TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2019 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Turcas Petrol A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

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

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

2) Basis for Opinion

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

3) Key Audit Matters

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

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Key audit matters	How our audit addressed the key audit matter
TFRS 16	
The Group has adopted TFRS 16 for the first time as of January 1, 2019. For the leases, which has been classified as operating leases, a right of use asset has been reflected to the financial statements equivalent to the prepaid rents and any rent future obligation. Long-term lease agreements arising from the usufruct agreements of Shell & Turcas Petrol A.Ş., are evaluated in accordance with IFRS 16 and their effects are reflected under Investments accounted by equity method in the financial statements (Note 2.3). This matter has been considered as a key audit matter due to importance of standard change effect and first time implementation.	During our audit work, the following audit procedures were applied to TFRS 16 - We examined all process that would affect the financial statements due to implementation of TFRS 16, - During implementation of TFRS 16, we have contacted to the external experts from who the Group has taken support for calculations and also make our own assessments, - We tested the completeness and occurrence of the list of contracts, - We assessed the inputs that used in the calculation of TFRS 16, such as; interest and rental increase rate etc, - We recalculated rent liabilities and right of use amounts in the consolidated financial statements and based on a sample size we have tested the consistency of the useful life with the signed rent agreements and extension options, if there is any, - We assessed if the disclosures of rent liabilities account and right of use account are sufficient and in-line with the TFRS.
Carrying values of tangible fixed assets	
There is an impairment risk on the assets of the natural gas cycle plant operated by the Group, due to the increase in natural gas cost, variable market conditions and decreasing profitability. In this context, as of December 31, 2019, the Group Management has performed an impairment analysis for these assets in the financial statements (Note 2.5). The recoverable amount of the cash generating unit ("CGU") is subjective due to inherent uncertainties contained in economic assumptions such as forecast future cash flows, assumptions regarding discounting, forecast future production levels and sales prices, discount rate, inflation rate and exchange rate. Accordingly, this matter has been determined as the subject of the key audit matter by us.	During our audit work, we analyzed to the methodology and assumptions used by the management, together with the experts of another company within the same audit network we are affiliated with. We have tested the mathematical accuracy of models used on valuation studies. Also, we reviewed the relevant explanations in the financial statements. We have evaluated the appropriateness of TAS 39 Financial Instruments: Recognition and Measurement.

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

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

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

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

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

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

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

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, 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.

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

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

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

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

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

B) Report on Other Legal and Regulatory Requirements

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

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

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

The name of the engagement partner who supervised and concluded this audit is Seda Akkus Tecer.

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

Seda Akkus Tecer, SMMM
Partner

March 10, 2020
İstanbul, Türkiye

TURCAS PETROL A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

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TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2019 AND 2018

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

	Notes	**(Audited)** **Current Period** **31 December 2019**	(Audited) Prior Period 31 December 2018
ASSETS			
Current assets			
Cash and cash equivalents	4	**133,430,476**	85,560,288
Trade receivables		**5,163,397**	3,813,575
- Trade receivables from third parties	7	***5,163,397***	*3,813,575*
Other receivables		**2,562,393**	19,428,707
- Other receivables from related parties	*27*	***589,606***	*19,000,804*
- Other receivables from third parties	*8*	***1,972,787***	*427,903*
Prepaid expenses	9	**421,688**	253,648
Financial assets	5	**22,696,338**	40,201,731
Assets related to current period tax	25	**416,092**	912,490
Other current assets	16	**6,505,047**	9,117,420
Total currents assets		**171,195,431**	159,287,859
Non-current assets			
Other receivables		**75,024,192**	70,684,752
- Other receivables from related parties	*27*	***74,492,539***	*70,153,099*
- Other receivables from third parties	*8*	***531,653***	*531,653*
Financial investments	5	**10,334,327**	5,605,556
Financial assets	5	**19,726,338**	33,697,418
Investments accounted by equity method	10	**763,201,048**	806,035,015
Property, plant and equipment	11	**212,567,818**	209,398,634
Intangible assets	12	**52,103,675**	54,507,082
Deferred tax assets	25	**11,022,155**	6,889,081
Other non-current assets	16	**2,045,684**	5,608,253
Total non-current assets		**1,146,025,237**	1,192,425,791
TOTAL ASSETS		**1,317,220,668**	1,351,713,650

These consolidated financial statements for the period 1 January - 31 December 2019 have been approved by Board of Directors decision dated 9 March 2020. These consolidated financial statements will be finalized after approval at the 2019 Ordinary General Assembly of Turcas Petrol A.Ş.

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

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2019 AND 2018

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

	Notes	(Audited) Current Period 31 December 2019	(Audited) Prior Period 31 December 2018
LIABILITIES			
Current liabilities			
Short term portions of long term financial liabilities	6	**116,394,469**	134,697,747
Trade payables		**32,921,743**	25,729,645
- Trade payables to related parties	*27*	***36,753***	-
- Trade payables to third parties	*7*	***32,884,990***	*25,729,645*
Short term liabilities for employee benefits		**265,670**	351,760
Other payables		**4,555,386**	2,504,854
- Other payables to related parties	*27*	***778,014***	*760,781*
- Other payables to third parties	*8*	***3,777,372***	*1,744,073*
Short term provisions		**767,735**	496,066
- Short term provisions for employee benefits	*14*	***767,735***	*496,066*
Total current liabilities		**154,905,003**	163,780,072
Non-current liabilities			
Financial liabilities	6	**628,536,656**	615,025,824
Trade payables		**11,953,788**	10,834,727
- Trade payables to third parties	*7*	***11,953,788***	*10,834,727*
Long term provisions		**576,734**	503,460
- Long term provisions for employee benefits	*15*	***576,734***	*434,147*
- Other long term provisions	*14*	-	*69,313*
Other non-current liabilities	16	**837,687**	837,687
Total non-current liabilities		**641,904,865**	627,201,698
EQUITY			
Paid-in capital	17	**255,600,000**	255,600,000
Adjustment to share capital	17	**41,247,788**	41,247,788
Repurchased shares (-)	17	**(8,450,916)**	(8,450,916)
Other comprehensive income/(expense) not to be reclassified to profit or loss		**(1,123,877)**	(3,138,289)
Actuarial gains/ (losses) on defined benefit plans		***(1,123,877)***	*(3,138,289)*
Restricted reserves	17	**39,311,954**	39,311,954
Other comprehensive income/(expense) to be reclassified to profit or loss		**(13,656,155)**	-
Gains/(losses) on cash flow hedges		***(13,656,155)***	-
Other reserves		**(7,256,169)**	(7,256,169)
Retained earnings		**243,417,512**	370,877,553
Net profit / (loss) for year		**(28,679,337)**	(127,460,041)
Equity attributable to equity holders of the parent		**520,410,800**	560,731,880
Non-controlling interest		-	-
Total equity		**520,410,800**	560,731,880
TOTAL LIABILITIES AND EQUITY		**1,317,220,668**	1,351,713,650

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

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

		(Audited)	(Audited)
		Current Period	Prior Period
PROFIT OR LOSS	**Notes**	**2019**	2018
CONTINUED OPERATIONS			
Sales	18	**44,939,742**	46,429,265
Cost of sales (-)	18	**(20,600,201)**	(16,142,606)
GROSS PROFIT		**24,339,541**	30,286,659
General and administrative expenses (-)	19	**(23,731,553)**	(24,263,226)
Other operating income	20	**19,338,918**	12,633,813
Other operating expenses (-)	21	**(5,400,575)**	(22,546,237)
OPERATING PROFIT		**14,546,331**	(3,888,991)
Income from invesment activities	22	**18,795,788**	33,134,635
Expense from invesment activities		**(94,095)**	-
Income/(Loss) from investments accounted by equity method	10	**(2,494,683)**	7,890,866
OPERATING PROFIT / (LOSS) BEFORE FINANCIAL INCOME / (EXPENSE)		**30,753,341**	37,136,510
Financial income	23	**138,567,637**	102,384,952
Financial expenses (-)	24	**(202,089,434)**	(282,520,530)
PROFIT / (LOSS) BEFORE TAX FROM CONTINUED OPERATIONS		**(32,768,456)**	(142,999,068)
Tax income / (expense) from continued operations			
Current period tax expense	25	**-**	-
Deferred tax income / (expense)	25	**4,089,119**	12,447,133
NET PROFIT / (LOSS) FROM CONTINUED OPERATIONS		**(28,679,337)**	(130,551,935)
Attributable to:			
Equity holders of the parent		**(28,679,337)**	(127,460,041)
Non-controlling interest		**-**	(3,091,894)
Earnings/(Loss) earnings per share	26	**(0.1122)**	(0.4987)

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

TURCAS PETROL A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

		(Audited)	(Audited)
		Current Period	Prior Period
	Notes	**2019**	2018
PROFIT / (LOSS) FOR THE PERIOD		**(28,679,337)**	(130,551,935)
Other comprehensive income / (expense) not to be reclassified to profit or loss			
Actuarial gains / (losses) on defined benefit plans	15	**(219,765)**	(96,761)
Taxes related to other comprehensive income not to be reclassified to profit or loss			
Deferred tax income / (expense)	*25*	***43,955***	*19,352*
Other comprehensive income of shares from investments accounted by the equity method not to be reclassified to profit or loss			
Revaluation gains / (losses) of defined benefit plans of investments accounted by equity method		**2,737,778**	1,896,111
Shares from other comprehensive income of associates and joint ventures accounted by the equity method that will not be reclassified to profit or loss, tax effect		**(547,556)**	(379,222)
Total		**2,014,412**	1,439,480
Other comprehensive income / (expense) to be reclassified to profit or loss			
Other comprehensive income / (loss) related to cash flow hedging		***(13,656,155)***	-
Deferred tax income / (expense)		-	-
Total		**(13,656,155)**	-
TOTAL COMPREHENSIVE INCOME / (LOSS)		**(40,321,080)**	(129,112,455)
Attributable to:			
Equity holders of the parent		**(40,321,080)**	(126,020,561)
Non-controlling interests		**-**	(3,091,894)
Earnings / (Loss) per share		**(0.1578)**	(0.4930)
Number of Shares		**255,600,000**	255,600,000

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

					Other comprehensive income/expense not to be reclassified to profit or loss	**Other comprehensive income/expense to be reclassified to profit or loss**						
	Paid in Capital	**Adjustment to share capital**	**Repurchased Shares(-)**	**Restricted reserves**	**Actuarial gains / (losses) on defined benefit plans**	**Other comprehensive income / (loss) related with cash flow hedges**	**Other reserves**	**Retained earnings**	**Net İncome/(loss) for the period**	**Equity holders of the parent**	**Non-controling interest**	**Total Equity**
1 January 2018	270,000,000	41,247,788	(22,850,916)	39,311,954	(4,577,769)	-	-	305,363,816	65,513,737	694,008,610	3,757,225	697,765,835
Share capital decrease	(14,400,000)	-	14,400,000	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	65,513,737	(65,513,737)	-	-	-
Transactions made with non-controlling interest	-	-	-	-	-	-	(7,256,169)	-	-	(7,256,169)	(665,331)	(7,921,500)
Actuarial Gain	-	-	-	-	1,439,480	-	-	-	-	1,439,480	-	1,439,480
Other comprehensive income/(expense)	-	-	-	-	-	-	-	-	(127,460,041)	(127,460,041)	(3,091,894)	(130,551,935)
Total comprehensive income/(expense)	-	-	-	-	1,439,480	-	-	-	(127,460,041)	(126,020,561)	(3,091,894)	(129,112,455)
31 December 2018	255,600,000	41,247,788	(8,450,916)	39,311,954	(3,138,289)	-	(7,256,169)	370,877,553	(127,460,041)	560,731,880	-	560,731,880
1 January 2019	**255,600,000**	**41,247,788**	**(8,450,916)**	**39,311,954**	**(3,138,289)**	**-**	**(7,256,169)**	**370,877,553**	**(127,460,041)**	**560,731,880**	**-**	**560,731,880**
Transfers	-	-	-	-	-	-	-	**(127,460,041)**	**127,460,041**	-	-	-
Actuarial Gain	-	-	-	-	**2,014,412**	-	-	-	-	**2,014,412**	-	**2,014,412**
Net Income/(Loss) for period	-	-	-	-	-	-	-	-	**(28,679,337)**	**(28,679,337)**	-	**(28,679,337)**
Other comprehensive income/(expense)	-	-	-	-	-	**(13,656,155)**	-	-	-	**(13,656,155)**	-	**(13,656,155)**
Total comprehensive income/(expense)	-	-	-	-	**2,014,412**	**(13,656,155)**	-	-	**(28,679,337)**	**(40,321,080)**	-	**(40,321,080)**
31 December 2019	**255,600,000**	**41,247,788**	**(8,450,916)**	**39,311,954**	**(1,123,877)**	**(13,656,155)**	**(7,256,169)**	**243,417,512**	**(28,679,337)**	**520,410,800**	**-**	**520,410,800**

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

TURCAS PETROL A.Ş

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2018

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

	Notes	**1 January – 31 December 2019**	1 January – 31 December 2018
A. Cash flows from operating activities		**47,378,239**	25,603,913
Net income / (loss) for the period		**(28,679,337)**	(130,551,935)
Adjustments to reconcile net income/(loss)		**64,492,083**	182,591,052
Adjustments related to tax (income) / expense	25	**(4,089,119)**	(12,447,133)
Adjustment related to unrealized foreign currency translation differences		**73,519,285**	213,214,971
Adjustments related to depreciation and amortization expenses	11, 12	**11,269,984**	10,755,837
Adjustments related to impairment / (reversals) of the tangible assets	11	**-**	5,220,709
Adjustments related to losses / (gains) resulting from the disposal of the tangible assets	22	**(49,800)**	-
Adjustments related to provisions / (reversals) for employee termination benefits	14, 15	**388,797**	270,779
Other adjustments related to (profit) and loss reconciliation	5	**(13,923,122)**	(33,130,809)
Adjustments related to undistributed profit/losses of investments accounted by the equity method	10	**2,494,683**	(7,890,866)
Adjustments related to undistributed profits of associates	10	**(765,918)**	(765,917)
Adjustments related to fair value losses / (gains) of financial assets		**(4,728,771)**	-
Adjustments related to interest income	23	**(30,337,681)**	(21,465,991)
Adjustments related to interest expense	24	**30,713,745**	28,829,472
Changes in working capital		**11,263,401**	**(26,189,321)**
Adjustments related to decrease / (increase) in trade receivables		**(1,349,822)**	(3,382,382)
Decrease / (Increase) in prepaid expenses		**6,006,902**	3,624,804
Adjustments related to increase / (decrease) in trade payables		**8,311,159**	(13,426,142)
Decrease / (increase) in other assets related to operations		**(3,599,967)**	(13,482,132)
Increase / (decrease) in other liabilities related to operations		**1,895,129**	476,531
Cash flow used in operations		**302,092**	(245,883)
Employment termination benefits paid	15	**(194,306)**	(105,012)
Tax refunds / (payments)		**496,398**	(140,871)
B. Net cash generated by investing activities		**123,161,094**	26,859,441
Cash outflow resulted from acquisition of tangible and intangible assets	11,12	**(12,865,761)**	(29,340,190)
Cash inflow generated by sales of tangible and intangible assets		**879,800**	-
Dividends received	5,22	**193,815,200**	36,936,626
Cash outflow resulting from the share acquisition of the associates and / or joint ventures or from the capital increase		**(104,304,576)**	(6,020,340)
Other cash inflows / (outflows)	20	**15,311,236**	3,782,177
Interest received		**30,325,195**	21,501,168
C. Cash flow from financing activities		**(122,681,630)**	(93,232,042)
Proceeds from bank borrowings	6	**2,176,040**	44,986,888
Repayment of bank borrowings	6	**(94,146,876)**	(109,412,433)
Interest paid	6	**(30,710,794)**	(28,806,497)
Dividends paid		**-**	-
NET DECREASE IN CASH AND CASH EQUIVALENTS (A + B + C)		**47,857,703**	(40,768,688)
CASH AND CASH EQUIVALENTS BALANCE AT THE BEGINNING OF THE PERIOD	4	**85,548,862**	126,317,550
CASH AND CASH EQUIVALENTS BALANCE AT THE END OF THE PERIOD	4	**133,406,565**	85,548,862

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

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

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Turcas Petrol A.Ş. and its subsidiaries ("The Group") consist of Turcas Petrol A.Ş. ("The Company" or "Turcas"), 1 subsidiary and 2 associates.

