ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

Consolidated Financial Statements
As at and For the Year Ended 31 December 2020
Together with Independent Auditor's Report

29 April 2021

This report includes 7 pages of Independent Auditor's Report of Consolidated Financial Statements and 95 pages of consolidated financial statements together with their explanatory notes.

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

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Independent Auditor's Report

To the Board of Directors of Zorlu Enerji Elektrik Üretim Anonim Şirketi

Opinion

We have audited the consolidated financial statements of Zorlu Enerji Elektrik Üretim Anonim Şirketi ("the Company") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

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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.

Recoverability of deferred tax asset for unused tax losses

Refer to Note 2.4, Note 2.7 and Note 12 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for recoverability of deferred tax asset for unused tax losses.

The key audit matter	How the matter was addressed in our audit
The Group has recognized deferred tax asset for unused tax losses amounting to TL 737,411 thousand as at 31 December 2020. The recoverability of recognized deferred tax assets is dependent on the extent that it is probable that Group will have taxable profit, against which the deductible temporary differences and tax losses (before latter expire) can be utilized. Thus, significant judgment is required in relation to the recognition and recoverability of deferred tax assets. We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary differences.	We have performed the following audit procedures: - Assessing and challenging the assumptions and judgments exercised by management in respect of the forecasts of future taxable profits by analyzing the assumptions adopted by management; - Considering the historical accuracy of forecasts of future taxable profits made by management by comparing the actual taxable profits for the current year with management's estimates in the forecasts made in the previous year. - Reconciling estimates and assumptions used in the business plans approved by the Board of Directors. - Evaluation of the appropriateness and adequacy of the disclosures regarding the deferred asset recognized for unused tax losses in the consolidated financial statements in accordance with IFRS; - Reconciling tax losses and expiry dates to tax statements; and - Assessing whether the Group's disclosures in the consolidated financial statements of the application of judgment in estimating recognized and unrecognized deferred tax asset appropriately reflect the Group's deferred tax position with reference to the requirements of the IFRSs.

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Hedge accounting

Refer to Note 2.7 and Note 19 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for hedge accounting.

The key audit matter	How the matter was addressed in our audit
As of 31 December 2020, the Group used its investment loans amounting to USD 914,202 thousand as a hedging instruments to hedge against the exchange rate risk resulting from the highly probable sales income earned in the scope of Renewable Energy Sources Support Mechanism ("YEKDEM"), and implemented cash flow hedge accounting for highly-probable YEKDEM sales as a result of efficiency tests carried out within this scope. The criteria for the application of the hedge accounting include defining, documenting and regularly testing the effectiveness of the hedge accounting transactions. Due the fact that hedge accounting has complicated structure and requires complex calculations, we considered this to be one of the key audit matters.	We have performed the following audit procedures to be responsive to this area: - Documentation and appropriateness of hedging relationships of cash flow hedge and fair value hedge transactions have been identified. - The objective of the hedge accounting and its compliance with IAS 39 "Financial Instruments" are considered. Management's assessment of effectiveness, measuring ineffectiveness and appropriateness of accounting records were tested. - Considering the purposes of hedge accounting and compliance with IAS 39 "Financial instruments" standard, the management reviews the effectiveness of the hedging effectiveness test, in case of ineffectiveness, and tests how it is recognized for selected hedging transactions, - Involving specialists to assist in evaluating the appropriateness of hedging models, and - Assessing the adequacy and appropriateness of disclosures in the consolidated financial statements, regarding the hedge accounting.

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Goodwill Impairment

Refer to Note 2.4, Note 2.7 and Note 17 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for goodwill impairment.

The key audit matter	How the matter was adressed in our audit
As at 31 December 2020 goodwill is amounting to TL 660,780 thousand in the consolidated statement of financial position resulting from the acquisition of - Osmangazi Elektrik Dağıtım A.Ş. ("OEDAŞ"), Osmangazi Elektrik Perakende Satış A.Ş. ("OEPSAŞ") Trakya Bölgesi Doğal Gaz Dağıtım A.Ş. ("TRAKYA") , Gazdaş Gaziantep Doğal Gaz Dağıtım A.Ş and ("GAZDAŞ") Zorlu Doğalgaz Tedarik Ticaret A.Ş's ("Zorlu Doğal Gaz Tedarik") shares. Regarding to IAS 36 Impairment on Assets Standard, impairment test on goodwill is required annually. Management has compared the book value of each cash generating unit in which goodwill has been allocated to base on discounted cash flow estimates to determine whether any impairment is required to be recognised. The recoverable amount of the cash generating units calculated based on the higher of the value in use or the fair value less costs, was obtained from the discounted cash flow models. In those models too many basic assumptions have been used, such as future sales volumes and prices, operating expenses, terminal growth rates, and weighted average cost of capital ("WACC"). Goodwill is significant in the consolidated financial statements and determining the assumptions used in estimating recoverable amounts requires significant judgments. Therefore, this item has been identified as one of the key audit matters.	We have performed the following audit procedures to be responsive to this area: - Evaluation of the appropriateness of the discount rates used in the work for each cash generating unit with the comparison of the sector WACC rates as well as by the assistance of our valuation experts, - Controlling the mathematical appropriateness of the calculations of discounted cash flows, - Controlling the management's analysis regarding to assumptions used in sensitivity of market conditions, - Evaluation of the disclosures in accordance with the impairment included principal assumptions, judgments ve sensitivities.

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Revaluation of property, plant and equipment

Refer to Note 2.4, Note 2.7 and Note 16 to the consolidated financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revaluation of property, plant and equipment.

The key audit matter	How the matter was addressed in our audit
The Group revalued its power plants in line with revaluation model in IAS 16 "Property, plant and equipment". In this regard, as a result of the revaluations carried out as of 31 December 2020, a revaluation increases in property, plant and equipment amounting to TL 2,280,514 thousand was recognized in the consolidated financial statements. Within the scope of the Group's revaluation model, the values of the property, plant and equipment were determined by independent valuation institutions. "Revaluation of property, plant and equipment" was considered to be a key audit matter because the carrying values of these assets are material to the consolidated financial statements as of 31 December 2020 and also because of the significant estimates and judgments required in determining the assumptions to be used to estimate the recoverable amount.	We have performed the following audit procedures to be responsive to this area: - Assessing the competence and independence of independent valuation experts who carry out revaluations of property, plant and equipment, - Involving valuation specialists to evaluate methods used in revaluations for property, plant and equipment. - Assessing the appropriateness of significant estimates and inputs used in valuation modeling with the help of valuation specialists, including comparing them with current precedents and past values in the market, - Assessing the appropriateness and adequacy of disclosures in the consolidated financial statements related to revaluation of property, plant and equipment in accordance with IFRS, including disclosures of key assumptions and judgments related to hedge accounting.

Other Matter

The consolidated financial statements of the Group presented as comparative information in respect of the previous period as at and for the year ended 31 December 2019 was audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 8 May 2020.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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 consolidated financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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 auditors' 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.

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

Şirin Soysal
Partner
29 April 2021
Istanbul, Turkey

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

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

	Notes	Audited 31 December 2020	Audited 31 December 2019
ASSETS			
Current assets:			
Cash and cash equivalents	5	728,314	832,715
Financial assets	13	258,578	10,008
Trade receivables		1,423,992	1,020,624
- Other trade receivables	8	1,364,255	1,007,747
- Due from related parties	8, 28	59,737	12,877
Other receivables		983,066	1,307,725
- Other receivables	9	46,713	58,737
- Due from related parties	9, 28	936,353	1,248,988
Derivative financial instruments	19	3,749	--
Receivables from service concession arrangements	6	349,605	258,074
Inventories	10	69,428	62,975
Other current assets	11	147,274	118,388
Total		**3,964,006**	**3,610,509**
Assets held for sale	12	--	625,282
Total current assets		**3,964,006**	**4,235,791**
Non-current assets:			
Trade receivables		43,287	45,640
- Other trade receivables		43,287	45,640
Financial assets	13	246	246
Other receivables		1,360,233	1,164,796
- Other receivables	9	134	127
- Due from related parties	9, 28	1,360,099	1,164,669
Receivables from service concession arrangements	6	2,534,191	2,050,771
Equity accounted investees	14	681,368	532,402
Property, plant and equipment	16	10,678,901	8,460,616
Intangible assets	17	2,872,163	2,812,381
Right of use assets	15	36,003	48,534
Deferred tax assets	22	494,245	375,127
Other non-current assets	11	13,487	72,222
Total non-current assets		**18,714,124**	**15,562,735**
Total assets		**22,678,130**	**19,798,526**

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

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

	Notes	Audited 31 December 2020	Audited 31 December 2019
LIABILITIES			
Current liabilities:			
Financial liabilities	7	4,485,644	4,738,103
Trade payables		1,814,581	2,122,545
- Other trade payables	8	1,760,557	2,049,603
- Due to related parties	8, 28	54,024	72,942
Other payables		1,338,843	853,000
- Other payables	9	970,845	822,921
- Due to related parties	9, 28	367,998	30,079
Derivative financial instruments	19	83,856	33,170
Taxes on income		56,489	31,006
Other provisions	18	13,817	11,141
Other current liabilities	11	234,620	166,369
Total		**8,027,850**	**7,955,334**
Liabilities related to the asset held for sale	12	--	404,963
Total current liabilities		**8,027,850**	**8,360,297**
Non-current liabilities:			
Financial liabilities	7	10,035,603	8,014,776
Derivative financial instruments	19	243,452	111,849
Other payables		17,503	17,012
- Other payables	9	17,503	17,012
Deferred tax liabilities	22	939,565	662,013
Provisions for employment benefits	20	44,000	32,584
Other non-current liabilities		--	868
Total non-current liabilities		**11,280,123**	**8,839,102**
Total liabilities		**19,307,973**	**17,199,399**
EQUITY			
Share capital	21	2,110,948	2,110,948
Revaluation fund	16	4,583,615	3,211,890
Share premium		916	916
Legal reserves	21	7,931	7,897
Hedge reserves		(3,858,376)	(2,635,595)
Actuarial losses		(12,939)	(10,574)
Currency translation adjustment		590,369	372,298
Retained earnings /(accumulated losses)		6,485	(435,505)
Equity attributable to owners of the Company		**3,428,949**	**2,622,275**
Non-controlling interests		**(58,792)**	**(23,148)**
Total equity		**3,370,157**	**2,599,127**
Total liabilities and equity		**22,678,130**	**19,798,526**

