

	Receivables						
	Trade receivables		Other receivables				
			Current	Non-current			
31 December 2018	**Related party**	**Other**	**Other**	**Other**	**Bank deposits**	**Financial assets excluding cash**	**Derivatives**
Maximum net credit risk as of the balance sheet date (*)	130,832	3,381,557	458,449	983,545	562,352	9,294,635	313,028
The part of maximum risk under guarantee	-	2,528,049	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (**)	130,832	1,736,026	458,449	983,545	562,352	9,294,635	313,028
B. Net book value of financial assets that are due but not impaired (**)	-	1,645,531	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	1,648,018	3,123	-	-	-	-
- Impairment (-)	-	(1,648,018)	(3,123)	-	-	-	-
- Not due (gross book value)	-	57,229	-	-	-	-	-
- Impairment (-)	-	(57,229)	-	-	-	-	-
D. Credit risk factors off balance sheet		-					

Maturity of Expected Credit Loss

31 December 2018	Not due	Overdue Up to 1 months	Overdue 1-3 months	Overdue more than 3 months	Total
Balance at period end	1,924,087	382,995	281,394	2,629,160	5,217,636
Credit loss rate (%)	3%	2%	17%	60%	33%
Expected credit losses	(57,229)	(9,271)	(49,152)	(1,589,595)	(1,705,247)

(*) The factors such as collaterals received, that increase the credit reliability, have not been taken into consideration in determination of the amount.
(**) Amounts have been subject to impairment in accordance with IFRS 9.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated. Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.2 Liquidity risk management

The Group aims to maintain an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements.

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

The maturities of the financial liabilities determined with respect to the contracts including the expected interest payments as of 31 December 2019 and 31 December 2018 are as follows:

31 December 2019

Maturity analysis of non-derivative financial liabilities	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	9,070,478	12,229,906	2,353,504	2,225,384	7,651,018	-
Trade payables	2,611,620	2,611,620	2,611,620	-	-	-
Other payables	2,078,343	2,078,343	174,660	-	-	1,903,683
Other financial liabilities	353,898	353,898	17,915	33,269	160,088	142,626
Total liabilities	14,114,339	17,273,767	5,157,699	2,258,653	7,811,106	2,046,309

31 December 2018

Maturity analysis of non-derivative financial liabilities	Carrying value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Financial liabilities	9,198,856	11,578,399	395,668	3,784,512	7,398,219	-
Trade payables	2,480,917	2,480,917	2,480,917	-	-	-
Other payables	1,917,252	1,917,252	223,892	10	-	1,693,350
Other financial liabilities	366,022	366,022	15,296	29,006	163,898	157,822
Total liabilities	13,963,047	16,342,590	3,115,773	3,813,528	7,562,117	1,851,172

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.3 Market risk management

27.2.3.1 Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed by adjusting the unit price / tariff of the energy sold.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is disclosed below.

	31 December 2019		
	Total TL equivalent	**USD TL equivalent**	**EUR TL equivalent**
Cash and cash equivalents	257,526	215,184	42,342
Trade receivables	1,395	238	1,157
Total assets	**258,921**	**215,422**	**43,499**
Financial liabilities (*)	(93,164)	(36,022)	(57,142)
Other financial liabilities	(353,898)	-	(353,898)
Trade payables	(198,256)	(176,103)	(22,153)
Total liabilities	**(645,318)**	**(212,125)**	**(433,193)**
Net foreign currency asset position of off-balance sheet derivative	2,041,045	1,644,669	396,376
Net foreign currency asset position	**1,654,648**	**1,647,966**	**6,682**
Cash flow hedging	92,171	35,641	56,530
Net foreign currency position after cash flow hedging	**1,746,819**	**1,683,607**	**63,212**

(*) Foreign currency risks associated with the USD and EUR denominated loans of the Group are fully hedged through foreign exchange swap and cross currency swap instruments.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.3 Market risk management (Continued)

27.2.3.1 Foreign currency risk management (Continued)

	31 December 2018		
	Total TL equivalent	**USD TL equivalent**	**EUR TL equivalent**
Cash and cash equivalents	235,579	200,979	34,600
Trade receivables	4,772	761	4,011
Total assets	**240,351**	**201,740**	**38,611**
Financial liabilities (*)	(1,036,946)	(932,640)	(104,306)
Other financial liabilities	(366,022)	-	(366,022)
Trade payables	(117,079)	(102,817)	(14,262)
Total liabilities	**(1,520,047)**	**(1,035,457)**	**(484,590)**
Net foreign currency asset position of off-balance sheet derivative	531,458	128,075	403,383
Net foreign currency (liability) position	**(748,238)**	**(705,642)**	**(42,596)**
Cash flow hedging	1,021,003	918,527	102,476
Net foreign currency position after cash flow hedging	**272,765**	**212,885**	**59,880**

(*) Foreign currency risks associated with the USD and EUR denominated loans of the Group are fully hedged through cross currency swap instruments.

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and EUR.