Turcas Petrolcülük A.Ş. was established in 1988 by Türkpetrol Holding and Burmah-Castrol. In 1996, Tabaş Petrolcülük A.Ş. ("Tabaş") purchased shares of Turcas Petrolcülük A.Ş, resulting in an ownership of 82.16%.

On 30 September 1999, Tabaş merged with Turcas Petrolcülük A.Ş.. As a result of the merger, the assets and liabilities of Turcas Petrolcülük A.Ş. were transferred to Tabaş and Turcas Petrolcülük A.Ş. was dissolved. As of the same date, the commercial title of Tabaş was changed to Turcas Petrol A.Ş.

As of 1 July 2006, Turcas Petrol A.Ş. transferred its part of shares to Shell & Turcas Petrol A.Ş. ("STAŞ") by partial spin-off. 30% shares of STAŞ were owned by Turcas Petrol A.Ş. and 70% of shares were owned by The Shell Company of Turkey Ltd ("Shell Türkiye"). Since this date, main operations of Turcas Petrol A.Ş.; which were purchasing, selling, importing, exporting of petroleum products, are carried by STAŞ. Accordingly, based on the decision of the Company's Board of Directors, the main operations of the Company changed into exploration, research, production, transportation, distribution, storage, export, import, re-export, and national and international investments about trade in the energy sector and its subsectors like petroleum, fuel, electricity and natural gas; and to establish new companies and/or to join the management and establishment of the companies that focus on developing new business lines with commercial, industrial, agricultural and financial purposes.

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

Ahi Evran Cad. No: 6 Aksoy Plaza. Kat: 7. Maslak/Sarıyer/İstanbul

The shares of the Company have been traded on Borsa İstanbul since 1992.

The Company's main shareholder is Aksoy Holding A.Ş. The capital structure of the Company as of the related balance sheet dates have been provided at Note 17.

The number of employees of the Group at the end of the period is **97** (31 December 2018: 98).

Subsidiaries	**Country**	**Nature of business**
Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.	Turkey	Energy, Electricity

In 1996, the Company acquired 100% of Turcas Enerji Holding A.Ş ("Turcas Enerji"). During the year, The Company also bought 5% shares of Ataş Anadolu Tasfiyehanesi A.Ş, ("ATAŞ"), which was established in 1958, from Turcas Enerji.

Based on the resolution of the Board of Directors of the Company dated 7 June 2004, the Company's subsidiary Marmara Petrol ve Rafineri İşleri A.Ş. and the other ATAŞ partners returned their Certificate of Refinery to the General Directorate of Petroleum Affairs, put an end to the refining operations of ATAŞ and obtained a Terminal License for ATAŞ from the Energy Market Regulatory Authority ("EMRA"). The entity continues its storage and service operations as of the balance sheet date and is recognized under non-current financial investments in the financial statements of Turcas Petrol A.Ş.

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

As a result of the Extraordinary General Assembly meeting held on 27 May 2008, "Marmara Petrol ve Rafineri İşleri A.Ş."'s title was changed into "Turcas Enerji Holding A.Ş.". This decision was published on the Turkish Trade Registry Gazette numbered 7105 on 15 July 2008 and the title is registered and declared as Turcas Enerji Holding A.Ş. Turcas Enerji Holding A.Ş (TEHAŞ) had decided to merge with Turcas Yenilenebilir Enerji Üretim A.Ş. (TYEÜAŞ), which is its 100% subsidiary, via takeover method whereby all assets and liabilities of TYEÜAŞ shall be transferred to TEHAŞ as a whole and carry out necessary transactions in accordance with Turkish Commercial Code, Corporate Tax Law and related legislation. At this time, the Company has been informed that the abovementioned merger transaction has been registered by İstanbul Trade Registration Office on 26 October 2017. Turcas Petrol A.Ş had decided to merge with Turcas Enerji Holding A.Ş. (TEHAŞ), which is Turcas Petrol's 100% subsidiary, via takeover method whereby all assets and liabilities of TEHAŞ shall be transferred to Turcas Petrol as a whole and carry out necessary transactions in accordance with Turkish Commercial Code, Corporate Tax Law and related legislation. At this time, the Company has been informed that the abovementioned merger transaction has been registered by İstanbul Trade Registration Office on 4 December 2017.

Turcas Elektrik Üretim A.Ş. was established on 23 December 2003. Turcas Elektrik Üretim A.Ş. obtained Electricity Generation License with the EMRA's decision numbered 658-2 dated 16 February 2006, for 20 years starting from 16 February 2006. The Electricity Generation License has been terminated as of 31 January 2015 by the EMRA Board Decision No. 5440-17 dated 29 January 2015. It has been resolved by Turcas Petrol A.Ş. to merge with its 100% subsidiary, Turcas Elektrik Üretim A.Ş., whereby all of its assets and liabilities shall be transferred to the Company. The merger transaction was completed and registered by the Istanbul Trade Registration Office on 14 August 2017.

Turcas Elektrik Toptan Satış A.Ş. has been established on 30 October 2000 and obtained the license to operate in electricity trading business for 10 years starting from 5 June 2003 in accordance with the Electricity Market Regulation numbered 4628. In accordance with the decision of Turcas Elektrik Toptan Satış A.Ş.'s Board of directors dated 29 January 2019 and numbered 2019/01, it has been decided to apply to the Energy Market Regulatory Authority for the termination of its supply license and aforementioned licence has been terminated by EMRA's Board decision dated 21 February 2019 and numbered 8439-4. Turcas Elektrik Toptan Satış A.Ş.has not carried out any operation related to the mentioned license for the last three years due to the developments in retail and wholesale electricity market as well as the fact that these operations can be carried out by both our subsidiary RWE & Turcas Güney Elektrik Üretim A.Ş. and its own subsidiaries and Turcas Kuyucak Geothermal Power Generation. Following this transaction, on 11 June 2019, it has been decided to carry out merger transaction of Turcas Elektrik Toptan Satış A.Ş. via takeover method whereby all assets and liabilities of Turcas Elektrik Toptan Satış A.Ş. shall be transferred to Turcas Petrol A.Ş. as a whole with an aim to increase operational efficiency within the group and simplify Company's organization. Concerning aforementioned merger transaction, an application has been made to the Capital Markets Board for the approval of "Text of Announcement. Accordingly, "Text of Announcement" has been approved by the meeting of Capital Markets Board dated 1 August 2019 and numbered 43/985. Merger transaction has been registered at İstanbul Trade Registration Office on 16 August 2019.

Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. was established on September 2013 with an aim to operate in the field of geothermal power generation as a joint venture (Turcas Enerji Holding A.Ş.:46%, BM Mühendislik ve İnşaat A.Ş.: 46% and Alte Enerji A.Ş.: 8%). The Company purchased 46% shares owned by BM Mühendislik ve İnşaat A.Ş. on 30 May 2016 and purchased 8% shares owned by Alte Enerji A.Ş. on 11 December 2018. Thus, Turcas Petrol A.Ş. has become 100% shareholder of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş..

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

NOTE 1- GROUP'S ORGANISATION AND NATURE OF OPERATIONS (Continued)

Associates	Country	Nature of business
Shell & Turcas Petrol A.Ş. ("STAŞ")	Turkey	Petroleum products
RWE&Turcas Güney Elektrik Üretim A.Ş. ("RWE&Turcas Güney" or "RTG")	Turkey	Energy, electricity

STAŞ operates in every aspect of the purchase, sale, import, export, storage and distribution of all types of fuel and oil.

RWE & Turcas Güney Elektrik Üretim A.Ş has been established on 7 December 2007 in order to construct and operate electricity power plant, generate electricity, heat and steam from power plants, perform maintenance services and market the recycled and waste materials.

The detailed information about the investments accounted by equity method is given in Note 10.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations.

The financial statements of the consolidated financial statements of the Group are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the consolidated financial statements of the Group have been prepared accordingly.

The Group maintains its books of account and prepares its statutory financial statements in TL in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and accounting principles issued by the CMB. The consolidated financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion, these consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

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

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

2.2 Consolidation Principles

(a) The consolidated financial statements include the accounts of the parent company, Turcas, and its Subsidiaries and Associates on the basis set out in sections (b) to (d) below. The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records, which are maintained under the historical cost convention, with adjustments and reclassifications for the purpose of presentation in conformity with Turkish Accounting Standards and applying uniform accounting policies and presentations.

(b) Subsidiaries are companies over which Turcas has capability to control the financial and operating policies for the benefit of Turcas through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself.

(c) Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases. Where necessary, accounting policies for Subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

The balance sheets and statements of income of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Turcas and its Subsidiaries is eliminated against the related shareholders' equity. Intercompany transactions and balances between Turcas and its Subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Turcas in its Subsidiaries are eliminated from shareholders' equity and income for the year, respectively.

The table below sets out all Subsidiaries included in the scope of consolidation and shows their direct and indirect ownership, which are identical to their economic interests, at years ended 31 December 2019 and 2018 (%):

	31 December 2019		31 December 2018	
	Ownership interest (%)	**Effective interest (%)**	**Ownership interest (%)**	**Effective interest (%)**
Turcas Elektrik Toptan Satış A.Ş.	-	-	100,00	100,00
Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.	100,00	100,00	100,00	100,00

(d) Associates are companies in which the Group has attributable interest of more than 20% and less than 50% of the ordinary share capital held for the long-term and over which a significant influence is exercised. Associates are accounted for using the equity method.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables or the significant influence ceases the Group does not continue to apply the equity method, unless it has incurred obligations or made payments on behalf of the associate. Subsequent to the date of the caesura of the significant influence the investment is carried either at fair value when the fair values can be measured reliably or otherwise at cost when the fair values cannot be reliably measured.

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

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

2.2 Consolidation Principles (Continued)

The table below sets out all Associates and shows their direct and indirect ownership at 31 December 2019 and 2018:

	2019 (%)	2018 (%)
Shell & Turcas Petrol A.Ş.	30,00	30,00
RWE & Turcas Güney Elektrik Üretim A.Ş.	30,00	30,00

(e) Available-for-sale investments, in which the Group has controlling interests equal to or above 20%, or over which are either immaterial or where a significant influence is not exercised by the Group, that do not have quoted market prices in active markets and whose fair values cannot be reliably measured are carried at cost less any provision for impairment.

Available-for-sale investments, in which the Group has attributable interests below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured are carried at fair value (Note 5).

(f) The minority shareholders' share in the net assets and results of Subsidiaries for the year are separately classified as non-controlling interest in the consolidated statement of financial position and statements of income.

2.3 Amendments in Turkish 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 TFRS and TFRIC 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.

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

TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 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. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

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.

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

2.3 Amendments in Turkish Financial Reporting Standards (Continued)

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.

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 and had no effect on the financial statements.

Long-term lease agreements arising from the usufruct agreements of Shell & Turcas Petrol A.Ş., are evaluated in accordance with TFRS 16 and their effects are reflected in the financial statements.

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

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

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 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.

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

TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 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)

2.3 Amendments in Turkish Financial Reporting Standards (Continued)

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

Annual Improvements – 2015–2017 Cycle

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

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements — The amendments to TFRS 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 TFRS 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.
- TAS 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.
- TAS 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 did not have a significant impact on the financial position or performance of the Group.

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

In January 2019, the POA published Amendments to TAS 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.

These 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.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

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

Applying TFRS 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.

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

2.3 Amendments in Turkish Financial Reporting Standards (Continued)

These 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.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA 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.

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 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. TFRS 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.

Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 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.

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 TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. 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.

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

2.3 Amendments in Turkish Financial Reporting Standards (Continued)

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

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 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 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.

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

The amendments issued to TFRS 9 and TAS 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 TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

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

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

Amendments to TAS 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.

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

2.4 Restatement and Errors in the Accounting Policies and Estimates

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior periods' consolidated financial statements. The effect of changes in accounting estimates affecting the current period is recognised in the current period; the effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

2.5 Summary of significant accounting policies

Significant accounting policies applied in the preparation of these consolidated financial statements are summarised below:

Related parties

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

a) Directly, or indirectly through one or more intermediaries, the party:

   i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
   ii) has an interest in the Group that gives it significant influence over the Group; or
   iii) has joint control over the Group;

b) The party is an associate of the Group;
c) The party is a joint venture in which the Group is a venture;
d) The party is member of the key management personnel of the Group or its parent;
e) The party is a close member of the family of any individual referred to in (a) or (d);
f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to In (d) or (e); or
g) The party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

Trade receivables

Trade receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortised cost. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant (Note 7).

Group has preferred to apply "simplified approach" defined in TFRS 9 for the recognition of impairment losses on trade receivables, carried at amortised cost and that do not comprise of any significant finance component (those with maturity less than 12 months). In accordance with the simplified approach, Group measures the loss allowances regarding its trade receivables at an amount equal to "lifetime expected credit losses" except incurred credit losses in which trade receivables are already impaired for a specific reason (Dipnot 2.7).

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

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

2.5 Summary of significant accounting policies (Continued)

Unearned finance income/expense due to commercial transactions are accounted for under "Other Operating Income/Expenses" in the consolidated statement of income or loss.

Deferred finance income/charges

Deferred finance income/charges represent financial income and expenses on credit sales and purchases. These incomes and expenses are calculated with the effective interest rate and shown under financial income and expenses over the period of credit sales and purchases (Notes 23 and 24).