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
Revenue	23	8,579,113	8,204,197
Cost of sales (-)	24	(7,078,153)	(6,800,007)
Gross profit		**1,500,960**	**1,404,190**
General and administrative expenses (-)	24	(264,069)	(202,562)
Marketing and selling expenses (-)	24	(37,014)	(38,616)
Other income	25	859,096	509,455
Other expense (-)	25	(364,483)	(287,221)
Operating income		**1,694,490**	**1,385,246**
Share of gain on equity accounted investees	14, 26	50,679	64,302
Financial income	27	963,098	702,946
Financial expense (-)	27	(2,652,055)	(2,282,353)
Income / (loss) before taxation		**56,212**	**(129,859)**
Current income tax expense (-)	22	(114,362)	(71,686)
Deferred tax income / (expense)	22	25,738	(6,857)
Net loss for the period		**(32,412)**	**(208,402)**
Income / (loss) attributable to:			
Equity holders of the parent	29	3,232	(189,293)
Non-controlling interest		(35,644)	(19,109)
Income / (loss) per share (TL)	29	0.002	(0.095)

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	Audited 1 January - 31 December 2020	Audited 1 January - 31 December 2019
Loss for the period		**(32,412)**	**(208,402)**
Revaluation of property, plant and equipment	16	2,280,514	(9,687)
Changes in actuarial losses on employment benefit obligations	20	(2,950)	(5,060)
Hedge reserves		(1,537,991)	(814,368)
Changes in currency translation adjustments		218,071	90,910
Deferred taxes related to other comprehensive income	22	(152,526)	165,924
Other comprehensive income / (loss)		**805,118**	**(572,281)**
Total comprehensive income / (loss)		**772,706**	**(780,683)**
Total comprehensive income / (loss) attributable to:			
Equity holders of the parent		808,350	(761,574)
Non-controlling interests		(35,644)	(19,109)
Total comprehensive income / (loss)		**772,706**	**(780,683)**

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

ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

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

			Attributable to equity holders of the parent							
			Items that will not be reclassified to profit or loss		Items that are or may be reclassified to profit or loss					
	Share capital	Share premium	Revaluation fund	Actuarial losses	Foreign currency translation differences	Hedge reserves	Legal reserves	Retained earnings / (accumulated losses)	Non controlling interests	Total equity
1 January 2019	**2,110,948**	**916**	**3,415,981**	**(6,627)**	**281,388**	**(1,984,100)**	**7,897**	**(442,554)**	**(4,039)**	**3,379,810**
Transfer	--	--	(196,342)	--	--	--	--	196,342	--	--
Total comprehensive loss	--	--	(7,749)	(3,947)	90,910	(651,495)	--	(189,293)	(19,109)	(780,683)
31 December 2019	**2,110,948**	**916**	**3,211,890**	**(10,574)**	**372,298**	**(2,635,595)**	**7,897**	**(435,505)**	**(23,148)**	**2,599,127**
1 January 2020	**2,110,948**	**916**	**3,211,890**	**(10,574)**	**372,298**	**(2,635,595)**	**7,897**	**(435,505)**	**(23,148)**	**2,599,127**
Acquisition or disposal of subsidiary	--	--	(201,378)	(5)	--	7,612	--	192,095	--	(1,676)
Transfer	--	--	(246,697)	--	--	--	34	246,663	--	--
Total comprehensive gain	--	--	1,819,800	(2,360)	218,071	(1,230,393)	--	3,232	(35,644)	772,706
31 December 2020	**2,110,948**	**916**	**4,583,615**	**(12,939)**	**590,369**	**(3,858,376)**	**7,931**	**6,485**	**(58,792)**	**3,370,157**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	Audited 1 January- 31 December 2020	Audited 1 January- 31 December 2019
Cash flows from operating activities:			
Net loss for the period		**(32,412)**	**(208,402)**
Adjustments related to depreciation and amortisation	24, 25	668,801	583,158
Adjustments related to interest income	25, 27	(280,748)	(293,555)
Adjustments related to interest expense	25, 27	1,546,517	1,675,499
Adjustments related to unrealized foreign exchange losses and currency translation differences		300,765	60,990
Adjustments related to loss from financial derivative instruments	19,27	36,595	33,651
Adjustments for provisions related with employee benefits		9,997	8,783
Adjustments for/(reversal of) other provisions		2,676	(5,057)
Adjustments related to gain on sale of property, plant and equipment	25	(31,724)	(397)
Adjustments related to gain on sale of subsidiary	25	(40,160)	(29,546)
Adjustments related to share of profit of equity-accounted investees	14,26	(50,679)	(64,302)
Adjustments related to indexation differences of receivables from service concession agreements	6	(337,076)	(156,939)
Adjustments related to indexation differences of deposits received	9	66,458	34,094
Adjustments related to tax expense	22	88,624	78,543
Other adjustments related to non-cash items	5	4,023	(23,249)
Net cash generated from operating activities before changes in working capital		**1,951,657**	**1,693,271**
Changes in trade receivables		(329,058)	(232,413)
Changes in other receivables		853,057	189,467
Changes in other current and non-current assets		20,851	87,830
Changes in trade payables		(363,405)	564,869
Changes in other payables		81,957	76,041
Changes in other liabilities		67,230	(27,991)
Changes in inventories		(6,453)	(2,886)
Termination benefits paid	20	(1,536)	(3,165)
Taxes paid		(79,916)	(49,803)
Other inflows/outflows	5	355,679	292,554
Net cash generated from operating activities		**2,550,063**	**2,587,774**
Cash flows from investing activities:			
Acquisition of property plant and equipment and intangible assets		(303,676)	(114,125)
Proceeds from sale of property, plant and equipment		67,315	7,028
Cash in flow from sale of subsidiaries		249,157	29,546
Cash outflow from purchase of subsidiaries	3	(176,942)	--
Proceeds from sale of assets held for sale		17,574	--
Dividend received	14	51,227	--
Other inflows/outflows	5	(514,272)	(949,494)
Net cash generated from/ (used in) investing activities		**(609,617)**	**(1,027,045)**
Cash flows from financing activities:			
Proceeds from issued debt instruments	7	988,680	777,264
Proceeds from bank borrowings	7	1,779,144	1,690,158
Repayment of bank borrowings	7	(2,404,997)	(1,555,561)
Repayment of issued debt instruments	7	(819,380)	(586,712)
Changes in other payables to related parties		251,357	(72,451)
Payment of lease liabilities	7	(30,352)	(25,821)
Interest paid		(1,467,992)	(1,397,627)
Interest received		129,730	86,791
Other inflows/outflows	5,7	(92,169)	(89,066)
Net cash used in financing activities		**(1,665,979)**	**(1,173,025)**
Net increase in cash and cash equivalents		274,467	387,704
Effect of foreign currency conversion differences on cash and cash equivalents		(130,298)	(143,557)
Change in restricted cash		(257,284)	(3,806)
Cash and cash equivalents at the beginning of the period		**823,024**	**582,683**
Cash and cash equivalents at the end of the period	**5**	**709,909**	**823,024**

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

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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Zorlu Enerji Elektrik Üretim AŞ ("The Company" or "Zorlu Enerji") and its subsidiaries (collectively referred to as ("the Group") is engaged in electricity, steam production and selling, distribution and retailing of electricity, trading electricity, supply and distribution of gas, selling and distribution of solar panel and sale, installation and operation of electric charging stations. The Group was established by Zorlu Holding AŞ ("Zorlu Holding") and Korteks Mensucat Sanayi ve Ticaret AŞ ("Korteks") in 1993. Ultimate controlling party of the Group is Zorlu Holding. The Group is registered in Turkey and its registered address is as follows: Bursa Organize Sanayi Bölgesi, Pembe Cadde, No:13 Bursa, Türkiye.

The Group is registered to the Capital Markets Board ("CMB"), and its shares are publicly traded in Borsa Istanbul AŞ ("BIST") since 2000. As at 31 December 2020, 34.7% of its shares are open for trading (31 December 2019: 32%).

The subsidiaries and associates of the Group are presented as below:

Subsidiaries	Nature of business	Country
Zorlu Enerji Pakistan Ltd. ("Zorlu Enerji Pakistan")	Electricity production	Pakistan
Zorlu Wind Pakistan (Private) Ltd. ("Zorlu Wind Pakistan")	Electricity production	Pakistan
Nemrut Jeotermal Elektrik Üretimi AŞ ("Nemrut")	Electricity production	Turkey
Zorlu Solar Enerji Tedarik ve Ticaret AŞ ("Zorlu Solar")	Electricity production and solar panel trading	Turkey
Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret AŞ ("Zorlu Elektrik")	Electricity trading	Turkey
Zorlu Osmangazi Enerji Sanayi ve Ticaret AŞ ("Zorlu Osmangazi") (*)	Electricity distribution and retail sales	Turkey
Zorlu Enerji İsrail Ltd. ("Zorlu Enerji İsrail")	Electricity production	Israel
Zorlu Renewable Pakistan (Private) Ltd. ("Zorlu Renewable Pakistan")	Electricity production	Pakistan
Zorlu Sun Power (Private) Ltd. ("Zorlu Sunpower")	Electricity production	Pakistan
Zorlu Enerji Dağıtım AŞ ("Zorlu Enerji Dağıtım") (**)	Natural gas distribution	Turkey
Zorlu Enerji Asia Holding Ltd. ("Zorlu Enerji Asia") (***)	Energy investment	Dubai
ZES Dijital Ticaret AŞ ("ZES Dijital")	Electricity sale, renting of electric vehicle and other	Turkey
ZJ Strong Energy for Renewable Energy Ltd Co. ("ZJ Strong")	Electricity production	Palestine
Zorlu Trade Elektrik Toptan Satış AŞ ("Zorlu Trade")	Electricity trading, wholesale and purchase of electricity	Turkey
Electrip Araç Kiralama Ticaret AŞ ("Electrip") (****)	Leasing vehicle and supply of related software and equipment	Turkey
ZES B.V.	Electric charging station sales, installation and operation	Netherlands
Zorlu Yenilenebilir Enerji AŞ ("Zorlu Yenilenebilir") (*****)	Power plant installation, operation and other	Turkey

Associates	Nature of business	Country
Dorad Energy Ltd. ("Dorad")	Electricity production	Israel
Ezotech Electric Ltd. ("Ezotech") (******)	Electricity production	Israel
Solad Energy Ltd. ("Solad")	Electricity production	Israel
Adnit Real Estate Ltd ("Adnit") (*******)	Electricity production	Israel

(*) Zorlu Osmangazi has 100% shares of Osmangazi Elektrik Dağıtım AŞ ("OEDAŞ") and Osmangazi Elektrik Satış Perakende AŞ ("OEPSAŞ").