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

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.3 Market risk management (Continued)

27.2.3.1 Foreign currency risk management (Continued)

	1 January - 31 December 2019 Profit / Loss	
	Appreciation of foreign currency	**Depreciation of foreign currency**
Change in USD against TL by 10%		
USD net assets / liabilities	330	(330)
Hedged items (-)	168,031	(168,031)
USD net effect	**168,361**	**(168,361)**
Change in EUR against TL by 10%		
EUR net assets / liabilities	(38,969)	38,969
Hedged items (-)	45,291	(45,291)
EUR net effect	**6,322**	**(6,322)**

	1 January - 31 December 2018 Profit / Loss	
	Appreciation of foreign currency	**Depreciation of foreign currency**
Change in USD against TL by 10%		
USD net assets / liabilities	(83,372)	83,372
Hedged items (-)	104,660	(104,660)
USD net effect	**21,289**	**(21,289)**
Change in EUR against TL by 10%		
EUR net assets / liabilities	(44,598)	44,598
Hedged items (-)	50,586	(50,586)
EUR net effect	**5,988**	**(5,988)**

NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.3 Market risk management (Continued)

27.2.3.2 Interest rate risk management

As of 31 December 2019 and 31 December 2018, the Group has no floating interest rate risk although the Group has CPI indexed bond obligation since the revenues under the concession agreement are also indexed to CPI.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Fair value of financial instruments

The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models.

Categories of financial instruments and fair values

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be at their fair values since they have short term maturities and have little impairment risk.

The carrying value of trade receivables and other receivables which are both discounted and provided provision for doubtful receivables are estimated to be at their fair values.

The amortized cost of financial liabilities with fixed interest rate are considered to approximate their carrying values. The fair value of financial liabilities with variable interest rates are considered to be equivalent to the carrying amount due to the expectation that the floating interest rate will change accordingly with the market interest rates.

Discounted values of trade payables and other payables are assumed to approximate their respective carrying values.

In the consolidated financial statements, derivative instruments are the only item that is recognized at fair value. The fair value of derivate instrument is determined by using valuation technique, which can be regarded as Level 2.

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 27 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

27.2 Financial risk factors (Continued)

27.2.3 Market risk management (Continued)

27.2.3.2 Interest rate risk management (Continued)

Assets and liabilities subject to valuation and fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The classification of the Group's financial assets and liabilities at fair value is as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

In the consolidated balance sheet, derivative financial instrument is recognized at fair value. The fair value of derivative financial instrument is determined by using valuation technique, which can be regarded as Level 2.

The following table gives information about how the fair values of financial instruments subject to valuation are determined.

Financial assets / (Financial liabilities)	**Fair value / revalued amount**		**Fair value hierarchy**	**Valuation technique and key input**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
	31 December 2019	**31 December 2018**				
Derivative financial instruments	(57,866)	301,724	Level 2	Market Value	-	-

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 28 - EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

	31 December 2019	31 December 2018
Cash at banks	469,786	562,352
Demand deposits	*149,989*	*140,347*
Time deposits	*319,797*	*422,005*
	469,786	562,352

As at 31 December 2019, TL 142,721 of the Group's demand deposits are blocked at different banks (31 December 2018: TL 92,870). These blocked deposits are related to the collections made through bank branches which are made available for use by banks 1 or 2 days after the collection depending on the agreements with related banks.

As at 31 December 2019 time deposits consist of short term TL 59,562, EUR 7,050 and USD 35,901 balances (31 December 2018: TL 186,943, EUR 5,700 and USD 38,150) with maturities between 2-8 days (31 December 2018: 1-5 days). The weighted average effective interest rates of TL, EUR and USD time deposits are 10.14%, 0.50% and 1.00% respectively as at 31 December 2019 (31 December 2018: weighted average effective interest rate 23.07%, 1.25% and 4.00%, respectively).

Details of "Other adjustments to reconcile profit / (loss)" that presented on cash flow statement as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Adjustments related to interest (income) / expense based on revenue cap regulation (Note 22)	(185,915)	(44,183)
Adjustments related to financial income from service concession arrangements (Note 10, 19)	(1,959,219)	(1,716,597)
Adjustments related to revaluation differences arising from deposits (Note 22)	114,390	242,672
	(2,030,744)	(1,518,108)

Details of "Other cash in-flows generated from operating activities" that presented on cash flow statement as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Net collections from financial assets related to service concession arrangements	1,839,022	1,432,868
Capital expenditures reimbursements (Note 10)	*1,057,528*	*798,304*
WACC reimbursements (Note 10)	*781,494*	*634,564*
Collections from doubtful trade receivable (Note 6)	184,311	157,242
	2,023,333	1,590,110

(Amounts expressed in thousands of Turkish Lira ("TL"), unless otherwise indicated.
Currencies other than TL are also expressed in thousands unless otherwise indicated.)

NOTE 28 - EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

Details of "Other cash-out flows from investing activities" that presented on cash flow statement as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Capital expenditures related to service concession arrangements	(1,369,436)	(1,323,729)
	(1,369,436)	(1,323,729)

NOTE 29 - EVENTS AFTER THE REPORTING DATE

Applicable starting from 1 January 2020, EMRA has announced that single-time retail sales tariff reflected to the end user according to customer groups in national tariff has been increased between 2.1% - 4.7% and distribution tariff has been increased by 10.6%.

With the statement made on January 17, 2020, Fitch Ratings confirmed the long-term national credit rating of the Group and BAŞKENT EDAŞ as AA (tur), Stable due to healthy financial performance, strong operational cash flow, regulated business structure and prudent leverage management.