Financial Assets

Classification

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

Financial assets are not reclassified after initial recognition except when the Group's business model for managing financial assets changes; in the case of a business model change, subsequent to the amendment, the financial assets are reclassified on the first day of the following reporting period.

Recognition and Measurement

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

"Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified.

Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or are transferred and the Group transfers all risks and rewards.

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

2.5 Summary of significant accounting policies (Continued)

Available-for-sale financial assets and financial assets measured at fair value through profit or loss are subsequently measured at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or are transferred and the Group transfers all risks and rewards. Available-for-sale financial assets and financial assets measured at fair value through profit or loss are subsequently measured at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of income.

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (Note 4).

Property, plant, equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets, except for land due to their indefinite useful life.

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

Buildings	50 years
Machinery and equipment	5-10 years
Motor vehicles, furniture and fixtures	5-10 years
Special costs	5 years

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use. The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilisation of this property, plant and equipment or fair value less cost to sell. Gains or losses on disposals of property, plant and equipment are included in the related income or expense accounts, as appropriate.

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

2.5 Summary of significant accounting policies (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits with the item will flow to the company. Repairs and maintenance are charged to the statements of income during the financial year in which they are incurred (Note 11).

Intangible assets

Intangible assets are comprised of acquired brands, trademarks, patents, developments costs and computer software (Note 12).

a) Commercial business licenses
Separately acquired trademark licenses and patents are carried at their acquisition costs. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives (five years).

b) Computer software
Computer software is recognised at its acquisition cost. Computer software is amortised on a straight-line basis over their estimated useful lives of five years and carried at cost less accumulated amortization.

c) The Electricity generation license
The electricity generation license obtained from the acquisition of Turcas Kuyucak Jeotermal A.Ş. was initially recognized at the fair value on 30 May 2016 in accordance with IFRS 3 and amortisation is calculated using the straight-line method to allocate the cost of licenses over their remaining estimated useful lives (twenty-five years).

The new accounting policies related to the Group's adoption of IFRS 16 are disclosed below.

Right of use assets

The Group recognises right of use assets at the commencement date of the lease for the contracts (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 are subject to impairment.

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

2.5 Summary of significant accounting policies (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.

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.

Short-term leases and leases of low-value assets

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

Long-term lease agreements arising from the usufruct agreements of Shell & Turcas Petrol A.Ş., are evaluated in accordance with TFRS 16 and their effects are reflected in the financial statements.

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

2.5 Summary of significant accounting policies (Continued)

Financial liabilities and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates (Note 6).

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

Financing costs arising from loans are included in the cost value of the qualifying assets if they are associated with the acquisition or construction of qualifying assets. The qualifying assets refer to assets that require a long period of time to be ready for use or sale as intended. Other credit costs are recognized in profit or loss.

Current and deferred income tax

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

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date (Note 25).

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

Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

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

2.5 Summary of significant accounting policies (Continued)

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (Note 7).

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law, represent the estimated present value of the total reserve of the future probable obligation of Turcas and its subsidiaries arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using estimated liability method. All actuarial profits and losses are recognised in consolidated statements of income (Note 15).

Foreign currency transactions

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

Revenue recognition

The Group has started to use the following five-stage model in recognizing revenue in accordance with TFRS 15"Revenue Standard from Customer Contracts mod which has been effective as of 1 January 2018.

- Identification of contracts with customers
- Identification of performance obligations in contracts
- Determination of the transaction price in contracts
- Distribution of transaction fee to performance obligations
- Revenue recognition

According to this model, the goods or services undertaken in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a separate performance obligation. Then, it is determined whether the performance obligations will be fulfilled in time or at a certain time. If the company transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales in time, it measures the progress of the fulfillment of the performance obligations in full and takes the proceeds to the financial statements.

Revenue, goods or services related to performance obligations in the form of goods or service turnover are accounted for as they fulfil their performance obligations by transferring them to their customers.

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

2.5 Summary of significant accounting policies (Continued)

a) Ownership of the Group's right to collect goods or services,
b) The ownership of the property of the customer,
c) Transfer of the possession of the goods or services,
d) Ownership of significant risks and rewards arising from the ownership of the goods or services,
e) It takes into account the conditions for the customer to accept the goods or services.

If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted. On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis as other operating income.

Dividends

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

Paid-in capital

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

Treasury Shares

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued and is shown as treasury shares in balance sheet. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders (Note 17).

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. No provision is recognised for operating losses expected in later periods (Note 14).

Contingent assets and liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated balance sheets and are disclosed as contingent assets or liabilities (Note 13).

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

2.5 Summary of significant accounting policies (Continued)

Earnings per share

Earnings per share presented in the consolidated statement of income are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned (Note 26).

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions (Note 3).

Reporting of cash flows

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

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

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

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

Cash and cash equivalents comprise cash on hand and bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than 3 months and which are subject to an insignificant risk of changes in value (Note 4).

2.6 Critical accounting estimates and judgements policies

The preparation of consolidated financial statements requires estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realised in the reporting period. Evaluation, estimates and assumptions of accounting are continuously reviewed through taking past experiences, other factors and reasonable expectations as of current date and future events into account. The Group makes estimates and assumptions concerning the future. The accounting estimates and assumptions, by definition, may not be equal the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

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

2.6 Critical accounting estimates and judgements policies (Continued)

Impairment test of RTG

The discount rate used to calculate the discounted cash flows included in the projection between 2020 and 2029 is 14%, which is the Company's Weighted Average Cost of Capital (WACC).

Deferred taxes:

Deferred tax assets and liabilities are recognized for the temporary timing differences arising from the differences between the Group's taxable financial statements and its financial statements prepared in accordance with TAS. The Group's subsidiaries have deferred tax assets resulting from the unused tax losses and other deductible temporary differences that can be deducted from future profits. The partially or fully recoverable amount of deferred tax assets is estimated under current conditions. During the evaluation, future profit projections, current period losses, unused losses and other tax assets' expiration dates and tax planning strategies that may be used are taken into consideration. As a result of the studies carried out, there is an unused past year loss that the Group can deduct from its future tax bases amounting to TL 323,731,860 (31 December 2018: TL 269,891,348). The Group forecasts to generate a taxable profit amounting to TL 21,905,261 within the next five years, deferred tax asset amounting to TL 4,381,053 has been generated. A deferred tax asset has not been created for accumulated losses of TL 301,826,599 (2018: TL 256,474,608) (Note 25).

STAŞ-Goodwill impairment test

The discount rate used to calculate the discounted cash flows included in the projection between 2020 and 2029 is 15.5%, which is the Company's Weighted Average Cost of Capital (WACC).

In determining the fair value of financial assets disclosed in Note 5, the probability of collecting usufructs is considered as 50% and the discount rate is used as 9.6% in USD terms.

2.7 Changes in Accounting Policies

The Group has applied TFRS 9 Financial Instruments and TFRS 15 Revenue Standards from Customer Contracts for the period 1 January 2018.

In the application of TFRS 9 Financial Instruments Standard, the Group has benefited from the exemption, which allows it not to rearrange the comparative information for prior periods regarding classification and measurement (including impairment). As of 1 January 2018, the cumulative effect difference adjustment arising from the application of TFRS 9 for the financial assets and financial liabilities has been recognized in prior years' profits and comparative information on previous periods has not been restated.

The Group applied the TFRS 15 Revenue Standard from the Customer Contract on 1 January 2018 retrospectively with the cumulative effect of the first application. The cumulative effect arising from the application for the first time was accounted for as difference correction in the prior years' profit as of 1 January 2018 and the comparative information for the previous periods has not been restated.

The application of TFRS 9 and TFRS 15 standards does not have any effect on the statement of financial position as of 31 December 2018 and the statement of profit or loss for the period ended at the same date. The application of the standards has no significant effect on the statement of comprehensive income and the statement of cash flows.

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

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

2.7 Changes in Accounting Policies (Continue)

i) TFRS 9 Financial Instruments Standard and TFRS 15 Revenue from Customer Contracts-Impacts

The Group has reviewed the impact of TFRS 9 and TFRS 15 on all its operations and introduced TFRS 9 and TFRS 15 effective from 1 January 2018. As of 1 January 2018, the cumulative effect of adoption of all TFRS 9 and 15 is accounted for under equity.

The impact of TFRS 9 and TFRS 15 on the retained earnings of the Group as of 1 January 2018 is as follows:

	1 January 2018
Previous years profits - January 1, 2018	**296,549,440**
Effect on investments accounted by equity method	3,272,060
Total impact of previous year adjustments in accordance with TFRS 15	**3,272,060**
Impact on financial investments	5,542,316
Total effect of previous year adjustments in accordance with TFRS 9	**5,542,316**
Retained earnings - January 1, 2018 (including TFRS 15 and TFRS 9 effects)	**305,363,816**

TFRS 9 Financial Instruments Standard

Classification and Measurement

The Group classifies its financial assets in two categories as financial assets at accounted to amortized cost and the fair value difference is reflected in the other comprehensive income. The classification of financial assets is determined considering the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The appropriate classification of financial assets is determined at the time of the purchase.

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

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

2.7 Changes in Accounting Policies (Continue)

"Financial assets measured at fair value through other comprehensive income", are non-derivative assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses until the financial asset is derecognized or reclassified.

Group may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income. In such cases, dividends from those investments are accounted for under consolidated statement of profit and loss.

Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarized below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

	Previous classification according to TAS 39	New classification according to TFRS 9
Financial Assets		
Cash and cash equivalents	Loans and receivables	Amortised cost
Financial Investments	Available for sale financial assets	Fair value through other comprehensive income
Financial Assets	Available for sale financial assets	Fair value through other comprehensive income
Trade receivables	Loans and receivables	Amortised cost
Other receivables	Loans and receivables	Amortised cost
Financial liabilities		
Financial debts	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost
Other payables	Amortised cost	Amortised cost

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

2.7 Changes in Accounting Policies (Continue)

Impairment

In accordance with TAS 39 Financial Instruments: Recognition and Measurement, effective from 1 January 2018, a credit losses model has been defined instead of TFRS 9 Financial Instruments standard. The significant impact arising from the application of TFRS 9 on the carrying amount of financial assets and financial liabilities is explained above.

The Group allocates an allowance for impairment on the following financial assets:

- Cash and cash equivalents
- Trade receivables
- Other receivables

The Group uses the simplified approach in TFRS 9 to calculate the expected credit losses of such financial assets. This method requires the recognition of lifetime expected credit losses for all trade receivables. As a result of the evaluation, the Group has not recorded any impairment on the trade receivables, cash and cash equivalents and other receivables.

2.8 Comparative Information and Restatement of Prior Period Financial Statements

The financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. In order to maintain comparability when the presentation or classification of financial statement items changes, prior period financial statements are also reclassified accordingly.

In the statement of profit or loss for the period January 1 - December 31, 2018, Usufruct certificates of STAŞ amounting to TL 73,899,149, included in Non-current Financial Assets, is reclassified amounting to TL 40,201,731 as Current Financial Assets.

In the note of Segment Reporting, the EBITDA for the year of 2018 is recalculated and displayed amounting to TL 6,866,846.

NOTE 3 - SEGMENT REPORTING

The reportable segments of Turcas have been organized by management as oil and electricity. The products which are included in oil are fuel products, lubricants and engine oil. Electricity group consists of power generation.

Accounting policies applied by each operational segment of Turcas are the same as those are applied in Turcas's consolidated financial statements prepared in accordance with Public Oversight Financial Reporting Standards. Turcas's reportable segments are strategical business units which presents various products and services. Each of these segments are administrated seperately by the necessity of requiring different technologies and marketing strategies.

Information regarding to each segment has been presented below. Earnings before interest, tax, depreciation and amortisation (EBITDA) have been taken into consideration for evaluation of the performance of the operational segments. Management considers EBITDA as the most adequate indicator for making comparison with competitors in the sector.

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

NOTE 3 - SEGMENT REPORTING (Continued)

a) Operational segments which have been prepared in accordance with the reportable segments for the year ended 31 December 2019 are as follows:

	Oil	**Electricity**	**Other**	**Total**
Revenue from external customers	**-**	**44,939,742**	**-**	**44,939,742**
EBITDA	**-**	**28,531,640**	**(2,715,325)**	**25,816,315**
Financial income	**-**	**29,504,993**	**109,062,643**	**138,567,636**
Financial expenses	**-**	**(57,981,437)**	**(144,107,997)**	**(202,089,434)**
Amortization and depreciation expenses	**-**	**(8,755,087)**	**(2,514,897)**	**(11,269,984)**
Income/ (loss) from Associates	**49,212,000**	**(51,706,683)**	**-**	**(2,494,683)**
Purchase of tangible and intangible assets	**-**	**9,830,655**	**3,035,107**	**12,865,762**

b) Operational segments which have been prepared in accordance with the reportable segments for the year ended 31 December 2018 are as follows:

	Oil	Electricity	Other	Total
Revenue from external customers	-	46,429,265	-	46,429,265
EBITDA	-	26,640,696	(19,773,850)	6,866,846
Financial income	-	5,465,715	96,919,237	102,384,952
Financial expenses	-	(75,454,819)	(207,065,711)	(282,520,530)
Amortization and depreciation expenses	-	(8,309,684)	(2,446,153)	(10,755,837)
Income/ (loss) from Associates	26,434,431	(18,543,565)	-	7,890,866
Purchase of tangible and intangible assets	-	25,469,826	3,870,364	29,340,190

c) Operating segment information as of 31 December 2019 is shown below:

	Oil	**Electricity**	**Other**	**Eliminations**	**Total**
Segment assets (*)	**-**	**260,584,871**	**323,403,996**	**(29,969,247)**	**554,019,620**
Investments accounted by equity method	**409,381,940**	**353,819,108**	**-**	**-**	**763,201,048**
Segment liabilities	**-**	**287,804,028**	**509,691,160**	**(685,320)**	**796,809,868**

d) Operating segment information as of 31 December 2018 is shown below:

	Oil	Electricity	Other	Eliminations	Total
Segment assets (*)	-	256,148,663	285,194,143	4,335,829	545,678,635
Investments accounted by equity method	505,507,940	300,527,075	-	-	806,035,015
Segment liabilities	-	270,768,306	520,355,721	(142,257)	790,981,770

(*) Through deducting investment amounts of associates which are accounted by equity method.