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

(**) Zorlu Enerji Dağıtım, which is 100% owned by Zorlu Enerji, has 90% of the shares of Trakya Bölgesi Doğal Gaz Dağıtım AŞ ("Trakya") and Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ ("Gazdaş") and 100% shares of Zorlu Doğal Gaz Tedarik Ticaret AŞ ("Zorlu Doğal Gaz Tedarik"). The paid-in capital of Enerji Dağıtım has been increased from TL 92,050 thousand to TL 355,050 thousand and the capital increase has been registered on 22 July 2020.

(***) Zorlu Enerji Asia Holding Limited owned 100% shares of Zorlu Solar Pakistan (Private) Ltd. ("Zorlu Solar Pakistan") on 20 October 2020.

(****) As a result of the share transfers in Zorlu Enerji ve İnşaat Sanayi ve Ticaret AŞ; Zorlu Enerji took over all of its shares and aggregated 100% ownership rate as of 28 July 2020. Zorlu Enerji ve İnşaat Sanayi ve Ticaret AŞ maintains its activities as of 16 September 2020 under the name of Electrip Araç Kiralama Ticaret AŞ, and as of the date, Electrip's capital has been increased from TL 1,000 thousand to TL 6,600 thousand.

(*****) Zorlu Yenilenebilir was established on 27 August 2020 as a subsidiary of Zorlu Enerji, which has all its shares, and on the date, Zorlu Doğal Elektrik Üretim AŞ. ("Zorlu Doğal"), Zorlu Jeotermal Enerji Elektrik Üretim AŞ. and Rotor Elektrik Üretim AŞ ("Rotor") acquired 100% of Zorlu Doğal, Zorlu Jeotermal and Rotor companies by taking over the shares from Zorlu Enerji.

(******) Ezotech has 100% shares of Ashdod Energy Ltd. ("Ashdod") and Ramat Negev Energy Ltd. ("Ramat Negev").

(*******)Zorlu Enerji had 42.15% shares of Adnit in 2019, and Adnit's capital amount is NIS 10,000.

As at 31 December 2020, the number of average personnel employed is 2,283 (31 December 2019: 2,254).

The power plants of the Group located in Turkey and abroad are presented below together with their existing installed capacities:

Installed capacity in Turkey:

Power Plant	Company	Location	Type	Electricity Production Capacity (MW)	Steam Production Capacity (Ton/Hour)
Geothermal				**305.00**	--
Kızıldere I	Zorlu Doğal	Denizli	Geothermal	15.00	--
Kızıldere II	Zorlu Doğal	Denizli	Geothermal	80.00	--
Kızıldere III	Zorlu Doğal	Denizli-Aydın	Geothermal	165.00	--
Alaşehir I	Zorlu Jeotermal	Manisa	Geothermal	45.00	--
Wind				**135.00**	--
Gökçedağ	Rotor	Osmaniye	Wind	135.00	--
Hydroelectric				**118.94**	--
Tercan	Zorlu Doğal	Erzincan	Hydroelectric	15.00	--
Kuzgun	Zorlu Doğal	Erzurum	Hydroelectric	20.90	--
Ataköy	Zorlu Doğal	Tokat	Hydroelectric	5.50	--
Mercan	Zorlu Doğal	Tunceli	Hydroelectric	20.40	--
Çıldır	Zorlu Doğal	Kars	Hydroelectric	15.40	--
İkizdere	Zorlu Doğal	Rize	Hydroelectric	24.94	--
Beyköy	Zorlu Doğal	Eskişehir	Hydroelectric	16.80	--
Natural Gas(*)				**83.83**	**98.00**
Lüleburgaz	Zorlu Enerji	Lüleburgaz, Kırklareli	Cogeneration Natural Gas	49.53	98.00
Bursa	Zorlu Enerji	Bursa Organized Industrial Zone	Combined-Cycle Natural Gas	34.30	--
TOTAL				**642.77**	**98.00**

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

(*) The production license of the company's Yalova natural gas cogeneration power plant with an installed capacity of 15.93 MW in Yalova has expired and no extension has been requested from EMRA and the license has been terminated as of 11 August 2020.

Installed capacity in abroad:

Power Plant	Location	Type	Electricity Production Capacity (MW)	Steam Production Capacity (Ton/Hour)
Wind			**56.40**	--
Jhimpir	Pakistan	Wind	56.40	--
Natural Gas (*)			**290.48**	**46.37**
Dorad	Israel	Combined-Cycle Natural Gas (840 MW)	210.00	--
Ashdod	Israel	Cogeneration Natural Gas (64.54 MW, 40 ton/hour)	27.20	16.86
Ramat Negev	Israel	Cogeneration Natural Gas (126.4 MW, 70 ton/hour)	53.28	29.51
TOTAL			**346.88**	**46.37**

(*) Stake of Zorlu Enerji in Israel companies has been taken into consideration in the calculation of total production capacity.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

The consolidated financial statements of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.7.

The Group maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles. These consolidated financial statements have been prepared under historical cost conventions except for financial assets and financial liabilities which are carried at fair value and property plant and equipments accounted at fair value.

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

2.1 Basis of Presentation (Continued)

Approval of consolidated financial statements

The consolidated financial statements were approved by the Company's Board of Directors on 26 April 2021. The General Assembly of the Company has the right to amend and relevant regulatory bodies have the right to request the amendment of these consolidated financial statements.

Functional and presentation currency

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

Foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous. Their reporting currencies are the respective local currencies. Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the financial position and at exchange rates at the dates of the transactions with respect to the income statement. All resulting translation differences between the closing balances and opening balances due to the difference in inflation and devaluation are included in currency translation adjustment in equity.

2.2 Basis of consolidation

The consolidated financial statements includes the accounts of the parent company, Zorlu Enerji and its subsidiaries and associates on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements and have been prepared in accordance with IFRS by applying uniform accounting policies and presentation. The results of operations of subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

Subsidiaries

Zorlu Enerji controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Zorlu Enerji has power over a subsidiary when Zorlu Enerji has existing rights that give it the current ability to direct the relevant activities that significantly affect the subsidiary's returns. Power arises from rights and the existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Zorlu Enerji controls another entity.

Subsidiaries including the structured entities are the companies controlled by the Group. The Group's control is provided by the ability to affect the variable returns through its power over the subsidiaries. Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that control ceases.

The statement of financial position and statement of profit or loss the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Zorlu Enerji and its subsidiaries are eliminated against the related equity. Intercompany transactions and balances between Zorlu Enerji and its subsidiaries are eliminated with the scope of consolidation accounting.

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

2.2 Basis of consolidation (Continued)

Loss of control

If the Group loses control of a subsidiary, it recognizes any investment retained in the former subsidiary at its fair value when control is lost and any difference between the fair value and net book value of investment is accounted for as gain or loss. That fair value shall be regarded as the fair value on initial recognition of a financial asset, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. Additionally, assets and liabilities that were previously recognized as other comprehensive income attributable to that subsidiary are accounted for as if those were disposed the Group. This may result in a fact that these amounts previously recognized as other comprehensive income may be classified to profit or loss.

Non-controlling interests

The minority shares in the net assets and operating results of subsidiaries are separately classified in the consolidated statement of financial position and consolidated statements of profit or loss as "non-controlling interests".

The Group applies a policy of treating transactions with non-controlling interests as transactions with owners of the parent. Regarding the purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non-controlling interests are also accounted for in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also accounted for in equity.

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

2.2 Basis of consolidation (Continued)

The table below sets out all subsidiaries and demonstrates the proportion of ownership interest as at 31 December 2020 and 31 December 2019. Financial statements of subsidiaries are consolidated using the full consolidation method.

	Direct ownership interest by the Companies (%)	
Subsidiaries	**31 December 2020**	**31 December 2019**
Rotor	--	100
Zorlu Jeotermal	--	100
Zorlu Enerji Pakistan	100	100
Zorlu Wind Pakistan	99.7	99.7
Zorlu Solar Pakistan (*)	--	99.7
Zorlu Rüzgar (**)	--	100
Zorlu Doğal	--	100
Nemrut	75	75
Zorlu Solar	100	100
Zorlu Elektrik	100	100
Zorlu Osmangazi	100	100
Zorlu Enerji İsrail	100	100
Zorlu Renewable Pakistan	99.7	99.7
Zorlu Sun Power	99.7	99.7
Zorlu Enerji Dağıtım	100	100
Zorlu Enerji Asia	100	100
ZES Dijital	100	100
ZJ Strong	75	75
Zorlu Trade	100	100
Electrip	100	-
ZES B.V.	100	-
Zorlu Yenilenebilir	100	-

(*) Zorlu Enerji Asia Holding Limited owned 100% shares of Zorlu Solar Pakistan (Private) Ltd. ("Zorlu Solar Pakistan") on 20 October 2020.

(**) Based on the material event disclosure dated 5 February 2020, the sale of all shares in Zorlu Rüzgar, the 100% subsidiary of the Group, to Imbat Energy AŞ, a 100% subsidiary of Akfen Yenilenebilir Enerji Üretim AŞ, has been completed.

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

2.2 Basis of consolidation (Continued)

Interests in equity-accounted investees

The Group's equity-accounted investees are accounted under the equity method of accounting. Equity-accounted investees are undertakings over which the Group generally has between 20% and 50% of the voting rights and the Group has significant influence and which are not subsidiaries or joint ventures of the Group. The investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any impairment in value. The consolidated statement of income/loss reflects the Group's share of the results of operations of the associates.