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

NOTE 3 - SEGMENT REPORTING (Continued)

e) Reconciliation between reportable segment incomes is as follows:

	1 January-31 December 2019	1 January-31 December 2018
Revenue		
Segment revenue	**44,939,742**	46,429,265
Consolidated revenue	**44,939,742**	46,429,265
EBITDA		
EBITDA of Segment	**28,531,640**	26,640,696
Other EBITDA	**(2,715,325)**	(19,773,850)
Consolidated EBITDA	**25,816,315**	6,866,846
Financial income	**138,567,637**	102,384,952
Financial expense	**(202,089,434)**	(282,520,530)
Income from invesment activities	**18,701,693**	33,134,635
Income/(Loss) from investments accounted by equity method	**(2,494,683)**	7,890,866
Depreciation and amortization expense	**(11,269,984)**	(10,755,837)
Consolidated profit / (loss) before tax	**(32,768,456)**	(142,999,068)

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash	**30,673**	14,082
Banks		
- time deposits	**133,193,922**	85,420,089
- demand deposits	**205,881**	126,117
	133,430,476	85,560,288

The maturities of cash and cash equivalents are as follows:

	31 December 2019	31 December 2018
Up to 30 days	**133,421,243**	77,249,105
Up to 60 days	**9,233**	8,311,183
	133,430,476	85,560,288

The effective interest rates (%) of time deposits are as follows:

	31 December 2019	31 December 2018
TL	**10.16%**	15.38%
US Dollars	**1.53%**	2.37%
EUR	**0.14%**	0.92%

The analysis of cash and cash equivalents included in the consolidated statements of cash flows for the years ended 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Cash and cash equivalents	**133,430,476**	85,560,288
Less: Interest Accrual	**(23,911)**	(11,426)
	133,406,565	85,548,862

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

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

NOTE 5 - FINANCIAL INVESTMENTS

a) Financial investments available for sale:

	31 December 2019		31 December 2018	
	Participation amount	**Participation rate (%)**	Participation amount	Participation rate (%)
ATAŞ (*)	**10,284,327**	**5**	5,555,556	5
Enerji Piyasaları İşletmeleri Anonim Şirketi (**)	**50,000**	**0.08**	50,000	0.08
	10,334,327		5,605,556	

(*) According to TFRS 9 Financial Instruments, effective from 1 January 2018, ATAŞ is started to be recognized at fair value. As of 31 December 2019, "fair value difference" due to revaluation has been accounted under "Income from investment activities" (Note 22) in the consolidated statement of profit or loss.

(**) It consists of Group C 50.000 shares of EPİAŞ with a nominal value of TL 50,000 owned by Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.

b) Financial Assets:

	31 December 2019	31 December 2018
Currents Financial Assets (*)	**22,696,338**	40.201.731
Non-Current Financial Assets (*)	**19,004,828**	33.697.418
Non-Current Financial Assets (**)	**721,510**	-
Total	**42,422,676**	73.899.149

Financial assets are recognized at fair value.

(*) The financial asset originating from the agreements signed between Turcas and Shell Company of Turkey Ltd. (Shell) on 25.08.2017 is subject to valuation and disclosed in the financial statements as TL 41,701,166 (Note 10).

(**) It consists of Turcas' investment at a venture capital investment fund.

	2019	**2018**
1 January	**73,899,149**	77,701,140
Preferred dividend collection(-)	**(46,215,200)**	(36,932,800)
Additions	**815,605**	-
Fair value difference	**13,923,122**	33,130,809
31 December 2019	**42,422,676**	73,899,149

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

NOTE 6 - FINANCIAL LIABILITIES

	31 December 2019	31 December 2018
Short-term bank borrowings	**116,394,469**	134,697,747
Long-term bank borrowings	**628,536,656**	615,025,824
	744,931,125	749,723,571

			31 December 2019
	Yearly average effective interest rate (%)	**Original amount**	**TL**
EUR borrowings			
- Floating interest rate (*)	**6M Euribor + %1.65- 6M Euribor + %5.4**	**11,919,467**	**79,271,606**
- Fixed interest rate (***)	**%4.75**	**1,601,298**	**10,649,591**
USD borrowings			
- Floating interest rate (**)	**6M Libor + %4.75**	**4,427,788**	**26,301,945**
TL borrowings			
- Fixed interest rate (****)	**%16.36**	**171,327**	**171,327**
Total short term financial liabilities			**116,394,469**
EUR borrowings			
- Floating interest rate (*)	**6M Euribor + %1.65- 6M Euribor + %5.4**	**63,584,682**	**422,876,288**
- Interest accrual of EUR floating rate loan (*)	**-**	**20,571**	**136,807**
- Fixed interest rate (***)	**%4.75**	**9,729,672**	**64,708,157**
- Interest accrual of EUR fixed rate loan (***)	**-**	**1,500**	**9,977**
USD borrowings			
- Floating interest rate (**)	**6M Libor + %4.75**	**23,689,907**	**140,722,783**
- Interest accrual of USD floating rate loan (**)	**-**	**5,228**	**31,057**
TL borrowings			
- Fixed interest rate (****)	**%16.36**	**51,587**	**51,587**
Total long term financial liabilities			**628,536,656**
Total financial liabilities			**744,931,125**

(*) The outstanding loan balance used for the long-term financing of Denizli natural gas power plant from Bayern LB and EAA (Erste Abwicklungsanstalt) banks consortium is TL 389,777,240 (EUR 58,607,831) including its accrued interest, which is recognized through the deduction of ECA premium fee amounting to TL 10,969,968 (EUR 1,649,470) and arrangement fee amounting to TL 1,431,264 (EUR 215,208) respectively from the total amount of the loan. The aforementioned commission amounts are amortized throughout the maturity of the loan. The outstanding loan balance used for the financing of Denizli natural gas power plant from TSKB, is TL 125,702,649 (EUR 18,900,949) including its accrued interest, which is recognized through deducting the arrangement fee amounting to TL 793,955 (EUR 119,381) from total credit amount. The aforementioned commission amount is amortized throughout the maturity of the loan.

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

(**) According to the loan agreement signed on February 25, 2016 by TSKB and Turcas Kuyucak Jeotermal Elektrik Üretim, which is the 100% subsidiary of the Group, for the financing of geothermal power plant investment, the total maturity is 14 years and grace period is 30 months with a total loan limit of USD 40.5 million and EUR 15 million. As of 31 December 2019, the balance of the loan, which is utilized from the limit allocated in USD, is around TL 167,603,250 (USD 28,215,085) including accrued interest. It is recognized through deducting the arrangement fee amounting to TL 425,070 (USD 71,558) and commitment fee amounting the 122,395 (USD 20,605) respectively from total loan amount. The aforementioned commission amounts will be amortized throughout the term of the loan.

(***) Aforementioned loan limit as of 31 December 2019, the balance of the loan which is utilized from the limit allocated in EUR is TL 75,616,246 (EUR 11,369,838) including the accrued interest. The arrangement fee amounting to TL 188,463 (EUR 28,338) and the commitment fee amounting to TL 60,058 (EUR 9,030) have been shown for this loan by deducting from the total loan amount. The aforementioned commission amounts will be amortized throughout the term of the loan.

(****) It consists of commercial loan with a balance of TL 222,914 including the accrued interest from Türkiye İş Bankası with 16.36% fixed interest rate.

			31 December 2018
	Yearly average effective interest rate (%)	**Original amount**	**TL**
EUR borrowings			
- Floating interest rate (*)	**6M Euribor + %1.65**	**11,008,848**	**66,361,334**
- Fixed interest rate (***)	**%4.35 - %4.75**	**1,702,946**	**10,265,361**
USD borrowings			
- Floating interest rate (**)	**6M Libor + %3.40- 6M Libor%4.75**	**11,005,663**	**57,899,692**
TL borrowings			
- Fixed interest rate	**%16.36**	**171,360**	**171,360**
Total short term financial liabilities			**134,697,747**
EUR borrowings			
- Floating interest rate (*)	**6M Euribor + %1.65**	**55,839,616**	**336,601,205**
- Interest accrual of EUR floating rate loan (*)	**-**	**26,700**	**160,947**
- Fixed interest rate(***)	**%4.35 - %4.75**	**10,821,030**	**65,229,166**
USD borrowings			
- Floating interest rate (**)	**6M Libor + %3.40 – 6M Libor + %4.75**	**40,454,867**	**212,829,007**
- Interest accrual of USD floating rate loan (**)	**-**	**2,650**	**13,943**
TL borrowings			
- Fixed interest rate	**%16.36**	**191,556**	**191,556**
Total long term financial liabilities			**615,025,824**
Total financial liabilities			**749,723,571**

(*) The outstanding loan balance used for the long-term financing of Denizli natural gas power plant from Bayern LB and EAA (Erste Abwicklungsanstalt) banks consortium is TL 417,550,410 (EUR 69,268,482) including its accrued interest, which is recognized through the deduction of ECA premium fee amounting to TL 12,995,660 (EUR 2,155,883) and arrangement fee amounting to TL 1,431,264 respectively from the total amount of the loan. The aforementioned commission amounts are amortized throughout the maturity of the loan.

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

(**) The outstanding loan balance used for the financing of Denizli natural gas power plant from TSKB, is TL 110,242,324 (USD 20,955,031) including its accrued interest, which is recognized through deducting the arrangement fee amounting to TL 157,840 (USD 30,002) from total credit amount. The aforementioned commission amount is amortized throughout the maturity of the loan. According to the loan agreement signed on February 25, 2016 by TSKB and Turcas Kuyucak Jeotermal Elektrik Üretim, which is the 100% subsidiary of the Group, for the financing of geothermal power plant investment, the total maturity is 14 years and grace period is 30 months with a total loan limit of USD 40.5 million and EUR 15 million. As of 31 December 2018, the balance of the loan, which is utilized from the limit allocated in USD, is around TL 161,176,058 (USD 30,636,594) including accrued interest. It is recognized through deducting the arrangement fee amounting to TL 395,506 (USD 75,178) and commitment fee amounting the 122,394 (USD 23,265) respectively from total loan amount. The aforementioned commission amounts will be amortized throughout the term of the loan.

(***) According to the loan agreement signed on February 25, 2016 by TSKB and Turcas Kuyucak Jeotermal Elektrik Üretim, which is the 100% subsidiary of the Group, for the financing of geothermal power plant investment, the total maturity is 14 years and grace period is 30 months with a total loan limit of USD 40.5 million and EUR 15 million. As of 31 December 2018, the amount of the loan used in the EUR limit is TL 75,391,122 (EUR 12,506,822) including the accrued interest. The arrangement fee amounting to TL 185,035 (EUR 30,696) and the commitment fee amounting to TL 60,057 (EUR 9,963) have been shown for this loan by deducting from the total loan amount. Such commission amounts are amortized over the term of the loan. In addition, there is an auto loan with a maturity of TL 348,497 (EUR 57,813) including the accrued interest from Garanti Bank Malta Branch with 4.35% interest rate.

Floating interest rated financial debts denominated in foreign currencies are translated to TL using effective exchange rates at period end, Interest rates of floating interest rated financial debts are redetermined in 6 month periods, therefore carrying values are considered to approximate their fair values.

The redemption schedule of financial liabilities is as follows:

	2019	2018
Within 1 year	**116,394,469**	134,697,747
1 - 2 years	**123,500,992**	125,271,719
2 - 3 years	**122,263,709**	117,772,412
3 - 4 years	**125,455,424**	110,828,108
4 - 5 years	**120,784,359**	82,458,980
After 5 years	**136,532,172**	178,694,605
	744,931,125	749,723,571

The following is the information compiled regarding the loans utilized for the 800 MW Natural Gas Combined Cycle Power Plant investment, within the scope of financing corresponding to the share of RWE Turcas&Güney Elektrik Üretim A.Ş., an associate of the Group, in the Denizli Project:

- The loan agreement was entered into with the bank consortium composing of Bayerische Landesbank ("Bayern LB") and EAA (Erste Abwicklungsanstalt) with respect to the amount EUR 149,351,984, with a maturity of 13 years and no-payback (grace) period of three years at the interest rate Euribor + 1.65%, under the guarantee of Euler Hermes German Export Loan Agency,

- The loan agreement was signed with Türkiye Sınai Kalkınma Bankası A.Ş. ("TSKB") with respect to the amount USD 55,000,000, with a maturity of 10 years and no-payback (grace) period of three years at the interest rate Libor + 3.40%.

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

NOTE 6 - FINANCIAL LIABILITIES (Continued)

In accordance with the amendment agreement signed on February 20, 2016 between Turcas Elektrik Üretim A.Ş. ("TEÜAŞ") and TSKB, Bayern LB and EAA (Erste Abwicklungsanstalt) (Consortium Banks), maturities of loans obtained from Consortium Banks for the financing of Denizli Combined Cycle Gas Power Plant with an installed capacity of 800 MW (TEÜAŞ's stake: 30%) have been extended by 2 years. Therefore, maturity of the loan obtained from TSKB is extended from 2020 to 2022. Meanwhile, maturity of the loan obtained from Bayern LB and EAA (Erste Abwicklungsanstalt) is extended from 2023 to 2025.

Turcas Petrol A.Ş. and TSKB has signed an additional agreement on 7th August, 2019. According to the mentioned agreement; maturity of the loan was extended to 30.06.2025 from 21.12.2022; repayment plan was updated with the first principal repayment to be realized in 30.06.2021; outstanding USD denominated loan balance was converted into Euro.

The outstanding amount of the loan received from the bank consortium formed by Bayern LB and EAA (Erste Abwicklungsanstalt) is EUR 58,607,831 and the outstanding amount of the loan received from TSKB is EUR 18,900,949 as of 31 December 2019.

A loan agreement having 14 years of maturity with a grace period of 30 months amounting to USD 40.5 million and EUR 15 million was signed on February 25, 2016 with TSKB for the financing of geothermal power plant investment within the body of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş., which is the 100% subsidiary of the Group. As of 31 December 2019, the outstanding loan balance is around USD 28,215,085 and EUR 11,369,838.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non–cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities:

				Cash Changes	Non-cash changes	
	31 December 2018	Principal Payments	Interest Payments	Cash Flow from borrowings	Interest accruals & translation adjustments	31 December 2019
Bank loans	749,723,571	(94,146,876)	(30,710,794)	2,176,040	117,889,184	744,931,125
Financial liabilities	**749,723,571**	**(94,146,876)**	**(30,710,794)**	**2,176,040**	**117,889,184**	**744,931,125**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables	**31 December 2019**	31 December 2018
Trade receivables (*)	**5,727,967**	4,416,440
Other	**120,841**	82,546
	5,848,808	4,498,986
Provision for doubtful trade receivables	**(685,411)**	(685,411)
Short-term trade receivables (net)	**5,163,397**	3,813,575

(*) The aforementioned trade receivable consists of receivables within the scope of the sales of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.

The movement of provision for doubtful receivable is as follows:

	31 December 2019	31 December 2018
Balance at the beginning of the year	**685,411**	685,411
Released provisions	**-**	-
Balance at the end of the year	**685,411**	685,411

The Group has no trade receivables that are overdue but not considered doubtful trade receivables as of 31 December 2019 and 31 December 2018.

Short term trade payables	**31 December 2019**	31 December 2018
Trade payables (*)	**32,884,990**	23,835,721
Notes Payable (**)	**-**	1,893,924
Payables to related parties (Note 27)	**36,753**	-
	32,921,743	25,729,645

Long term trade payables	**31 December 2019**	31 December 2018
Trade payables (*)	**11,953,788**	10,834,727
	11,953,788	10,834,727

(*) Trade payables consist of payables that have been made to vendors within the scope of the construction of the 18.16 MW Geothermal Power Plant ("GPP") within the body of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.

(**) The amount is composed of the outstanding balance of the checks (due date is 31 December 2019) given for the acquisition of 8% of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. owned by Alte Enerji A.Ş. on 11 December 2018.

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

Short term other receivables	**31 December 2019**	31 December 2018
Receivables from related parties (*) (Note 27)	**589,606**	19,000,804
Other	**1,972,787**	427,903
	2,562,393	19,428,707

Long term other receivables	**31 December 2019**	31 December 2018
Receivables from related parties (**) (Note 27)	**74,492,539**	70,153,099
Other	**531,653**	531,653
	75,024,192	70,684,752

Other payables	**31 December 2019**	31 December 2018
Taxes and duties payables	**3,370,578**	1,440,907
Due to related parties (Note 27)	**778,014**	760,781
Other	**406,794**	303,166
	4,555,386	2,504,854

(*) Group's subsidiary RWE & Turcas Güney Elektrik Üretim A.Ş. ("RTG")'s Board of Directors decided to include TL 347,681,920 (Turcas Petrol A.Ş.'s share: TL 104,304,576) of the shareholder loan receivables into capital on 20.12.2019.

(**) Among receivables from related parties,TL 72,600,000 is the shareholder loan receivable with maximum 3 years maturity and TL Libor+2.1% interest rate (floating interest) given to Shell & Turcas Petrol A.Ş. on 17.09.2019.
Group's subsidiary RWE & Turcas Güney Elektrik Üretim A.Ş. ("RTG")'s Board of Directors decided to include TL 347,681,920 (Turcas Petrol A.Ş.'s share: TL 104,304,576) of the shareholder loan receivables into capital on 20.12.2019. Hence, long term receivables due from RTG decreased to TL 1,892,539 as of 31.12.2019.

NOTE 9 – PREPAID EXPENSES

Short term prepaid expenses	**31 December 2019**	31 December 2018
Prepaid expenses for the following months	**112,101**	89,942
Advances given to suppliers	**309,587**	163,706
	421,688	253,648

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

NOTE 10 - INVESTMENTS ACCOUNTED BY EQUITY METHOD

	%	**31 December 2019**	%	31 December 2018
STAŞ	**30**	**409,381,940**	30	505,507,940
RWE & Turcas Güney Elektrik Üretim A.Ş.	**30**	**353,819,108**	30	300,527,075
		763,201,048		806,035,015

	31 December 2019	31 December 2018
Balance at the beginning of the year	**806,035,015**	792,589,283
Income and losses from associates (net) (*)	**(2,494,683)**	7,890,866
Transactions with associates (**)	**765,918**	765,917
Change in accounting policies (TFRS 15) (***)	**-**	3,272,060
Actuarial gain / losses	**2,190,222**	1,516,889
Dividend received (****)	**(147,600,000)**	-
Capital increases of associates (*****)	**104,304,576**	-
Balance at the end of the year	**763,201,048**	806,035,015

(*) The Group's income and loss balances from associates amounting to TL 2,494,683 consist of income balance from Shell & Turcas Petrol A.Ş amounting to TL 49,212,000, loss balance from RWE&Turcas Güney Elektrik Üretim A.Ş. amounting to TL 51,706,683.

(**) The balance consists of the consolidation adjustment for capitalized finance expenses by RWE&Turcas Güney Elektrik Üretim A.Ş. related to the borrowing from the Group in order to finance Denizli Plant investment of RWE&Turcas Güney Elektrik Üretim A.Ş.

(***) The effect of the retrospective application of TFRS 15 is derived from the investment STAŞ, which is accounted under the investments accounted for using the equity method. The change of application affects the account of previous years' profits with this account.

(****) Group's 30% subsidiary, Shell & Turcas Petrol A.Ş., has decided to distribute 492 MM TL (share of Turcas Petrol A.Ş.: TL 147,600,000) of dividends from previous years' income.

(*****) Group's subsidiary RWE & Turcas Güney Elektrik Üretim A.Ş. ("RTG")'s Board of Directors decided to convert TL 347,681,920 (Turcas Petrol A.Ş.'s share: TL 104,304,576) of the shareholder loan receivables into capital on 20.12.2019.

STAŞ

As explained in Note 1, STAŞ operates for the sales, purchase, export and import, storage and distribution of each kind of fuel products.

Shell & Turcas Petrol A.Ş. has become operational on 1 July 2006. As of 31 December 2019, STAŞ is one of the leading companies in Turkish fuel distribution sector with 1,027 fuel stations, lubricant production facilities, retail and commercial sale.

In accordance with the agreements signed on 25 August 2017 between Turcas and Shell Company of Turkey;

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

NOTE 10 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

(i) Shell has been granted the right, but not the obligation, exercisable at any time and only by Shell, after a 2 year lock-up period, to trigger a calculation of the Fair Market Value (FMV) of STAS for the purpose of purchasing Turcas' 30% shares. If upon calculation of FMV Shell makes an offer to purchase Turcas' shares in STAS, Turcas has the right to counter offer to purchase Shell's 70% shares in STAS, which could then effectively trigger an auction between the parties where each party has the right either to agree to sell its shares at the last offer or make an increased counter-offer to purchase the other party's shares. Shell has the ability to cancel the auction process at any time before acceptance of any offer. If Shell stops the process, all the offers made up to that time will be null and void and each party's shareholding in STAS will not change. But if it elects to do so, a 2 year lock up period will again be imposed.

(ii) In return for Turcas providing Shell with the option to trigger an exit, Shell shall cause STAS to issue 125 Usufruct Certificates to Turcas, which shall each entitle Turcas to USD 64,000 of preferred dividends per annum to be valid from financial year 2016 and with first payment to be realized in 2017.

The Group has valuated the financial asset resulting from this agreement as TL 41,701,166 in the financial statements (Note 5).

STAŞ	**31 December 2019**	31 December 2018
Total assets	**6,382,225,233**	5,355,651,964
Total liabilities	**(5,017,618,767)**	(3,670,625,496)
Net assets	**1,364,606,466**	1,685,026,468
Group's share of associate's net assets	**409,381,940**	505,507,940

	1 January - 31 December 2019	1 January - 31 December 2018
Net sales	**39,325,332,000**	32,565,851,344
Comprehensive income	**171,580,000**	93,067,361
Group's share of total comprehensive income	**51,474,000**	27,920,208

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

NOTE 10 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Continued)

RWE&Turcas Güney Elektrik Üretim A.Ş.

Turcas has established a joint venture company named RWE & Turcas Güney Elektrik Üretim A.Ş. with RWE Holding A.Ş. that is a subsidiary of RWE AG. Shareholding ratio of Turcas Elektrik Üretim A.Ş. is 30% in this joint venture established in 2007. Natural gas combined cycle power plant with a 800 MW installed capacity, which is established in Denizli by RWE & Turcas Güney Elektrik Üretim A.Ş. has become operational with completion of temporary admission process conducted by the Ministry as of 24 June 2013.

	31 December 2019	31 December 2018
Total assets	**1,473,362,911**	1,452,912,833
Total liabilities	**(268,510,199)**	(423,147,173)
Net assets	**1,204,852,712**	1,029,765,660
Group's share of associate's net assets	**361,455,814**	308,929,698
Inter-group finance expense elimination	**7,636,706**	(8,402,623)
Group's share, net	**353,819,108**	300,527,075

	31 December 2019	31 December 2018
Net sales	**1,040,596,693**	967,077,213
Comprehensive (expense)	**(172,594,868)**	(61,708,176)
Group's share of total comprehensive expense	**(51,778,461)**	(18,512,453)

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2019	Additions	Disposals	31 December 2019
Cost				
Land	**3,064,651**	**450,000**	**-**	**3,514,651**
Land improvements	**7,265,696**	**-**	**-**	**7,265,696**
Buildings	**18,199,524**	**-**	**-**	**18,199,524**
Machinery and equipment	**199,319,824**	**2,194,706**	**-**	**201,514,530**
Motor vehicles, furniture and fixtures	**8,624,351**	**1,414,269**	**(996,000)**	**9,042,620**
Leasehold improvements	**102,719**	**-**	**-**	**102,719**
Construction in progress (*)	**-**	**8,722,961**	**-**	**8,722,961**
	236,576,765	**12,781,936**	**(996,000)**	**248,362,701**
Accumulated depreciation				
Land improvements	**240,817**	**242,664**	**-**	**483,481**
Buildings	**1,750,899**	**398,220**	**-**	**2,149,119**
Machinery and equipment	**20,606,019**	**7,024,468**	**-**	**27,630,487**
Motor vehicles, furniture and fixtures	**4,540,105**	**1,117,400**	**(166,000)**	**5,491,505**
Leasehold improvements	**40,291**	**-**	**-**	**40,291**
	27,178,131	**8,782,752**	**(166,000)**	**35,794,883**
Net book value	**209,398,634**			**212,567,818**

(*) Construction in progress is the investments that's being made within the scope of 18.16 MW Geothermal Power Plant ("GPP") within the body of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.

	1 January 2018	Additions	Disposals	Transfer	31 December 2018
Cost					
Land	2,019,651	1,045,000	-	-	3,064,651
Land improvements	99,154	-	-	7,166,542	7,265,696
Buildings	14,370,000	-	-	3,829,524	18,199,524
Machinery and equipment	19,233,497	1,542,026	-	178,544,301	199,319,824
Motor vehicles, furniture and fixtures	6,341,190	2,281,999	-	1,162	8,624,351
Leasehold improvements	102,719	-	-	-	102,719
Construction in progress (*)	170,479,980	24,282,258	(5,220,709)	(189,541,529)	-
	212,646,191	29,151,283	(5,220,709)	-	236,576,765
Accumulated depreciation					
Land improvements	11,017	229,800	-	-	240,817
Buildings	1,356,920	393,979	-	-	1,750,899
Machinery and equipment	14,027,719	6,579,042	-	(742)	20,606,019
Motor vehicles, furniture and fixtures	3,436,437	1,102,926	-	742	4,540,105
Leasehold improvements	26,094	14,197	-	-	40,291
	18,858,187	8,319,944	-	-	27,178,131
Net book value	193,788,004				209,398,634

(*) Construction in progress is the investments that's being made within the scope of 18.16 MW Geothermal Power Plant ("GPP") within the body of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

On behalf of TSKB A.Ş., there is a mortgage / pledge mortgage on property, plant and equipment owned by Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. as of 31 December 2019 (2018: On behalf of TSKB A.Ş., there is a mortgage / pledge mortgage on property, plant and equipment owned by Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.).

All depreciation expenses of 31 December 2019 have been added to general administrative expenses and cost of sales. (2018: All depreciation expenses have been added to general administrative expenses and cost of sales).

NOTE 12 - INTANGIBLE ASSETS

	1 January 2019	**Additions**	**Disposals**	**31 December 2019**
Cost				
Rights (*)	**86,781,765**	**83,825**	**-**	**86,865,590**
	86,781,765	**83,825**	**-**	**86,865,590**
Accumulated amortization				
Rights	**32,274,683**	**2,487,232**	**-**	**34,761,915**
	32,274,683	**2,487,232**	**-**	**34,761,915**
Net book value	**54,507,082**			**52,103,675**

	1 January 2018	Additions	Disposals	31 December 2018
Cost				
Rights (*)	86,592,858	188,907	-	86,781,765
	86,592,858	188,907	-	86,781,765
Accumulated amortization				
Rights	29,838,790	2,435,893	-	32,274,683
	29,838,790	2,435,893	-	32,274,683
Net book value	56,754,068			54,507,082

(*) It consists of Turcas Kuyucak electricity generation licence obtained for 26 years on April 27, 2016.

The depreciation expenses of 31 December 2019 have been added to general administrative expenses and cost of sales (2018: All depreciation expenses have been added to general administrative expenses and cost of sales).

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

NOTE 13 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

Contingent Liabilities

Contingent assets and liabilities related with Turcas

Collaterals, pledges, mortgages (CPM) given by the Group, as of 31 December 2019 and 2018 are as follows:

		31 December 2019		31 December 2018	
	Currency	**Original Amount**	**TL Amount**	Original Amount	TL Amount
GPM's given by the Company (Guarantee-Pledge-Mortgage)					
A. GPM's given for companies Own legal personality (*)	TL	**24,709,634**	**24,709,634**	24,649,120	24,649,120
	USD	**50,600**	**300,574**	53,657	282,284
B. GPM's given on behalf of fully Consolidated companies	TL	-	-	-	-
	USD	-	-	-	-
	EUR	-	-	-	-
C. GPM's given for continuation of its Economic activities on behalf of third parties (**)					
	USD	**91,000,000**	**540,558,200**	91,000,000	478,741,900
	EUR	**7,141,967**	**47,498,365**	7,194,002	43,365,443
D. Total amount of other GPM's					
i) Total amount GPM's given on behalf of the majority shareholders		-	-	-	-
ii) Total amount of GPM's given to on behalf of other group companies which		-	-	-	-
are not in scope of B and C		-	-	-	-
iii) Total amount of GPM's given on behalf of third parties which are not in scope of C		-	-	-	-
			613,066,773		547,038,747

(*) It consists of the guarantees that Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. has given to EMRA and district governorships and Turcas Petrol has given to EMRA and Türkiye Elektrik İletim A.Ş. (TEİAŞ).

(**) A loan agreement having 14 years of maturity with a grace period of 30 months amounting to USD 40.5 million and EUR 15 million was signed on February 25, 2016 with TSKB for the financing of geothermal power plant investment within the body of Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. Surety of Turcas Petrol A.Ş. amounting to USD 91 million has been given for the aforementioned loan. The aforementioned surety will expire when the following conditions are satisfied: the revenues from the project operations will be recognized, the minimum subsequent four principal and interest payments will be made and the other conditions stated in the Loan Contract are performed by the loan borrower. In relation to Company's share of financing the investment of 800 MW Natural Gas Fired Combined-Cycle Power Plant; As stated in Note 6, within the scope of the loan contract which is signed with Bayern LB and EAA (Erste Abwicklungsanstalt) amounting to EUR 149,351,984, a DSRA Standby Letter of Credit was arranged by Türkiye Garanti Bankası A.Ş. on behalf of Turcas Petrol A.Ş with Bayern LB and EAA (Erste Abwicklungsanstalt) as the drawee bank in the amount of EUR 5,812,422, with a maturity of 28 January 2020. Additionally, Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. has given a standby letter of credit amounting to EUR 1,329,545 to Exergy S.P.A. within the scope of the construction of the 18.16 MW Geothermal Power Plant ("GPP") in Kuyucak district of Aydın province.

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

NOTE 13 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The rate of GPM's given by the Company to equity is 118% as of 31 December 2019 (31 December 2018: 98%).