The equity method is abandoned if the carrying value of the investment in the associate is zero or the significant effect of the Group has ended, as long as the Group does not incur an obligation or commitment in relation to the associate. After the Group's share in the associate has decreased to zero, additional provision and recognition of the liability has been incurred if the Group is exposed to legal or constructive obligation or has made payments on behalf of the associate.

The table below sets out all associates and demonstrates the proportion of ownership interest as at 31 December 2020 and 31 December 2019:

Subsidiary	31 December 2020 (%)	31 December 2019 (%)
Dorad	25	25
Ezotech	42.15	42.15
Solad	42.15	42.15
Adnit	42.15	42.15

2.3 Amendments in International Financial Reporting Standards

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

a. Standards, amendments and interpretations applicable as at 31 December 2020:

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2020 are as follows:

- The revised conceptual framework (version 2018)
- Amendments to IFRS 3, definition of a business,
- Amendments to IAS 1 and IAS 8 - definition of material,
- Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7).

These amendments did not have a significant impact on the consolidated financial statements of the Group.

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

2.3 Amendments in International Financial Reporting Standards (Continued)

b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:

A number of new standards and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows:

- Classification of liabilities as current or non-current (amendments to IAS 1),
- Covid-19 related rent concession (amendments to IFRS 16),
- IBOR reform and its effects on financial reporting - phase 2,
- Reference to the conceptual framework (amendments to IFRS 3),
- Property, plant and equipment - proceeds before intended use (amendments to IAS 16),
- Onerous Contracts - cost of fulfilling a contract (amendments to IAS 37).

The Group is assessing the potential impact of these amendments on its consolidated financial statements.

2.4 Summary of significant accounting policies

a) 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.

A number of transactions are entered into with related parties in the normal course of business (Note 28).

b) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is calculated by subtracting the necessary predicted sale cost to realise the sale from predicted sale price in ordinary workflow. Inventories comprise the electrical equipment and material related to the Group's electricity generation and are accounted for as expenses when used. Unit cost for inventory is calculated using the average cost method (Note 10).

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

2.3 Summary of significant accounting policies (continued)

c) Property, plant and equipment

The Group has chosen revaluation method among application methods mentioned under IAS 16 for its powerplants. The fair value of powerplants belonging to Zorlu Enerji is determined by using "market approach and cost method" and fair values of all other power plants are determined by using "income approach - discounted cash flow analysis". Motor vehicles and furniture and fixtures are carried at cost less accumulated depreciation and impairment losses if any.

Increase in property, plant and equipments due to the revaluation is credited after netting of the deferred tax effect on revaluation fund account under shareholders' equity in the statement of financial position. The difference between amortization (reflected in income statement) calculated by the carried amounts of revalued assets and amortization calculated by the acquisition costs of these assets is transferred to accumulated deficit from revaluation fund after netting of the deferred tax effect on a yearly basis. The same method is also applicable for tangible asset disposal.

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

Foreign currency values identified in the valuation of Zorlu Doğal, Zorlu Jeotermal, Rotor and Zorlu Pakistan power plant projects has been taken into account in the consolidated financial statements as of 31 December 2020. In addition, Zorlu Enerji's natural gas power plants were revalued on 31 December 2020 and taken into account in the consolidated financial statements with their new values. The revaluation of the power plants in Turkey was carried out by Aden Gayrimenkul Değerleme ve Danışmanlık AŞ, accredited by the CMB. The fair value of the Zorlu Pakistan wind power plant project, established in Pakistan, was determined by A A Baig& Co. Chartered Accountants.

The assumptions used in the valuation reports are presented in Note 2.7.

The useful lives determined by the valuation of the Zorlu Doğal power plants as 18 years for Kızıldere I, II and III JES and hydroelectric power plants, Zorlu Jeotermal as 20 years, Zorlu Pakistan as 13 years and Rotor as 15 years. On the other hand, for the power plants of Zorlu Enerji, which their fair values are determined by market approach and cost method, the estimated useful lives are taken into consideration as follows:

	Useful live
Buildings	30-45
Land improvements	10-20
Plant and machinery	6-48

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

Gains or losses on disposals of property, plant and equipment which are calculated as the difference between net carrying value and the collections made are included in the related income and expense accounts, as appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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

2.4 Summary of significant accounting policies (continued)

d) Intangible assets

Intangible assets are carried at cost less accumulated depreciation and impairment losses. Intangible assets comprise licenses, computer softwares, service concession arrangements, customer relationships and goodwill.

Intangible assets with definite useful life are recognised at the cost of acquisition and depreciated using the straight-line method.

Intangible assets with definite useful life are reviewed for the purpose of determining whether there is an indication of impairment or not, and if the carrying amount of the intangible asset exceeds its recoverable amount, the carrying amount of the intangible asset is reduced to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use. An impairment provision is reflected in the profit or loss statement within the same period.

Computer softwares

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

Service concession arrangement

Service concession arrangements owned as a result of business combinations are recognised at their fair values at the acquisition date. The duration of the electricity distribution service concession arrangement and natural gas distribution service concession arrangement were determined to be 20 years for OEDAŞ and 22 years for Gazdaş and Trakya. The service concession arrangements is amortised during this time (Note 17).

Customer relationships

Customer relationships acquired as a result of business combinations related OEPSAŞ and Zorlu Tedarik are recognised at their fair value at the acquisition date. The duration of customer relationships is determined to be 20 years for OEPSAŞ and 16 years for Zorlu Tedarik. Customer relationships are amortised by straight line method in accordance these useful lives (Note 17).

Business combinations and goodwill

A business combination is the bringing together of separate legal entities or businesses into one reporting entity. Business combinations are recognised using the acqusition method in accordance with IFRS 3.

Cost of the acquisition incurred as a result of the acquisition of an enterprise is allocated to identifiable assets, obligations and contingent obligations of the enterprise on the date of acquisition. The difference between the cost of the acquisition and the fair value of identifiable assets, obligations and contingent obligations of the entity on the date of acquisition is recognised in the consolidated financial statement as goodwill. In business combinations the assets, intangible assets and contingent obligations that are not covered by the financial statements of the acquired entity but that could be separated from the goodwill are recognised in the consolidated statement of financial position at their fair values. The goodwill previously recognised in the financial statements of the acquiree is not considered to be an identifiable asset.

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

2.4 Summary of significant accounting policies (continued)

d) Intangible assets (continued)

If the Group's share of the net fair value of the identifiable assets, obligations and contingent obligations is more than the cost of the business combination the excess is accounted for in the consolidated statement of income in the related period.

Goodwill is tested for impairment annually and more frequently if impairment indicators are present. Carrying amount of goodwill and higher of fair value less costs of disposal and value in use compared. Impairment losses are recognized as an expense immediately in the consolidated statement of profit or loss and not reversible for subsequently periods (Note 2.7).

e) Receivable from service concession arrangements

IFRIC 12, "Service concession arrangements" regulate recognition of the arrangements for service concessions provided by public operators to private industry. The service concession agreements concerning electricity and gas distribution services are recognised within the framework of IFRIC 12 by the Group.

As the conditions of agreements based on the arrangements within the scope of IFRIC 12, the Group operates as a service provider with the title "operator". An operator builds and renovates the infrastructure used to provide a public service, operates the infrastructure during the determined period and maintains the infrastructure. The Group distributes electricity and gas within the scope of the service concession arrangement transferred from public to private sector.

The Group recognises investment expenditure related to distribution, under financial assets to the extent that it has unconditional rights arising from the contract concerning invoicing to subscribers in line with the instructions from the guarantor. The right to collect in return for distribution services is carried out by invoicing subscribers. The distribution element of the said invoices is regulated by distribution tariffs determined by EMRA. The difference between the annual collections from distribution and the revenue cap predetermined by EMRA is corrected by EMRA by revising the future tariff.

In scope of the IFRIC 12, all investments of the Group related to electricity and gas distribution operation is recognised as "Receivables from service concession arrangements" (Note 6). Service concession agreements related OEDAŞ disclosed under intangible assets are included in the consolidated financial statements in 2017 as a result of the business combination accounting applied in the scope of IFRS 3. Service concession agreements related Trakya and Gazdaş disclosed under intangible assets are included in the consolidated financial statements in 2018 as a result of the business combination accounting applied in the scope of IFRS 3.

Receivables from service concession arrangements are measured at amortized cost in accordance with IFRS 9, since they are composed of cash flows that only include principal and interest.

Receivables from service concession arrangements are depreciated over 22 years as per the concession arrangements concerning gas distribution activities (Note 6).

As per the concession arrangement for natural gas distribution companies, the Group accounts under intangible assets, investments of the first 8 years, carried out until the asset base developed, that it could not invoice to its customers (31 December 2020: contract cost, net TL54,743 thousand, 31 December 2019: contract cost, net TL58,165 thousand) and amortises for the duration of the remaining licence period (Note 17). The relevant amortization expense is accounted under cost of sales (as of 31 December 2020: depreciation expense is TL3,422 thousand and 31 December 2019: depreciation expense is TL3,422 thousand (Note 17)).

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

2.4 Summary of significant accounting policies (continued)

f) Revenue Recognition

The Group recognizes revenue in accordance with IFRS 15 "Revenue from contracts with customers" standard when the goods or services is transferred to the customer and when performance obligation is fulfilled based on the following main principles:

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled

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

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

At the beginning of an agreement the Group evaluates the services committed to the client in the agreement and defines each commitment to transfer services as a separate performance obligation. In addition, at the beginning of the agreement the Group identifies whether they will meet each obligation over time.

The Group considers agreement provisions and commercial customs in order to determine transaction price. Transaction price is the price which the Group expects to earn in return for services it committed to provide to a customer, excluding amounts (e.g. some sales taxes) collected on behalf of third parties.

The Group allocates a transaction price to each performance obligation (or different good or service) in an amount that shows how much the customer expects to have a right to in return for the transfer of goods or services committed to the client. In this allocation, the Group allocates the transaction price to each performance obligation specified in the agreement over a relative sales price, in this allocation, the Group determines the individual selling price of different goods or services that form the basis of each performance obligation at the beginning of the agreement and the transaction price is proportional to these individual sales prices.

The Group does not adjust the promised amount of consideration for the effects of a significant financing component since the Group expects, at contract inception, that the period between when the entity 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. If the financing component is significant in revenue, future collections are discounted by the interest rate in financing component. The difference is recognised as income from operating activities in current period.