	31 December 2019	31 December 2018
Letter of guarantees received (*)	**25,385,651**	24,003,880
Letter of other guarantees received	**40,750**	94,750
	25,426,401	24,098,630

(*) The balance consists of the guarantee letter of EUR 3,594,800 (TL 23,907,577) is taken from Exergy S.P.A. as part of the construction of 18.16 MW geothermal power plant Kuyucak Jeotermal Elektrik Üretim A.Ş. in the district of Kuyucak, Aydın province.

<u>Contingent assets and liabilities of Turcas Petrol A.Ş. regarding STAŞ</u>

The contingent assets and liabilities of the Group related to STAŞ are follows:

	31 December 2019	31 December 2018
Letters of guarantee given to the customs office	**595,867,912**	577,393,760
Letters of guarantee given to the tax office	**184,876,825**	164,150,244
Letters of guarantee given to the EMRA	**15,000,000**	15,000,000
Other	**17,815,596**	10,117,560
	813,560,333	766,661,564

	31 December 2019	31 December 2018
Mortgages taken	**695,567,108**	614,484,060
Letters of guarantees received	**316,431,600**	277,534,175
Other guarantees received	**86,700,900**	92,795,051
	1,098,699,608	984,813,286

STAŞ has committed to pay TL 1,724,507,288 to the station owners for the station improvement in the periods mentioned below (31 December 2018: TL 1,586,059,000). The payment terms of group's share of warranty are as follows:

	31 December 2019	31 December 2018
Within 1 year	**121,447,296**	133,388,479
1-5 years	**319,549,483**	262,150,104
5-22 years	**76,355,407**	80,279,157
	517,352,186	475,817,740

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

NOTE 13 - COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

According to the environmental laws in effect, Shell & Turcas Petrol A.Ş. ("STAŞ") is responsible for any environmental pollution that may arise as a result of its operations. In the case that STAŞ causes an environmental pollution, STAŞ may be required to recover the damages. There are no environmental lawsuits claimed against STAŞ as of the balance sheet date, however in the case of abandoning the currently operating terminals in the future, STAŞ may be charged for the soil clean-up costs for these terminals. On the other hand, according to the BCA, any environmental liabilities that have arisen prior to the acquisition date are the responsibility of shareholders. STAŞ is accountable only for the environmental liabilities that occur subsequent to the Acquisition Date. However, STAŞ management does not foresee any liabilities that should be reflected in these consolidated financial statements.

Commitment and contingent assets and liabilities of Turcas regarding of RWE & Turcas Güney Elektrik Üretim A,Ş.

Commitment and contingent assets and liabilities of Turcas regarding of RWE & Turcas Güney Elektrik Üretim A,Ş. are as follows:

	31 December 2019	31 December 2018
Letters of guarantees given for EMRA	**1,907,844**	1,907,844
Letters of guarantees given for TEİAŞ	**2,928,699**	2,345,199
Letters of guarantees given for BOTAŞ	**1,200,000**	-
Other	**37,702**	456,168
	6,074,245	4,709,211

	31 December 2019	31 December 2018
Letters of guarantees received	**7,981**	138,355
	7,981	138,355

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

NOTE 14 - PROVISIONS

a) Short Term Provisions

As of 31 December 2019 there are already in favor ongoing cases against the Group. At the end of each period, the group is assesing the potential consequences of these lawsuits and financial effects. Furthermore, within these assesment of potential consequences against possible earnings and liabilities the group deems necessary provisions. As of 31 December 2019, there are no provisions. (31 December 2018: None).

The provision of short-term employment benefits is as follows:

	31 December 2019	31 December 2018
Unused vacation pay liability	**767,735**	496,066
	767,735	496,066

The movement of short-term employment benefits is as follows:

	31 December 2019	31 December 2018
Opening balance	**496,066**	315,958
Current year charges	**271,669**	180,108
	767,735	496,066

b) Other Long Term Provisions

	31 December 2019	31 December 2018
Provision for Expander (*)	**-**	69,313
	-	69,313

(*) It is the provision to the assembled expander to increase production in 18.16 MW Geothermal Power Plant that is built by Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.

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

NOTE 15 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

Under the Turkish Legislations, the Company and its Turkish subsidiaries and associates are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and 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 (31 December 2018: TL 5,434.42) for each period of service at 31 December 2019.

The liability is not funded, as there is no funding requirement.

The liability means recent value of which consists the total estimated provision of future liabilities for retired personel of the Group.

In accordance with Turkish Labour Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The group is obligated to pay employment termination benefit for the personnel who are called up to military service, passed away or retired. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the consolidated income statement.

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

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

	2019	2018
Discount rate (%)	**3.89**	5.14
Rate used to estimate the probability of retirement (%)	**90.76**	90.19

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. The amount payable consists of one month's salary limited to a maximum of TL 6,017.60 for each period of service as of 1 January 2019 (1 January 2018: TL 5,001.76). The maximum liability is revised semi annually.

Movements in the provisions for employment termination benefits for the years ended 31 December are as follows:

	31 December 2019	31 December 2018
Opening balance	**434,147**	351,727
Service cost	**64,162**	39,317
Interest cost	**52,966**	51,354
Actuarial losses / (gains)	**219,765**	96,761
Compensation paid	**(194,306)**	(105,012)
Closing balance	**576,734**	434,147

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

NOTE 16 - OTHER ASSETS AND LIABILITIES

Other current assets

	31 December 2019	31 December 2018
VAT to be transferred	**6,372,903**	9,088,601
Job advances given	**132,144**	28,819
	6,505,047	9,117,420

Other non-current assets

	31 December 2019	31 December 2018
VAT to be transferred	**2,045,684**	5,608,253
	2,045,684	5,608,253

Other long-term liabilities

	31 December 2019	31 December 2018
Other payables (*)	**805,411**	805,411
Advances received	**32,276**	32,276
Expense accruals	**-**	-
	837,687	837,687

(*) The amount represents the retirement pay provision of the employees until 30 June 2006 who were transferred from Turcas Petrol A.Ş to Shell & Turcas Petrol A.Ş., which is accounted for by the equity method, due to the spin-off. According to the 10th article of the 'Spin-off Agreement' that was signed between the The Shell Company of Turkey Limited Turkey Branch and Shell & Turcas Petrol A.Ş., Until the date of transfer, accumulated severence pay amount of the transferred staff to Shell&Turcas Petrol A.Ş is under the responsibility of the Group.

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

NOTE 17 – EQUITY

a) Paid in capital/treasury shares

Shareholders	**Group**	**Allocation (%)**	**31 December 2019**	Allocation (%)	31 December 2018
Aksoy Holding A.Ş.	A/C Group	**54.45**	**139,175,892**	54.45	139,175,892
Free Float	A Group	**27.99**	**71,554,317**	27.99	71,533,510
Turcas Petrol A.Ş., publicly traded on Borsa İstanbul (*)	A Group	**0.03**	**71,336**	0.03	71,336
Other	A/B Group	**17.53**	**44,798,455**	17.53	44,819,262
Total		**100**	**255,600,000**	100	255,600,000
Repurchased shares (*)			**(8,450,916)**		(8,450,916)
Inflation adjustment			**41,247,788**		41,247,788
Adjusted capital			**288,396,872**		288,396,872

(*) 5.36% shares of Turcas Petrol A.Ş., which used to be owned by Turcas Enerji Holding A.Ş., one of Turcas Petrol A.Ş.'s subsidiaries, had been purchased by Turcas Petrol A.Ş. on 29 November 2012 as a consequence of Share Buy Back Programme prepared in accordance with the communiqué no 26/767 "Principles for the Share Buy Back of Listed Companies in ISE (Istanbul Stock Exchange)" by CMB on 10 August 2011. Repurchased shares consist of this transaction. On 26 December 2016, Turcas Enerji Holding A.Ş. has bought back the shares. As a result of the merger between Turcas Petrol A.Ş. and Turcas Enerji Holding A.Ş. on 14 December 2017, all of the buy back shares were transferred to Turcas Petrol A.Ş. According to Article 19, 9th clause of II-22.1 of the Capital Markets Board's "Share Buy Back Communique", Turcas Petrol A.Ş.'s TL 14,400,000 of the shares with the nominal value of TL 14,471,335.91, were redeemed according to capital reduction procedures that do not require fund outflow. Accordingly, The Company's paid-in capital was reduced from TL 270,000,000 to TL 255,600,000 as approved by the 2017 Ordinary General Assembly held on 21 June 2018 and announced on 9 July 2018 in Trade Registry Gazette.

The issued capital of the Company in 2019 is composed of 255,600,000 shares (31 December 2018: 255,600,000 shares). The nominal value of shares is TL 1 per share.

At least three members of the Board of Directors are elected among the candidates nominated by Group "B" shareholders. At least two members of the Board of Directors are elected among the candidates nominated by Group C shareholders, Group C shareholders have at least forty percent (40%) right, Group A shareholders have the right of nominating and electing three (3) members of the Board of Directors at the General Assembly Meeting where the members of the Board of Directors are elected. However, the remaining members of the Board of Directors are nominated and elected by the Group B shareholders.

At least one of the Group C shareholders is required to vote in the affirmative for some critical decisions determined in the establishment agreement of the Company.

There is no privilege assigned to any group of shares in terms of dividend distribution.

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

NOTE 17 – EQUITY (Continued)

b) Restricted reserves

	31 December 2019	31 December 2018
Legal reserves	**39,311,954**	39,311,954
	39,311,954	39,311,954

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. These amounts should be classified under "Restricted Reserves" as per CMB Financial Reporting standards.

Dividend distribution

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

In addition to the CMB, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué II-14.1 that sufficient reserves exists in the unconsolidated statutory books.

It is allowed to pay dividends to shareholders as bonus share which shall be issued through the addition of dividends to equity or in cash or distributing to shareholders at a certain ratio in cash and at a certain rate as bonus share depending upon the resolutions taken in the general assemblies of companies provided that it is decided to realize dividend payment and also to remain the amount in question in partnership body without distribution if the amount of determined first dividend is less than 5% of paid/issued capital but it has become obligatory for the joint stock companies, which shall pay dividends from net income for the period as a result of their activities and having their shares separated as "old" and "new" since they have made a capital increase without realizing dividend payment related to previous period, to pay the first dividend, which shall be calculated, in cash.

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

NOTE 18 - SALES AND COST OF SALES

	2019	2018
Electricity sales	**44,939,742**	46,429,265
	44,939,742	46,429,265

Cost of Sales	**2019**	2018
Depreciation and amortization expenses	**8,755,087**	8,309,687
Personnel expenses	**5,008,993**	2,359,354
Transmission capacity and service cost	**761,637**	746,435
Insurance expenses	**1,026,302**	614,037
Electricity cost	**1,857,444**	1,778,828
Outsourced benefits and services	**1,257,699**	808,731
Repair and maintenance expenses	**1,041,746**	596,025
Office expenses	**-**	5,217
Vehicles expenses	**175,788**	131,505
Travel expenses	**41,492**	30,804
Other	**674,013**	761,983
	20,600,201	16,142,606

NOTE 19 – GENERAL AND ADMINISTRATIVE EXPENSES

General and Administrative Expenses	**2019**	2018
Personnel expenses	**13,206,253**	12,313,096
Outsourced services	**2,257,904**	1,727,459
Depreciation and amortization expenses	**2,514,897**	2,446,150
Rent expenses	**142,216**	91,445
Travel expenses	**704,579**	668,434
Repair and maintenance expenses	**1,479,805**	1,357,893
Taxes and other liabilities	**299,691**	332,219
Donation and aid expenses	**40,335**	507,520
Insurance expenses	**449,957**	660,586
Office expense	**218,095**	234,815
Vehicles expenses	**375,107**	698,805
Other	**2,042,714**	3,224,804
	23,731,553	24,263,226

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

NOTE 20 - OTHER OPERATING INCOME

	2019	2018
Shell Company Joint Venture Contract revenue (*)	**15,311,236**	3,782,177
Rent income	**347,212**	341,564
Service revenue	**1,617,899**	705,266
Foreign exchange gains (**)	**1,974,829**	7,110,487
Other	**87,742**	694,319
	19,338,918	12,633,813

(*) Joint Venture Agreement gives Turcas the right to redeem a predetermined expense amount in case the management fee expenses reflected to STAŞ by Shell Türkiye exceed a certain amount.

(**) It consists of exchange rate differences based on 18.16 MW Geothermal Power Plant vendor payments that has been built by Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.

NOTE 21 - OTHER OPERATING EXPENSES

	2019	2018
Foreign exchange losses based on commercial activities (*)	**5,295,525**	17,311,171
Tangible asset impairment	**-**	5,220,709
Other	**105,050**	14,357
	5,400,575	22,546,237

(*) It consists of exchange rate differences based on 18.16 MW Geothermal Power Plant vendor payments that has been built by Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.

NOTE 22 - INCOME FROM INVESTMENT ACTIVITIES

	2019	2018
Fair value difference of usufruct certficates (Note 5)	**14,017,217**	33,130,809
Fair value difference of Ataş	**4,728,771**	-
Profit on sales of tangible assets	**49,800**	-
Dividend income	**-**	3,826
	18,795,788	33,134,635

NOTE 23 - FINANCIAL INCOME

	2019	2018
Foreign exchange gains	**108,229,956**	80,918,961
Interest income	**30,337,681**	21,465,991
	138,567,637	102,384,952

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

NOTE 24 - FINANCIAL EXPENSES

	2019	2018
Foreign exchange losses	**167,127,769**	253,078,143
Interest expenses	**30,713,745**	28,829,472
Other	**4,247,920**	612,915
	202,089,434	282,520,530

NOTE 25 - TAX ASSETS AND LIABILITIES

Current tax liability	**2019**	2018
Prepaid tax and funds	**416,092**	912,490
Corporate tax provision	**-**	-
Prepaid tax and funds / (Current tax liability) , net	**416,092**	912,490

Tax expense is comprised of the following:

	2019	2018
Deferred tax income / (expense)	**4,089,119**	12,447,133
Corporate tax expense	**-**	-
	4,089,119	12,447,133

Corporate Tax

The Group is subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

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

In Turkey, there is no implementation such as agreement with the tax authorities about taxes payable. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset.

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

NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

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 resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 15%. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Deferred tax assets and liabilities

The Group, recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with Turkish Financial Reporting Standards and their statutory financial statements. These temporary differences usually result in the recognition of revenue and expenses in different reporting periods for Turkish Financial Reporting Standards and tax purposes.

The rate applied in the calculation of deferred tax assets and liabilities is 20% and 22% depending on the periods that temporary differences disappears (2018: 22%).