The Group's performance obligations consist of distibution of electricity and gas and electricity sales. The customer consumes the benefits of the Group simultaneously. Electricity sales are recognized as soon as electricity is delivered. Electricty and gas distribution services are recognized as soon as services are rendered. The Group recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to the customer.

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

2.4 Summary of significant accounting policies (continued)

f) Revenue Recognition (continued)

Retail and wholesale electricity sales income

Electricity sales revenue is accounted in the case of realization of electicity delivery on an accrual basis, through the invoiced amount.

Electricity distribution

- **Transmission system utilization**

The transmission tariff is prepared by the Turkey Electricity Transmission Company ("TETC") and includes prices, terms and conditions for the provision of transmission service to all users benefiting from the transmission of generated, imported or exported electricity over the transmission facilities, which will be employed on the basis of non-discriminatory conduct principle in accordance with the Electricity Market Law Article 13. Grid investments made by TETC and transmission surcharges are included in the transmission tariff. Transmission system utilization fees charged to the customers are the unit prices allocated by the entities holding electricity distribution license in order to compensate the transmission tariff charges invoiced by TETC to those entities.

- **Electricity dissipation and theft**

Electricity dissipation and theft cost is calculated using electricity dissipation and theft ratio applied to the projected electricity transfer quantity based on each distribution region and charged to each electricity consumers including the industrial plants connected to the electricity network as electricity dissipation and theft income.

- **Price equalization**

A price equalization mechanism is applied by EMRA to protect the consumers purchasing electricity over the regulated tariffs from the price differences partially or wholly due to the cost differences among the distribution regions. The amount to be provided to or collected from the entities holding electricity distribution license is calculated in accordance with a formula determined by EMRA for each distribution region and informed to the parties. These amounts are recognized in profit or loss.

- **Income from investment expenditures**

The Group makes investments in power line, facility and various construction activities in the electricity distribution system to fulfil demand estimates determined by EMRA. Revenue and costs related to the investment expenditure are recognised within the framework of IFRS 15. Income from investment expenditures is recognised as a single performance obligation and at a point in time.

2.5 Summary of significant accounting policies (continued)

f) Revenue Recognition (continued)

Electricity distribution (continued)

- **Distribution systems income**

Distribution revenue comprises distribution, meter reading, transmission, theft and loss. Electricity distribution and meter reading services are in the scope of the service concession agreement under EMRA regulations. As per Electricity Market Law, the Electricity Market Tariffs Regulation and other relevant regulations, the Group's distribution, transmission and meter reading services are subject to a revenue cap. Realized revenue includes operating expenses and investment needs related to distribution of electricity and meter reading services. Similarly, transmission revenue consists of the transmission costs allocated by Türkiye Elektrik İletim AŞ ("TEİAŞ"). This regulation guarantees the Group's revenue no matter the consumption level of the subscribers. Overcharges and undercharges by the Group are calculated at the end of each year and are adjusted through tariffs by EMRA two years later.

Distribution system income difference of tariff year is the difference between the revenue cap related to distribution system income and realized tariff year distribution income and is recognised as accrual basis.

- **Weighted average cost of capital ("WACC") correction**

Weighted average cost of capital ("WACC") correction related to the service concession agreements for meter reading and retail sales is recognised as per Service Concession Agreements (IFRIC 12). Interest income earned from receivables from concession agreements is recognised using the effective interest method.

- **Indexation difference on receivables from concession arrangements**

In accordance with "the Transfer of Operating Right" ("TOR") the Group takes into account the annual consumer price index (CPI) while regulating the price of the investment expenditures made by the EPDK distribution company. For this reason, the receivables from service concession arrangements, which are written as financial assets in accordance with IFRIC 12, will be updated in accordance with the CPI as of each reporting date.

- **Income from investment expenditures**

OEDAŞ makes investments in power line, facility and various construction activities in the electricity distribution system to fulfil demand estimates determined by EMRA. Revenue and costs related to the investment expenditure are recognised within the framework of IFRS 15. Income from investment expenditures is recognised as a single performace obligation and at a point in time.

- **General Lighting Income**

When electricity is delivered, electricity sales to general lighting customers is recognised on an accrual basis.

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

2.4 Summary of significant accounting policies (continued)

f) Revenue Recognition (continued)

Gas distribution

- **Income from investment expenditures**

Gazdaş and Trakya make investments in power line, facility and various construction activities in the gas distribution system to fulfil demand estimates determined by EMRA. Revenue and costs related to the investment expenditure are recognised within the framework of IFRS 15.

- **Natural gas sales income**

Gazdaş and Trakya, determine the amount of natural gas sales for the invoicing of subscribers based on the index value read by the customer counter. Counters are read periodically once a month and index values are recorded. Natural gas sales revenue is recognized on an accrual basis based on weighted average retail price determined by EMRA on the sales quantity calculated according to two index differences between the last reading date and the previous reading date and calculated on the basis of reading periods.

The retail price consists of the unit purchase price and the system usage price. According to the Natural Gas Market Distribution and Customer Services Regulation, Gazdaş and Trakya may not charge any fee to consumers other than the retail price approved by EMRA and other service fees determined by EMRA.

Gazdaş and Trakya reflects the sale of natural gas to subscribers to their consolidated financial statements in accordance with EMRA regulations. In this context, Gazdaş and Trakya invoice the natural gas they purchase to subscribers without adding a profit margin. Gazdaş and Trakya account the revenue as gross, since they are mainly responsible for ensuring subscribers are provided with natural gas.

- **Natural gas transmission income**

Wholesale companies, from whom individual consumers purchase natural gas, contact with distribution companies to sign transmission service agreements and delivery service agreements for their customers. The distribution companies provide natural gas transmission service to the wholesale companies in scope of the transmission service agreement and delivery service agreement.

As it is the case with its customers, the distribution company processes the amount of natural gas consumption for invoicing to the system records by reading the customer counter periodically every month. The sale of natural gas transportation service is accrued over the calculated natural gas consumption amount and the system usage fee notified to the distribution company by EMRA. The transmission service invoice is reflected to the wholesale companies by the distribution companies.

- **Interest income on financial assets**

The interest income portion of the revenue related to the service concession agreements for distribution is recognised as per Service Concession Agreements (IFRIC 12). Interest income earned from receivables from concession agreements is recognised using the effective interest method.

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

2.4 Summary of significant accounting policies (continued)

- **Indexation difference on receivables from concession arrangements**

In accordance with "the Transfer of Operating Right" ("TOR") the Group takes into account the annual consumer price index (CPI) while regulating the price of the investment expenditures made by the EPDK distribution company. For this reason, the receivables from service concession arrangements, which are written as financial assets in accordance with IFRIC 12, will be updated in accordance with the CPI as of each reporting date.

Sales of electricity from production

It is the revenue generated from electricity producted by the Group through its power plants. Since electricity is a service provided as a series that the client gets and consumes simultaneously, it is recognised as one performance, over time and through output method.

g) Assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position . The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

h) Deferred revenue

Electricity sales revenue in the period is subject to the correction in accordance with income ceiling determined by EMRA and described by tariff chart in Regulatory Accounting Guidelines ("RAG"). The excess/deficit parts occurred in revenue are recorded to the tariff determined by EMRA as correction at the end of second year of occurrence and are offset from tariffs 2 years later. The excess part for the period is classified under short-term and long-term liabilities in the consolidated financial statements and deficit parts are classified under income accrual.

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

2.4 Summary of significant accounting policies (continued)

i) Deposits received

Accounting policy for deposit received from electricity distribution segment

The Group receives deposits from the customers on behalf of the Turkish Electricity Distribution Corporation ("TEDAŞ") during subscription and these deposits are determined by the tariffs and methods announced by EMRA and they are recognized over their fair value at the time when they are received from the customers. In accordance with the decision of EMRA about "The Rules and Regulation related to the Update of Guarantee Payments in Electricity Market", the Group updates the deposits in accordance with the methods identified by EMRA and deposits are refunded to subscribers over their indexed values, where index is periodically updated by EMRA, upon termination of subscription of customers. Besides, in accordance with TOR agreement signed with TEDAŞ, the Group has to follow the deposits received from the subscribers and the refunded deposits and to pay the net balance to TEDAŞ in the year of 2036 that is the end of the license period. The Group reflects the net of deposits received from and refunded to the subscribers in its consolidated financial statements (Note 9).

Accounting policy for deposit received from gas distribution segment

In order to guarantee the receivables arising from the sale of gas, the Group collects deposits from the subscribers using the mechanical meter for a one-time period or receives a letter of guarantee. The deposits paid by a subscriber whose subscription is ending is refunded to the subscriber or their authorised representative within five days following a request on the condition that all debts are paid, and the deposit received in cash is updated within the framework of the relevant legislation.

The indexation of the deposits received is recognised under other operating expenses in the consolidated statement of income (Note 25).

j) Impairment of non-financial assets

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

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

k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which (at least a period of one year) are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are mostly ready for their intended use or sale.

All other borrowing costs are accounted in the consolidated statement of profit or loss in when they occur.

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

2.4 Summary of significant accounting policies (continued)

l) Provisions, contingent liabilities, contingent assets

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and are treated as contingent assets or liabilities (Note 18).

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements of the period in which the change occurs.

m) Employment termination benefits

Provisions for employee termination benefits:

As per the existing labor law in Turkey, the Group is obliged to pay certain amounts to its employees, have completed one year of employment that left due to pension, the military or leaving death. Provision for employment termination benefits represents the present value of the estimated future probable obligation of the Group in case of retirement of employees. Provision for employment termination benefits is calculated as if all employees are subject to such payment and reflected on the accrual basis in the consolidated financial statements. The provision has been calculated based on the severance pay ceiling announced by the Government. As of 31 December 2020, the maximum amount of severance pay is TL 7.117 (31 December 2019: TL 6.380). The Group management has used some estimations in the calculation of provision for severance pay. The Group recognizes actuarial gains and losses in the other comprehensive income.

Under the Turkish Labour Law, according to IAS 19 "Employee termination benefits", the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees (Note 20).

n) Earnings/(loss) per share

Earnings per share are determined by dividing net profit by the weighted average number of shares that have been outstanding during the related year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and allowable reserves. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year (Note 29).

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

2.4 Summary of significant accounting policies (continued)

o) Current and deferred tax

Taxes include current period taxes and deferred taxes. Current year tax liability consists tax liability on period income calculated based on currently enacted tax rates as of reporting date and according to tax legislation in force and includes adjustments related to previous years' tax liabilities.

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

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

Deferred tax assets and deferred tax liabilities related to taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities (Note 22).

s) Share premium

Share premium represents differences resulting from the sale of the Group's subsidiaries' and associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies (Note 21).

t) Offsetting

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

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

2.4 Summary of significant accounting policies (continued)

u) Financial assets and liabilities

Classification and measurement

The Group classifies the financial assets as three groups such as subsequently measured at "amortised cost", "fair value through profit or loss" and "fair value through other comprehensive income". The classification is made on the basis of the entity's business model for managing the financial assets/liabilities and contractual cash flow characteristics of the financial asset/liability. The Group classifies its financial assets and liabilities at the date which they are purchased.

Financial assets	Classification in accordance with IFRS 9
Cash and cash equivalents	Amortized cost
Trade receivables	Amortized cost
Derivative financial instruments	Fair value through other comprehensive income
Derivative financial instruments	Fair value through profit or loss
Receivables from service concession arrangements	Amortized cost
Other receivables	Amortized cost

Financial liabilities	Classification in accordance with IFRS 9
Derivative financial instruments	Fair value through other comprehensive income
Derivative financial instruments	Fair value through profit or loss
Borrowings	Amortized cost
Other payables	Amortized cost
Trade payables	Amortized cost

Financial assets and liabilities carried at amortized cost

"Financial assets measured at amortised cost", are the financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows 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 standing, not have an active market and non-derivatives financial assets. "Cash and cash equivalents", "Trade receivables", "Other receivables" and "Receivables from service concession arrangements" are classified as financial assets and "Trade payables", "Other payables" and "Borrowings" are measured at amortised cost using the effective interest method. Gains and losses recognised as a result of the fair value adjustments of financial assets and liabilities amortised at cost and non-derivative financial assets are included in the consolidated statement of profit or loss.

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

2.4 Summary of significant accounting policies (continued)

- **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments without a significant risk over the change in their value, whose maturity at the time of purchase is three months or less (Note 5). Cash and cash equivalents used in cash flow statement comprise cash and cash equivalents with short-term maturities of less than 3 months, excluding accrued interest income and blocked deposits.

- **Trade receivables**

Short-term trade receivables are measured at the invoice amount unless the effect of interest accrual is significant. In the circumstances that there is a situation which indicates that the Group will not be able to collect all amounts due, a provision for impairment is established for the trade receivables. The amount of such provision is the difference between the book value of the receivable and the collectible amount. The collectible amount is the current value of the expected cash flow, including the amounts to be collected from guarantees and collaterals, which is discounted based on the original effective interest rate of the initial receivable (Note 8).

When calculating the impairment of trade receivables, which are recognised based on the cost amortised in financial statements and do not include an important financing component (with maturities less than one year), Group has chosen the "simplified approach" in IFRS 9 standard. 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. The Group uses a provision matrix in the calculation of expected credit losses. Provision rate is calculated based on the overdue days of trade receivables and the rates are revised each reporting period if necessary. Since the change in expected credit loss provisions is not material, it is not accounted in the consolidated statement of profit or loss. For each reporting period, the allowence is reassessed.

The Group collects certain parts of its receivables through factoring. From the receivables subject to factoring transactions, the amounts assumed by the factoring company in the risk of collection are deducted from the related receivable accounts. Due to the fact that the time between the sales dates and maturities of trade receivables subject to factoring transactions is insignificant, the business model of the related trade receivables has not been changed and has been accounted over the amortized cost.

- **Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost. Short-term trade payables are measured at invoice amount due to insignificance of interest accrual effect.

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

2.4 Summary of significant accounting policies (continued)

- **Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of income over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The long-term portion of the borrowing of the Group can be included in the short-term liabilities unless the necessary covenants, which cause the recall of the borrowing given by the related financial institute (event of default exercises), are not met about the borrowing taken on and before the reporting date. Borrowings are removed from the statement of financial position 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.

When the financial liabilities are modified and after the modification, financial liabilities do not meet the derecognition criterias, 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.

Financial assets and liabilities at fair value through profit or loss

The financial assests of the Group which are carried at fair value include derivative instruments that are not subject to hedge accounting. Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Gains or losses arising from the valuation of these kinds of assets are recognized in the consolidated statement of profit or loss. Derivative instruments which are carried at fair value through profit or loss include cross currency swap transactions. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative.

Financial assets and liabilities at fair value through other comprehensive income

The financial assets of the Group which are carried at fair value include derivative instruments that are subject to hedge accounting. Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Gains and losses arising from the valuation of these kinds of assets are accounted as other comprehensive income/expense in the consolidated statement of comprehensive income related to cash flow hedge. Derivative instruments which are accounted in other comprehensive income include interest rate swap transactions and cross currency swap transactions. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative (Note 19).

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

2.4 Summary of significant accounting policies (continued)

- **Cash flow hedge**

Hedges of exposures to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit and loss are designated as cash flow hedges by the Group.

Changes in the fair values of derivatives that are designated as cash flow hedges and qualified as effective, are recognised in equity as "hedge reserves". The ineffective portion is recognised as profit or loss in profit for the period. Where the forecasted transaction or firm commitment results in the recognition of an asset or a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated statement of profit or loss in the period in which the hedged firm commitment or forecasted transaction affects the consolidated statement of profit or loss.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or losses previously recognised in equity are transferred to the consolidated statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in the consolidated statement of other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss (Note 19).

v) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

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

2.4 Summary of significant accounting policies (continued)

v) Leases (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

y) Segment reporting

The Group management has determined the reportable segments of the Group as electricity distribution, natural gas distribution, retail and wholesale electricity sales, and production and trade according to activity groups. The Group management may change the structure of segment reporting, if they reach the conclusion that new structure may affect financial statement users' decisions and/or it will be useful during the review of financial statements. As the assets of the Group are located mainly in Turkey, no geographic segmental information is considered necessary (Note 4).

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

2.5 Going concern assumption

As at 31 December 2020, the gross profit and EBITDA of the Group are thousand TL 1,500,960 thousand and TL 2,405,878 thousand, respectively. The Group has TL 6,485 thousand of retained earnings and TL 3,232 thousand of net profit for the equity holders of the parent as at and for the period ending 31 December 2020. Besides, the Group's current liabilities exceeds its current assets by TL 4,063,844 thousand.

In accordance with material event disclosure dated 21 January 2021, the Group aims to increase the current registered capital ceiling of TL 3,000,000,000 to TL 6,000,000,000 and to increase the capital by payment up to 100% pursuant to the provisions of Article 18 of the Capital Market Law and the Registered Capital System numbered II.18-1 of the Capital Markets Board, in order to reduce its short-term debts and to provide resources for new investments. In addition, the Group aims to reduce and postpone its short-term debt with the dividend income it will provide from the long-term projects in abroad and the cash it will obtain from the domestic and foreign financing resources it focuses on. In addition, it aims to reduce and postpone short-term debt with dividend income to be obtained from long-term projects abroad in the short term and cash to be obtained from domestic and foreign financing sources.

Since major portion of the Group's electricity sales is at pre-determined prices in USD within the scope of Renewable Energy Sources Mechanism ("YEKDEM"), it affects the gross profit as positively. In addition, foreign exchange losses arising from borrowings of the Companies which sell electricity in scope of YEKDEM have been hedged by the foreign exchange gains arising from the sales indexed to USD mainly.

The Group's ultimate parent company, Zorlu Holding AŞ has declared its intend to provide necessary support to the Group to continue on a going concern basis, in the support letter dated 2 February 2021. The Group has prepared its consolidated financial statements on a going concern basis in a foreseeable future and does not expect any risk in this respect.

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

2.6 Comparatives and restatement of prior year financial statements

The consolidated financial statements of the Group for the current year is prepared in comparison with the prior year in order to be able to determine the financial position and performance trends. For the purposes of effective comparison, comparative consolidated financial statements can be reclassified when deemed necessary, where descriptions on significant differences are disclosed.

The Group has performed the following reclassifications:

- Income accruals for natural gas sales in the amount to TL 83,091 thousand, income accruals for uninvoiced electricity amounting to TL 29,782 thousand, income accruals related to revenue difference correction component amounting to TL 16,835 thousand and the income accruals related to general quality indicator in the amount to TL 9.013 thousand, which shown in the other current assets in the consolidated statement of financial position as at 31 December 2019, are reclassified to "short term other trade receivables".
- Revenue difference correction component amount to TL 22,040 thousand, which shown in the other liabilities in the consolidated statement of financial position as at 31 December 2019, is netted off with "short term other trade receivables".
- Income accruals for non-controlling expenses amounts to TL 45,640 thousand which is presented under the other non-current assets in the consolidated statement of financial position as at 31 December 2019, are reclassified to "long term other trade receivables".
- Interest income and expense amounts to TL 48,518 thousand in the consolidated income statement as at 31 December 2019, are shown gross. This reclassification has not any effect on accumulated losses and current period profit or loss.
- Depreciation expense related to customer relations which is presented under selling and marketting expense in the income statement amounts to TL 17,804 thousand is reclassified to other operating expense. This reclassification has not any effect on accumulated losses and current period profit or loss.
- Fair value of service concession arrangements amounts to TL 156,939 thousand which shown in the revenue in the consolidated statement of financial position as at 31 December 2019, is classified to "other income". This reclassification has not any effect on accumulated losses and current period profit or loss.

2.7 Critical accounting estimates, assumptions and judgments

The preparation of consolidated financial statement requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known. The key assumption concerning the future and other key sources of estimation uncertainity at the reporting date and the significant judgments are set out below:

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

2.7 Critical accounting estimates, assumptions and judgments (Continued)

a) Deferred tax asset on cumulative tax losses

Deferred tax assets are accounted for only where it is likely that related temporary differences and accumulated losses will be recovered through expected future profits. When accounting for deferred tax assets it is necessary to make critical estimations and evaluations with regard to taxable profits in the future periods. As at 31 December 2020 according to the future projections, deferred tax assets are recognized on the carryforward tax losses amounts to TL 3,687,055 thousand (31 December 2019: TL 2,754,617 thousand). Deferred tax asset is not recognized carryforward tax losses for the remaining TL 509,637 thousand (31 December 2019: TL 471,693 thousand).

b) Cash flow hedge

As explained in Note 19, the Group uses investment loans amounting USD 914,202 thousand and as a hedging instrument against the USD spot exchange rate risk the Group is exposed to due to highly probable YEKDEM sales income, and applies cash flow hedge accounting as a result of the effectiveness tests performed.