The breakdowns of cumulative temporary differences and the resulting deferred tax assets/liabilities using principal tax rates are as follows:

	Total temporary differences		**Deferred tax asset/(liability)**	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018
Carryforward tax loss (*)	**(21,905,261)**	(13,416,740)	**4,381,053**	2,683,348
Interest accrual	**4,284,174**	2,462,820	**(856,835)**	(492,564)
Tangible and intangible assets	**(73,143,134)**	(62,675,415)	**14,628,627**	12,535,083
Provision for employment termination benefits (Note 15)	**(576,734)**	(434,147)	**115,347**	86,829
Unused vacation pay liability (Note 14)	**(767,735)**	(496,066)	**153,547**	99,213
Effect of business combinations	**27,635,050**	27,635,050	**(5,527,010)**	(5,527,010)
Sales revenues extend to the next month	**(5,326)**	5,305,145	**1,065**	(1,061,029)
Effect of inter-group transactions	**7,358,351**	7,358,351	**(1,471,671)**	(1,471,671)
Fair Value Differences	**4,728,771**	-	**(236,438)**	-
Other	**827,652**	(184,410)	**(165,530)**	36,882
Deferred tax asset, net			**11,022,155**	6,889,081

As of the balance sheet date, there is an unused past year loss that the Group can deduct from its future tax bases amounting to TL 323,731,860 (31 December 2018: TL 269,891,348). The Group forecasts to generate a taxable profit amounting to TL 21,905,261 within the next five years, deferred tax asset amounting to TL 4,381,053 has been generated. A deferred tax asset has not been created for accumulated losses of TL 301,826,599 (2018: TL 256,474,608).

(*) As of 31 December 2019, the Group has TL 323,731,860 of unused tax losses amounting to TL 301,826,599 belongs to Turcas Petrol A.Ş. and TL 21,905,261 belongs to Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş.

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

NOTE 25 - TAX ASSETS AND LIABILITIES (Continued)

The expiration dates of recognized carry-forward tax losses are as follows:

	31 December 2019	31 December 2018
2022	**632,140**	632,140
2023	**12,784,600**	12,784,600
2024	**8,488,521**	-
	21,905,261	13,416,740

The movement of deferred tax assets and liabilities as of 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Opening balance	**6,889,081**	(5,577,404)
Amount in statement of profit or loss	**4,089,119**	12,447,133
Amount in other comprehensive income	**43,955**	19,352
Closing balance	**11,022,155**	6,889,081

The reconciliation of tax expenses stated in consolidated income statements for the periods ending 31 December 2019 and 2018 is as follows:

	31 December 2019	31 December 2018
Profit / (loss) before tax	**(32,768,456)**	(142,999,068)
Tax rate (%)	**22**	22
Tax income / (expense)	**6,553,691**	28,599,814
Transactions with associates	**(548,830)**	1,578,173
Tax effect of exemptions	**-**	32,612
Tax effect of nondeductible expenses	**(160,386)**	(225,157)
Carry forward tax losses on which no deferred tax asset was recognized	**(9,089,988)**	(27,449,629)
Adjustment on which no deferred tax asset was recognized	**7,104,823**	9,518,887
Other	**229,809**	392,433
Current year income tax income / (expenses)	**4,089,119**	12,447,133

NOTE 26 – EARNINGS / (LOSS) PER SHARE

For the years 2019 and 2018, the number of shares and earnings / loss per share is as follows:

	31 December 2019	31 December 2018
Number of outstanding shares	**255,600,000**	255,600,000
Net profit / (loss) of shareholders	**(28,679,337)**	(127,460,041)
Earnings / (loss) per share	**(0.1122)**	(0.4987)

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

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	31 December 2019							
	Receivables				Payables			
	Short Term		¤	Long Term	Short Term		Long Term	
Balances with related parties	**Trading**	**Non-Trading**	**Trading**	**Non-Trading**	**Trading**	**Non-Trading**	**Trading**	**Non-Trading**
Associates								
RWE & Turcas Güney Elektrik Üretim A.Ş. (*)	-	4,370	-	1,892,539	36,753	-	-	-
Shell Turcas Petrol A.Ş.	-	510,967	-	72,600,000	-	622	-	-
Other related entities								
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	-	461,074	-	-
Dividend payable to shareholders	-	-	-	-	-	198,934	-	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	-	90,806	-	-
Conrad Yeditepe Beyn.Otelcilik Turz.Ve Tic Aş	-	-	-	-	-	8,829	-	-
YTC Turizm ve Enerji A.Ş.	-	-	-	-	-	17,749	-	-
Aksoy Holding A.Ş.	-	7,322	-	-	-	-	-	-
Aksoy Enternasyonel Tic. A.Ş.	-	26,710	-	-	-	-	-	-
Aksoy Bodrum Taşinmaz Yatirimlari A.Ş.	-	5,482	-	-	-	-	-	-
Pronegy Gayrimenkul Ve Enerji Yatirimlari A.Ş.	-	6,853	-	-	-	-	-	-
Daytona Turizm Ve Danişmanlik Ltd.Şti.	-	11,210	-	-	-	-	-	-
Tas.Hal.Transbalkan Denizyollari Deniz Taş.Aş.	-	11,210	-	-	-	-	-	-
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	5,482	-	-	-	-	-	-
	-	589,606	-	74,492,539	36,753	778,014	-	-

(*) The Group has received loans from EAA (Erste Abwicklungsanstalt), Bayern LB and TSKB banks in order to provide the funds which shall be required for the power plant engaged in Denizli province by RWE & Turcas Güney Elektrik Üretim A.Ş. The aforementioned received loans have been used as shareholder loan to RWE & Turcas Güney Elektrik Üretim A.Ş in accordance with shareholders loan agreement signed on 3 December 2010. Interest rate related to aforementioned receivables mentioned in the contract has been recognized as interest income at an amount of TL 22,897,174 using (TL Libor+2%). Group's subsidiary RWE & Turcas Güney Elektrik Üretim A.Ş. ("RTG")'s Board of Directors decided to include TL 347,681,920 (Turcas Petrol A.Ş.'s share: TL 104,304,576) of the shareholder loan receivables into capital on 20.12.2019. Hence, long term receivables due to RTG decreased to TL 1,892,539 as of 31.12.2019.

(**) TL 72,600,000 of the related balance consist of the shareholder loan receivable with maximum 3 years maturity and TL Libor+2,1% interest rate (floating interest) given to Shell & Turcas Petrol A.Ş. on 17.09.2019.

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

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	31 December 2018							
	Receivables				Payables			
	Short Term		Long Term		Short Term		Long Term	
Balances with related parties	Trading	Non-Trading	Trading	Non-Trading	Trading	Non-Trading	Trading	Non-Trading
Associates								
RWE & Turcas Güney Elektrik Üretim A.Ş. (*)	-	18,889,681	-	70,153,099	-	83,554	-	-
Shell Turcas Petrol A.Ş.	-	-	-	-	-	357	-	-
Other related entities								
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	-	304,447	-	-
Dividend payable to shareholders	-	-	-	-	-	214,053	-	-
Dividend recievable from shareholders	-	13,526	-	-	-	-	-	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	-	77,676	-	-
Conrad Yeditepe Beyn.Otelcilik Turz.Ve Tic Aş	-	-	-	-	-	9,520	-	-
YTC Turizm ve Enerji A.Ş.	-	-	-	-	-	71,174	-	-
Aksoy Holding A.Ş.	-	49,146	-	-	-	-	-	-
Aksoy Enternasyonel Tic. A.Ş.	-	21,935	-	-	-	-	-	-
Aksoy Bodrum Taşinmaz Yatirimlari A.Ş.	-	4,702	-	-	-	-	-	-
Pronegy Gayrimenkul Ve Enerji Yatirimlari A.Ş.	-	4,702	-	-	-	-	-	-
Daytona Turizm Ve Danişmanlik Ltd.Şti.	-	4,130	-	-	-	-	-	-
Tas.Hal.Transbalkan Denizyollari Deniz Taş.Aş.	-	4,130	-	-	-	-	-	-
PD Turizm ve Gayrimenkul A.Ş.	-	4,150	-	-	-	-	-	-
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	4,702	-	-	-	-	-	-
	-	19,000,804	-	70,153,099	-	760,781	-	-

(*) The Group has received loans from EAA (Erste Abwicklungsanstalt), Bayern LB and TSKB banks in order to provide the funds which shall be required for the power plant engaged in Denizli province by RWE & Turcas Güney Elektrik Üretim A.Ş. The aforementioned received loans have been used as shareholder loan to RWE & Turcas Güney Elektrik Üretim A.Ş in accordance with shareholders loan agreement signed on 3 December 2010. The mentioned receivables have been arranged in order to be collected in 20 equal installments once in 6 months starting after 6 months following the engagement of Denizli power plant. Interest rate related to aforementioned receivables mentioned in the contract has been recognized as interest income at an amount of TL 14,795,073 using (TL Libor+2). There is no guarantee, mortgage or pledge received for the mentioned receivable.

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

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2019							
Transactions with related parties	**Purchases**	**Sales**	**Interest received**	**Interest paid**	**Rent income**	**Dividend income**	**Other income**	**Other expenses**
Associates								
Shell & Turcas Petrol A.Ş. (*)	-	-	3,563,576	-	-	147,600,000	46,218,076	135,197
RWE & Turcas Güney Elektrik Üretim A.Ş.	467,625	376,013	22,897,174	-	-	-	94,254	115,820
Other related entities								
The Shell Company of Turkey LTD. (**)	-	-	-	-	-	-	15,311,236	-
Aksoy Bodrum Taşinmaz Yatirimlari A.Ş.	-	-	-	-	6,000	-	55,752	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	6,000	-	55,752	892,056
Aksoy Holding A.Ş.	-	-	-	-	6,000	-	145,115	10,968
Aksoy Enternasyonel Ticaret A.Ş.	-	-	-	-	6,000	-	390,488	19
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	-	-	-	6,000	-	55,752	-
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	383,129	-	34,261	387,547
Daytona Turizm ve Danışmanlık Ltd.Şti.	-	-	-	-	6,000	-	-	-
Pronegy Gayrimenkul ve Enerji Yatırımları A.Ş.	-	-	-	-	6,000	-	69,741	-
Tas.Hal.Transbalkan Denizyolları Deniz Taş.A.Ş.	-	-	-	-	6,000	-	-	-
Conrad Yeditepe Beyn.Otelcilik Turz.Ve Tic A.Ş.	-	-	-	-	-	-	-	39,289
YTC Turizm ve Enerji A.Ş.	-	-	-	-	-	-	19,825	451,489
Horizonist Dis Tic.Ltd.Sti.	-	-	-	-	5,000	-	-	11
Kalyon Otelcilik Tur.Paz A.S	-	-	-	-	-	-	-	6,625
PD Turzizm ve Gayrimenkul A.Ş	-	-	-	-	-	-	6,458	-
	467,625	376,013	26,460,750	-	436,129	147,600,000	62,456,710	2,039,021

(*) It consists of preferred dividends received on usufruct certificates amounting to TL 46,215,200.
(**) It consists of Joint Venture Agreement income.

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

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2018							
Transactions with related parties	Purchases	Sales	Interest received	Interest paid	Rent income	Dividend income	Other income	Other expenses
Associates								
Shell & Turcas Petrol A.Ş.	-	-	-	-	-	-	14,768	-
RWE & Turcas Güney Elektrik Üretim A.Ş.	-	-	14,795,073	-	-	-	125,672	-
Other related entities								
The Shell Company of Turkey LTD. (*)	-	-	-	-	-	-	40,714,977	-
Aksoy Bodrum Taşinmaz Yatirimlari A.Ş.	-	-	-	-	6,000	-	42,261	-
Aksoy Maslak Taşınmaz Yatırımları A.Ş.	-	-	-	-	6,000	-	41,814	-
Aksoy Holding A.Ş.	-	-	-	-	6,000	-	351,948	-
Aksoy Enternasyonel Ticaret A.Ş.	-	-	-	-	6,000	-	191,861	-
Aksoy Petrol Taşınmaz Yatırımları A.Ş.	-	-	-	-	6,000	-	41,814	-
Ataş Anadolu Tasfiyehanesi A.Ş.	-	-	-	-	312,349	-	13,451	-
Daytona Turizm ve Danışmanlık Ltd.Şti.	-	-	-	-	6,000	-	-	-
Pronegy Gayrimenkul ve Enerji Yatırımları A.Ş.	-	-	-	-	6,000	-	41,814	-
Tas.Hal.Transbalkan Denizyolları Deniz Taş.A.Ş.	-	-	-	-	6,000	-	-	-
PD Turzizm ve Gayrimenkul A.Ş	-	-	-	-	-	-	14,059	-
	-	-	14,795,073	-	360,349	-	41,594,439	-

(*) Joint Venture Agreement income is TL 3,782,177 and preferred dividends received on usufruct certficates is TL 36,932,800.

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

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Total compensation provided to key management personnel during the years ended 31 December 2019 and 2018 is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Salaries and other short term benefits	**4,908,751**	3,594,268

The Group did not provide key management with post-employment benefits, benefits due to outplacement, share-based payment and other long-term benefits in 2019 and 2018.

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Capital risk management

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

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

The management of the Group 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 the payment of dividends and the issue of new debt or the redemption of existing debt.

The Group controls its capital using the net debt/total capital ratio. This ratio is the calculated as net debt divided by the total capital amount. Net debt is calculated as total liability amount (comprises of financial liabilities, leasing and trade payables as presented in the balance sheet) less cash and cash equivalents. Total capital is calculated as shareholders' equity plus the net debt amount as presented in the balance sheet.

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

	31 December 2019	31 December 2018
Total liabilities	**794,362,042**	788,792,797
Cash and cash equivalents (Note 4)	**(133,430,476)**	(85,560,288)
Net debt	**660,931,566**	703,232,509
Total equity	**520,410,800**	560,731,880
Total capital	**1,181,342,366**	1,263,964,389
Net debt / total capital ratio	**55.9%**	55.6%

The Group's overall strategy is not different from previous period.

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price 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.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the financial position is reviewed taking into consideration of the historical experiences and other factors. Ongoing credit evaluation is performed on the financial condition of accounts receivable based on the group policies and procedures and, where appropriate, doubtful provision is booked and net position is disclosed on the balance sheet.

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Receivables						
	Trade receivable		Other receivable				
31 December 2019	**Related party**	**Third party**	**Related party**	**Third Party**	**Deposits at banks**	**Derivative instruments**	**Other**
Maximum net credit risk as of balance sheet date (*) (A +B+C+D+E)	-	**5,163,397**	**75,082,145**	**2,504,440**	**133,399,803**	-	**30,673**
- The part of maximum risk under guarantee with collateral etc,	-	-	-	-	-	-	-
A - Net book value of financial assets that are neither past due nor impaired	-	**5,163,397**	**75,082,145**	**2,504,440**	**133,399,803**	-	**30,673**
The part under guarantee with collateral etc,	-	-	-	-	-	-	-
B - Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired							
The part under guarantee with collateral etc	-	-	-	-	-	-	-
C - Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-
- The part under guarantee with collateral etc							
D - Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	**685,411**	-	-	-	-	-
- Impairment (-)	-	**(685,411)**	-	-	-	-	-
- The part of net value under guarantee with collateral etc,	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc,	-	-	-	-	-	-	-
E - Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(*) The factors that increase in credit reliability such as guarantees received (mortgages) are not considered in the balance.