The estimations in budgets for YEKDEM sales income used for effectiveness test include estimations such as sales quantities and production capacity. Based on the sensitivity analysis performed by the Group regarding the sales quantity estimation, which is the basis of the efficiency test, the 5% increase and decrease in the estimates does not have any effect on the effectiveness tests of Zorlu Doğal and Zorlu Jeotermal.

c) Explanations for revaluation method and fair value measurement

Group has chosen revaluation method among application methods mentioned under IAS 16 with respect to measurement and disclosure of the Group's power plants at fair value commencing from 31 December 2013. On 31 December 2020, A A Baig & Co. Chartered Accountants was given the authority to determine the market value of the power plant belonging to Zorlu Enerji Pakistan, Aden Gayrimenkul Değerleme ve Danışmanlık AŞ ("Aden Gayrimenkul") was given the authority to determine the Zorlu Enerji, Zorlu Doğal, Zorlu Jeotermal and Rotor's power plants installed in Turkey. The cost method was used for the valuation of plants that belong to Zorlu Enerji, and the income method (Discounted cash flows-DCF) was used for the valuation of other plants. USD denominated amounts identified in the valuation studies of geothermal, hydroelectric and wind power plants, which was carried out as at 31 December 2020, were reflected in the financial statements considering the period end USD exchange rate as at 31 December 2020. The revaluation of the power plants installed in Turkey was carried out by Aden Gayrimenkul, accredited by the CMB.

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

2.7 Critical accounting estimates, assumptions and judgments (Continued)

Within the frame of these valuations, the following basic assumptions have been used:

					Valuation assumptions		
Companies	**Valuated power plant type**	**Valuation period**	**Valuation company**	**Valuation method**	**Weighted capital cost rate (%) (USD)**	**Electricity Sales Price (cent/kWh)(*)**	**Electricty Sales Volume (kWh/year)**
Zorlu Doğal	Kızıldere I Geothermal Energy Power Plant	31.12.2020	Aden Gayrimenkul	DCF	8.5	4.25-6 cent	43,300,150
Zorlu Doğal	Kızıldere II Geothermal Energy Power Plant	31.12.2020	Aden Gayrimenkul	DCF	8.5	4.75-10.5 cent	459,041,520 – 483,201,600
Zorlu Doğal	Kızıldere III Geothermal Energy Power Plant	31.12.2020	Aden Gayrimenkul	DCF	8.5	5.25-11.2 cent	1,010,840,490 – 1,082,026,440
Zorlu Doğal	Tokat/Ataköy Hydroelectric Energy Power Plant	31.12.2020	Aden Gayrimenkul	DCF	8.5	4.25-6 cent	10,020,393 – 10,139,684
Zorlu Doğal	Eskişehir/Beyköy Hydroelectric Energy Power plant	31.12.2020	Aden Gayrimenkul	DCF	8.5	4.25-6 cent	54,360,180 – 60,883,402
Zorlu Doğal	Kars/Çıldır Hydroelectric Energy Power Plant	31.12.2020	Aden Gayrimenkul	DCF	8.5	4.25-6 cent	17,229,588 – 17,560,927
Zorlu Doğal	Rize/İkizdere Hydroelectric Energy Power Plant	31.12.2020	Aden Gayrimenkul	DCF	8.5	4.25-6 cent	124,814,425 – 122,662,452
Zorlu Doğal	Erzurum/Kuzgun Hydroelectric Energy Power Plant	31.12.2020	Aden Gayrimenkul	DCF	8.5	4.25-6 cent	22,542,218 – 23,894,751
Zorlu Doğal	Tunceli/Mercan Hydroelectric Energy Power Plant	31.12.2020	Aden Gayrimenkul	DCF	8.5	4.25-6 cent	80,090,665 – 84,491,251
Zorlu Doğal	Erzincan/Tercan Hydroelectric Energy Power Plant	31.12.2020	Aden Gayrimenkul	DCF	8.5	4.25-6 cent	37,534,410 – 44,005,860
Rotor	Gökçedağ Wind Energy Power Plant	31.12.2020	Aden Gayrimenkul	DCF	8.5	4.25-6 cent	364,019,063 – 378,579,825
Zorlu Jeotermal	Alaşehir I Geothermal Energy Power Plant	31.12.2020	Aden Gayrimenkul	DCF	8.5	5-10.5 cent	262,093,725 – 275,683,770
Zorlu Enerji Pakistan	Jhimpir Wind Energy Power Plant	31.12.2020	A A Baig & Co. Chartered Accountants	DCF	8.99	7-14 cent	159,010,000

(*) Represents the minimum and maximum sales volume which was used in DCF calculation.

Should the electricity prices used in the projections increased or decreased by 10% and if all other variables are held constant, property, plant and equipment amount recognised in consolidated financial statements would have been increased by TL590,268 thousand or decreased by TL590,556 thousand. Should the electricity sales volumes increased or decreased by 10% and if all other variables are held constant, property, plant and equipment amount recognised in consolidated financial statements would have been increased by TL978,180 thousand or decreased by TL976,305 thousand. Should the rate of weighted average cost of capital increased or decreased by 10% and if all other variables are held constant, property, plant and equipment amount recognised in consolidated financial statements would have been decreased by TL441,291 thousand or increased by TL479,423 thousand.

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

2.7 Critical accounting estimates, assumptions and judgments (Continued)

d) Uninvoiced sales

The costs of active energy and retail sale services provided to the customer but not invoiced are recognised at estimated amounts. Unbilled electricity costs of active energy and retail sale services are reflected in the consolidated financial statements by multiplying the relevant period's tariff prices by the difference between the date of the customer's most recent meter reading and the last day of the relevant period.

e) Provisions

The Group management is reflecting the best estimation to the consolidated financial statements based on the best available data and results might differ when fulfilling the liabilities. As at 31 December 2020, the Group is subject to certain lawsuits. Depending on the reviews of legal counsels, Group is evaluating the probable results of these lawsuits and reserving required provisions in consolidated financial statements.

f) Goodwill impairment

In accordance with the aforementioned accounting policy in Note 2.4, the Group reviews the goodwill for impairment once a year or more frequently if the conditions indicate impairment. Recoverable values of cash generating units are determined based on the fair value calculations. Fair value calculations include cash flow projections after discounted tax, and these projections, which are determined in TL, are based on the long-term plans prepared by the Group management. As at 31 December 2020, the results of the impairment tests (details provided below) carried out on the basis of cash-generating units do not indicate goodwill impairment.

OEDAŞ:

OEDAŞ operations were found to be separate cash generating unit, and the recoverable amount of the cash generating units were determined based on fair value calculations. Fair value calculations included cash flow projections during the licence period, and the projections in TL were based on the long-term plans prepared by the Group. For the fair value calculations, the cost of capital rate for OEDAŞ was considered to be variable from year to year and to be between 20% and 18%, and the inflation rate was considered to be 12% for the year 2021 and to be fixed at 11% after 2021. The Group also considered expense efficiency in its said fair value calculations, and accepted that expense efficiency was fixed at an average of 20% annually. For the said fair value calculations, the inflation rate used to calculate discounted cash flows being 10% higher/lower causes a increase/decrease of TL310 million/ TL278 million, and cost of capital rate being 10% higher/lower causes an decrease/increase of TL104 million/ TL107 million in the equity value calculated on discounted cash flow of the OEDAS. Said expense efficiency being 10% higher/lower causes a TL21 million increase/decrease in the equity value calculated on discounted cash flow of the OEDAS. As a result of sensitivity analysis carried out on the basis of all scenario do not indicate goodwill impairment.

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

2.7 Critical accounting estimates, assumptions and judgments (Continued)

OEPSAŞ:

OEPSAŞ's activities are considered as separate cash generating units, and recoverable amount of these cash generating units were determined based on fair value calculations. Fair value calculations included cash flow projections during the licence period, and the projections in TL were based on the long-term plans prepared by the Group. In the cash flow projections used in the fair value calculations, the individual customer profit margin rate is 4% in 2020, decreases to 3% by the end of the license period and continues to trend downward. For OEPSAŞ, the cost of capital rate is variable by year and is considered to be 19%-15%. The individual customer profit margin rate used to calculate discounted cash flows being 10% lower/higher causes a decrease/increase of TL109 million in the equity value calculated on discounted cash flow of the OEPSAS. The cost of capital rate used in the said fair value calculations being 10% higher/lower causes a TL13 million/ TL14 million decrease/increase in the equity value calculated on discounted cash flow of the OEPSAS. As a result of sensitivity analysis carried out on the basis of all scenario do not indicate goodwill impairment.

TRAKYA:

Trakya's operations were found to be separate cash generating unit, and the recoverable amount of the cash generating units were determined based on fair value calculations. Fair value calculations included cash flow projections during the licence period, and the projections in TL were based on the long-term plans prepared by the Group. For the fair value calculations, the capital cost rate for Trakya was considered to be variable from year to year and to be between 17% and 14%, and the inflation rate was considered to be variable for 2021 and to be fixed at 10% after 2021. The Group also considered expense efficiency in its said fair value calculations, and accepted that expense efficiency was at an average of 1.94%.

For the said fair value calculations, the inflation rate used to calculate discounted cash flows being 10% higher/lower causes a increase/decrease of TL137,917 thousand / TL124,529 thousand, and WACC being 10% higher/lower causes a decrease/increase of TL161,917 thousand/ TL188,816 thousand. Said expense efficiency being 10% higher/lower causes a increase/decrease of TL19,761 thousand.