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Receivables						
	Trade receivable		Other receivable				
31 December 2018	Related party	Third party	Related party	Third party	Deposits at banks	Derivative instruments	Other
Maximum net credit risk as of balance sheet date (*) (A +B+C+D+E)	-	3,813,575	89,153,903	959,556	85,546,206	-	14,082
- The part of maximum risk under guarantee with collateral etc,	-	27,000	-	-	-	-	-
A - Net book value of financial assets that are neither past due nor impaired	-	3,813,575	89,153,903	959,556	85,546,206	-	14,082
The part under guarantee with collateral etc,	-	27,000	-	-	-	-	-
B - Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-	-
The part under guarantee with collateral etc	-	-	-	-	-	-	-
C - Carrying value of financial assets that are past due but not impaired	-	-	-	-	-	-	-
- The part under guarantee with collateral etc	-	-	-	-	-	-	-
D - Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	685,411	-	-	-	-	-
- Impairment (-)	-	(685,411)	-	-	-	-	-
- The part of net value under guarantee with collateral etc,	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part of net value under guarantee with collateral etc,	-	-	-	-	-	-	-
E - Off-balance sheet items with credit risk	-	-	-	-	-	-	-

(*) The factors that increase in credit reliability such as guarantees received (mortgages) are not considered in the balance.

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2019, the Group has no overdue trade receivables that are not yet recognized as doubtful receivables and have no provisions. As a result of the sectoral conditions and dynamics, the Group does not consider any collection risk for the overdue receivables which are up to 60 days. For the receivables which the Group could not collect in 60 days, the Group has guarantees like mortgage and does not consider any collection risk.

As of 31 December 2019, TL 685,411 (31 December 2018: TL 685,411) of the trade receivables is considered as doubtful receivable and provision for doubtful receivables is reserved. This provision is determined as the past experience of the Group on not to being able to collect.

The Aging of doubtful receivables provision is as follows:

	Receivables	
31 December 2019	**Trade receivables**	**Other receivables**
Past due 1-5 years	**-**	**-**
Past due more than 5 years	**685,411**	**-**
	685,411	**-**

	Receivables	
31 December 2018	Trade receivables	Other receivables
Past due 1-5 years	-	-
Past due more than 5 years	685,411	-
	685,411	-

Liquidity risk management

The group manages its liquidity risk by monitoring the expected and actual cash flow statements and matching financial assets and liabilities to keep to flow of necessary funds and debt reserves.

Liquidity risk tables

Careful liquidity risk management shows the ability to keep the right amount of cash, the usability of loan transactions and fund resources and the power of closing market positions.

The current and future loans' funding risk is managed by making the accessibility to adequate and high quality loan suppliers permanently.

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The table below shows the due dates of the non-derivative financial liabilities of The Group. Interests of future periods' liabilities have been distributed to the due dates below and the said interests have been shown in the corrections column in order to have reconciliation with the balance sheet values.

31 December 2019

Contractual maturity analysis	**Carrying value**	**Total Contractual cash flow (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 borrowings	**744,931,125**	**879,509,091**	**46,127**	**121,657,531**	**559,945,115**	**197,860,318**
Trade payables	**44,875,531**	**44,875,531**	**32,921,743**	**-**	**11,953,788**	**-**
Total liabilities	**789,806,656**	**924,384,622**	**32,967,870**	**121,657,531**	**571,898,903**	**197,860,318**

31 December 2018

Contractual maturity analysis	Carrying value	Total Contractual cash flow (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 borrowings	749,723,571	890,754,159	164,515	140,892,953	494,567,720	255,128,971
Trade payables	36,564,372	36,564,372	36,564,372	-	-	-
Total liabilities	786,287,943	927,318,531	36,728,887	140,892,953	494,567,720	255,128,971

Market risk management

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

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

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

(i) Foreign currency risk management

Foreign currency transactions cause foreign currency risk.

The Group has foreign currency risk, due to the fluctuations in exchange rates used in foreign currency transactions. The foreign currency risk arises from future trade transactions and the difference between recorded assets and liabilities. Under such circumstances, the group controls this risk by netting off the foreign currency assets and liabilities. The management analyzes the Group's foreign currency position and takes necessary precautions when needed.

Starting from January 1, 2019, effective hedge accounting applied in accordance with TFRS 9, in order to ensure that the effects of the foreign exchange gains and losses are reflected on the financial statements of the Group's subsidiary Turcas Kuyucak Jeotermal Elektrik Üretim A.Ş. in accordance with the periodicity principle of accounting.

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The Group is primarily exposed to risks from USD and EUR, other currencies' effects are immaterial.

	31 December 2019			
	TL Equivalent (Functional currency)	**USD**	**EUR**	**Other**
1- Trade receivables	-	-	-	-
2a- Monetary financial assets	97,936,509	15,362,854	1,004,124	10
2b- Non-monetary financial assets	-	-	-	-
3- Other	-	-	-	-
4- Current assets (1+2+3)	**97,936,509**	**15,362,854**	**1,004,124**	**10**
5- Trade receivables	-	-	-	-
6a- Monetary financial assets	-	-	-	-
6b- Non-monetary financial assets	-	-	-	-
7- Other	-	-	-	-
8- Non-current assets (5+6+7)	-	-	-	-
9- Total Assets (4+8)	**97,936,509**	**15,362,854**	**1,004,124**	**10**
10- Trade payables	23,643,232	-	3,555,053	-
11- Financial liabilities	116,223,142	4,427,788	13,520,765	-
12a-Other monetary liabilities	-	-	-	-
12b-Other non-monetary liabilities	-	-	-	-
13- Current Liabilities (10+11+12)	**139,866,374**	**4,427,788**	**17,075,818**	-
14- Trade payables	11,953,788	-	1,797,400	-
15- Financial liabilities	628,485,069	23,695,135	73,336,425	-
16a-Other monetary liabilities	-	-	-	-
16b-Other non-monetary liabilities	-	-	-	-
17- Non-current liabilities (14+15+16)	**640,438,857**	**23,695,135**	**75,133,825**	-
18- Total liabilities (13+17)	**780,305,231**	**28,122,923**	**92,209,643**	-
19- Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-
19a-Off-balance sheet foreign currency derivative assets	-	-	-	-
19b-Off-balance sheet foreign currency derivative liabilities	-	-	-	-
20- Net foreign currency asset liability position (9-18+19)	**(682,368,722)**	**(12,760,069)**	**(91,205,519)**	**10**
21- Net foreign currency asset / liability position of (1+2a+5+6a+10+11-12a-14-15-16a)	**(682,368,722)**	**(12,760,069)**	**(91,205,519)**	**10**
22- Fair value of foreign currency hedged financial assets	-	-	-	-
23- Hedged foreign currency assets	-	-	-	-
24- Hedged foreign currency liabilities	-	-	-	-
25- Exports	-	-	-	-
26- Imports	-	-	-	-

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2018			
	TL Equivalent (Functional currency)	**USD**	**EUR**	**Other**
1- Trade receivables	-	-	-	-
2a- Monetary financial assets	83,713,938	14,747,309	1,016,882	10
2b- Non-monetary financial assets	-	-	-	-
3- Other	-	-	-	-
4- Current assets (1+2+3)	**83,713,938**	**14,747,309**	**1,016,882**	**10**
5- Trade receivables	-	-	-	-
6a- Monetary financial assets	-	-	-	-
6b- Non-monetary financial assets	-	-	-	-
7- Other	-	-	-	-
8- Non-current assets (5+6+7)	-	-	-	-
9- Total Assets (4+8)	**83,713,938**	**14,747,309**	**1,016,882**	**10**
10- Trade payables	21,878,482	62,359	3,575,052	-
11- Financial liabilities	134,526,387	11,005,663	12,711,794	-
12a-Other monetary liabilities	1,893,924	360,000	-	-
12b-Other non-monetary liabilities	-	-	-	-
13- Current Liabilities (10+11+12)	**158,298,794**	**11,428,022**	**16,286,847**	-
14- Trade payables	10,834,727	-	1,797,400	-
15- Financial liabilities	614,834,268	40,457,517	66,687,345	-
16a-Other monetary liabilities	-	-	-	-
16b-Other non-monetary liabilities	-	-	-	-
17- Non-current liabilities (14+15+16)	**625,668,995**	**40,457,517**	**68,484,745**	-
18- Total liabilities (13+17)	**783,967,789**	**51,885,539**	**84,771,592**	-
19- Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-
19a-Off-balance sheet foreign currency derivative assets	-	-	-	-
19b-Off-balance sheet foreign currency derivative liabilities	-	-	-	-
20- Net foreign currency asset liability position (9-18+19)	**(700,253,851)**	**(37,138,230)**	**(83,754,710)**	**10**
21- Net foreign currency asset / liability position of (1+2a+5+6a-10-11-12a-14-15-16a)	**(700,253,851)**	**(37,138,230)**	**(83,754,710)**	**10**
22- Fair value of foreign currency hedged financial assets	-	-	-	-
23- Hedged foreign currency assets	-	-	-	-
24- Hedged foreign currency liabilities	-	-	-	-
25- Exports	-	-	-	-
26- Imports	-	-	-	-

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency sensitivity

	31 December 2019			
	Gain/Loss		**Equity**	
	Appreciation of foreign currency	**Devaluation of foreign currency**	**Appreciation of foreign currency**	**Devaluation of foreign currency**
+/-10% fluctuation of USD rate				
1- USD net asset / liability	**(7,579,733)**	**7,579,733**	-	-
2- Hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(7,579,733)**	**7,579,733**	**-**	**-**
+/-10% fluctuation of EUR rate				
4- EUR net asset / liability	**(60,657,139)**	**60,657,139**	-	-
5- Hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	**(60,657,139)**	**60,657,139**	**-**	**-**
TOTAL (3+6)	**(68,236,872)**	**68,236,872**	**-**	**-**

	31 December 2018			
	Gain/Loss		Equity	
	Appreciation of foreign currency	Devaluation of foreign currency	Appreciation of foreign currency	Devaluation of foreign currency
+/-10% fluctuation of USD rate				
1- USD net asset / liability	(19,538,050)	19,538,050	-	-
2- Hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(19,538,050)	19,538,050	-	-
+/-10% fluctuation of EUR rate				
4- EUR net asset / liability	(50,487,340)	50,487,340	-	-
5- Hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(50,487,340)	50,487,340	-	-
TOTAL (3+6)	(70,025,390)	70,025,390	-	-

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

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

(ii) Interest risk management

Financial liabilities expose the Group to interest rate risk. This interest rate risk is managed by natural precautions which are formed by balancing the assets and liabilities that have interest rate sensitivity.

Interest rate sensitivity

The financial instruments that are sensitive to interest rate are as follows:

	31 December 2019	31 December 2018
Fixed interest rate financial instruments		
Cash and cash equivalents (Note 4)	**133,193,922**	85,420,089
Held to maturity financial assets (Note 5)	**-**	-
Fixed interest rate financial instruments		
Financial liabilities (Note 6)	**75,590,639**	75,857,443
Floating interest rate financial instruments		
Financial liabilities (Note 6)	**669,340,486**	673,866,128

Various scenarios have been created by the Group based on the renewal of existing positions, alternative financing and hedging for bank loans with variable interest rates. Based on the simulations performed, if interest rates of borrowings with floating rates had been 1 basis points higher / lower with all other variables held constant, post tax profit of the Group would be TL 6,693,405 lower / higher. (2018: TL 6,738,661 lower / higher).

NOTE 29 - FINANCIAL INSTRUMENTS

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

NOTE 29 - FINANCIAL INSTRUMENTS (Continued)

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

Monetary Assets

The fair values of trade receivables denominated in foreign currencies, which are translated at period-end exchange rates, are considered to be the approximate carrying values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The carrying values of trade receivables along with the related allowances for uncollectibility are estimated to be their fair values since they are short term.

The fair values of financial assets along with the related allowances for impairment are estimated to be their carrying values.

Monetary Liabilities

The fair values of short-term financial liabilities are estimated to be their carrying values since they are short term.

The fair values of long term credits denominated in foreign currencies, which have floating interest rates, are considered to be the approximate carrying values.

Liabilities for employee benefits are booked by their discounted values.

Fair Value Estimation

The disclosure of fair value measurements by level of the fair value measurement hierarchy is as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data.

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

The fair values of certain financial assets carried at cost, including cash and amounts due from banks are considered to approximate to their respective carrying values due to their short-term nature.

Trade receivables and payables are valued at amortized cost using the effective interest method. Trade receivables and payables are considered to approximate fair values.

NOTE 30 – POST-BALANCE SHEET EVENTS

1) On 28 February 2020, Corporate Governance Rating Score of our Company has been maintained at 9,58 (out of 10) by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (Kobirate), following annual performance appraisal measuring compliance with Corporate Governance Principles published by Capital Markets Board.

Rating score breakdown (out of 100) according to main sections is as follows:

- Shareholders: 94.98 (previous period: 94.98)
- Public Disclosure and Transparency: 97.34 (previous period: 97.34)
- Stakeholders: 98.00 (previous period: 96.99)
- Board of Directors: 94.38 (previous period: 94.73)

2) As previously announced in our Company's Public Disclosures dated 29 March 2017, 5 July 2017 and 2 May 2018; aiming to expand our expertise in geothermal resource drillings further to oil exploration, Turcas Petrol A.Ş. ("Turcas") had filed an on-shore oil exploration license application for M-22A area in Denizli province to Turkey's Ministry of Energy and General Directorate of Mining and Petroleum Affairs ("GDMPA"). Regarding this application, "Investment Program" had been granted to GDMPA in accordance with related legislation. According to the "Investment Program", primary investment amount, which is to be utilized in oilfield development studies during the first 5 year period, was expected to be USD 2,7 Million at minimum. In May 2018, our oil exploration license application for M-22A area in Denizli province has been evaluated and approved by GDMPA.

On 28 February 2020, Turcas has signed a Farm-Out Agreement (full and indivisible takeover right of shares regarding the license) with Amsterdam based N.V. Turkse Perenco ("Perenco") in order to perform a research whether there is an oil production potential in the above mentioned license area or not and carry out necessary tests. Pursuant to the Agreement, it is envisaged to transfer 50% of oil exploration utilization rights in the mentioned license area to Perenco. The tests will be operated by Turkey's highest daily oil producing private company Perenco. In case these test results are successful and mentioned license area is viable for oil production according to rantability conditions identified by both shareholders, Perenco shall borne the capital expenditures up to USD 3 million. Capital expenditures beyond USD 3 million will be spent by both shareholders on a pro-rata basis. In this respect, an application will be submitted to GDMPA in order to establish license utilization rights accordingly (Turcas: 50%, Perenco 50%).