GAZDAŞ:

Gazdaş's operations were found to be separate cash generating unit, and the recoverable amount of the cash generating units were determined based on fair value calculations. Fair value calculations included cash flow projections during the licence period, and the projections in TL were based on the long-term plans prepared by the Group. For the fair value calculations, the capital cost rate for Gazdaş was considered to be variable from year to year and to be between 17% and 14%, and the inflation rate was considered to be variable for 2021 and to be fixed at 10% after 2021. The Group also considered expense efficiency in its said fair value calculations, and accepted that expense efficiency was at an average of 2.55%.

For the said fair value calculations, the inflation rate used to calculate discounted cash flows being 10% higher/lower causes a increase/decrease of TL70,633 thousand, and WACC being 10% higher/lower causes a decrease/increase of TL99,985 thousand/ TL117,016 thousand. Said expense efficiency being 10% higher/lower causes a increase/decrease of TL9,919 thousand.

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

2.8 Financial risk management

Financial risk factors

The Group is subject to with various financial risks including liquidity risk, market risk (foreign currency risk and interest rate risk), funding risk, capital risk management and credit risk. The Group's entire risk management program focuses on the unpredictability of financial markets and aims to minimize the potential negative effects on the Group's financial performance.

The Group also benefits from derivative financial instruments to hedge against various risks.

(a) Liquidity risk

The Group continuously monitors and manage the risks by conducting periodic analysis studies on the liquidity risks that the Group may be exposed to, such as not being able to provide sufficient cash and securities in the sense of business continuity, not finding sufficient funding in order to balance cash flow and weakening the ability to close open positions.

Table below is Group's breakdown of liabilities according to their contractual maturity is based on the maturity dates from the date. The Group management considers that all the financial assets shown above liquidity risk that are not impaired for each of the reporting dates under review are of good credit quality.

As at 31 December 2020 and 2019, the analysis of Group's financial liabilities according to their maturities is as follows:

Non-derivative financial liabilities (1)(2):

2020	Book value	Total cash outflows in accordance with contract	Less than 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	14,466,164	18,130,822	1,825,665	3,318,313	10,013,803	2,973,041
Lease liabilities	55,083	176,143	3,123	13,085	45,452	114,483
Trade payables	1,814,581	1,814,581	1,814,581	--	--	--
Other payables and other liabilities	1,590,966	1,590,966	1,205,465	367,998	17,503	--
	17,926,794	**21,712,512**	**4,848,834**	**3,699,396**	**10,076,758**	**3,087,524**

2019	Book value	Total cash outflows in accordance with contract	Less than 3 months	3-12 months	1-5 years	Over 5 years
Financial liabilities	12,673,105	15,847,905	1,790,105	3,170,881	7,806,893	3,080,026
Lease liabilities	79,774	205,241	7,542	26,568	51,257	119,874
Trade payables	2,122,545	2,122,545	2,122,545	--	--	--
Other payables and other liabilities	1,037,249	1,037,249	1,019,369	--	17,880	--
	15,912,673	**19,212,940**	**4,939,561**	**3,197,449**	**7,876,030**	**3,199,900**

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

2.8 Financial risk management (Continued)

(1) Maturity analysis has been applied on financial instruments and this analyse does not include legal liabilities.

(2) Amounts above are cash flows which has not been discounted belongs to contracts. Since discounted amounts are on immetarial level, balances with maturity less than 3 months are equvivalent to their book value.

Derivative financial liabilities (1)(2):

2020	Book value	Less than 3 months	3-12 months	1-5 years	Over 5 years
Derivative financial liabilities held for hedging	(327,308)	(36,763)	(47,093)	(185,003)	(58,449)
Derivative financial assets held for hedging	3,749	--	3,749	--	--

2019	Book value	Less than 3 months	3-12 months	1-5 years	Over 5 years
Derivative financial liabilities held for hedging	(145,019)	(11,390)	(21,780)	(97,522)	(14,327)
Derivative financial assets held for hedging	--	--	--	--	--

(b) Market risk

Interest rate risk

The Group is exposed to interest risk at national and international markets due to its funding of its investments with various financing sources. Considering that corporate investments are financed from non-capital resources, an increase in interest rates seems to be an important risk factor. In order to minimize the foreign exchange risk, the Group has uses interest rate swap derivatives.

The Group's interest rate position is as of 31 December 2020 and 2019 as follows:

	2020	2019
Fixed interest rate financial instruments		
Cash and cash equivalents	438,507	655,500
Other receivables	46,847	13,004
Financial assets	244,922	10,008
Other payables	(22,090)	(70,634)
Financial liabilities (*)	(4,745,723)	(4,181,677)

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

2.8 Financial risk management (Continued)

	2020	2019
Variable interest rate financial instruments		
Other receivables from related parties	2,296,452	2,413,657
Receivables from service concession arrangements	2,883,796	2,308,845
Other payables to related parties	(367,998)	(30,079)
Security deposits received	(966,258)	(813,417)
Financial liabilities	(9,775,524)	(8,571,202)

(*) The borrowings with variable interest rates whose interest rate is fixed are taken into consideration in the variable rate financial borrowings.

If interest rates of borrowings with floating rates had been 100 basis points higher/lower with all other variables held constant, loss before taxation of the Group would be TL 69,021 thousand higher/lower (2019: TL 61,564 thousand).

Foreign exchange risk

The sources used by the Group in financing its investments are predominantly foreign currency denominated. The Group is exposed to foreign exchange risk arising from the translation of the amounts denominated in USD and EUR. In order to eliminate these risks, protection policies are applied in order to use various derivative instruments. In addition, foreign exchange losses arising from borrowings of the Companies which sell electricy in scope of YEKDEM have been hedged by the foreign exchange gains arising from the sales indexed to USD mainly (Note 19).

Foreign currency denominated assets and liabilities held by the Group as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Assets	2,687,963	2,467,776
Liabilities	(11,076,038)	(9,818,924)
Foreign currency position, (net)	**(8,388,075)**	**(7,351,148)**

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

2.8 Financial risk management (Continued)

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

	31 December 2020					31 December 2019				
	TL equivalent	**USD**	**Euro**	**NIS**	**JPY**	**TL equivalent**	**USD**	**Euro**	**NIS**	**JPY**
Cash and cash equivalents	446,200	58,948	1,495	11	1	115,212	14,822	4,079	20	1
Trade receivables	12,108	1,247	328	--	--	13,635	1,794	447	--	--
Due from related parties - short-term	890,346	91,583	24,210	--	--	1,157,805	172,518	20,000	--	--
Due from related parties - long-term	1,330,116	141,497	5,066	107,412	--	1,164,669	154,585	9,340	107,377	--
Other	9,193	829	345	--	--	16,455	1,137	1,459	--	--
Total assets	**2,687,963**	**294,104**	**31,444**	**107,423**	**1**	**2,467,776**	**344,856**	**35,325**	**107,397**	**1**
Trade payables	257,951	31,625	2,865	--	--	366,464	45,887	14,117	--	--
Short-term financial liabilities	2,436,015	275,764	45,712	--	--	2,474,134	371,223	40,447	--	--
Short term other payables	22,198	2,473	449	--	--	2,887	486	--	--	--
Due to related paties	21,126	2,878	--	--	--	--	--	--	--	--
Long term other payables	17,502	--	1,943	--	--	--	--	--	--	--
Long-term financial liabilities	8,321,246	1,102,914	25,012	--	--	6,975,439	1,114,972	52,970	--	--
Total liabilities	**11,076,038**	**1,415,654**	**75,981**	**--**	**--**	**9,818,924**	**1,532,568**	**107,534**	**--**	**--**
Net foreign currency position	**(8,388,075)**	**(1,121,550)**	**(44,537)**	**107,423**	**1**	**(7,351,148)**	**(1,187,712)**	**(72,209)**	**107,397**	**1**

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

2.8 Financial risk management (Continued)

The Group is mainly exposed to foreign exchange risk through the impact of rate changes in the translation of USD, EUR and NIS currencies denominated assets and liabilities to local currency. As at 31 December 2020 and 31 December 2019, had the TL appreciated or depreciated by 10% against USD, EUR and NIS with all other variables held constant, the effect over current period consolidated net income/ (loss) and equity would be as follows:

	31 December 2020 Profit or loss		31 December 2020 Equity	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
In case of 10% appreciation / depreciation USD against TL:				
USD net asset/(liability)	(823,274)	823,274	(823,274)	823,274
Amount hedged for USD risk (-)	671,070	(671,070)	--	--
USD net effect	**(152,204)**	**152,204**	**(823,274)**	**823,274**
In case of 10% appreciation / depreciation of EUR against TL:				
EUR net asset/(liability)	(40,118)	40,118	(40,118)	40,118
Amount hedged for EUR risk (-)	--	--	--	--
EUR net effect	**(40,118)**	**40,118**	**(40,118)**	**40,118**
In case of 10% appreciation / depreciation of NIS against TL:				
NIS net asset/(liability)	24,585	(24,585)	24,585	(24,585)
Amount hedged for NIS risk (-)	--	--	--	--
NIS net effect	**24,585**	**(24,585)**	**24,585**	**(24,585)**
Total net effect	**(167,737)**	**167,737**	**(838,807)**	**838,807**

As at 31 December 2020, the Group uses investment loans amounting to USD 914,202 thousand (31 December 2019: USD 1,318,064 thousand and EUR 16,714 thousand) as a hedging instrument against the USD spot exchange rate risk the Group is exposed to due to highly probable YEKDEM sales income, and applies cash flow hedge accounting as a result of the effectiveness tests performed.

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

2.8 Financial risk management (Continued)

	31 December 2019 Profit or loss		31 December 2019 Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation /depreciation of USD against TL:				
USD net asset/(liability)	(705,525)	705,525	(705,525)	705,525
Amount hedged for USD risk (-)	782,956	(782,956)	--	--
USD net effect	**77,431**	**(77,431)**	**(705,525)**	**705,525**
In case of 10% appreciation /depreciation of EUR against TL:				
EUR net asset/(liability)	(48,023)	48,023	(48,023)	48,023
Amount hedged for EUR risk (-)	--	--	--	--
EUR net effect	**(48,023)**	**48,023**	**(48,023)**	**48,023**
In case of 10% appreciation /depreciation of NIS against TL:				
NIS net asset/(liability)	18,433	(18,433)	18,433	(18,433)
Amount hedged for NIS risk (-)	--	--	--	--
NIS net effect	**18,433**	**(18,433)**	**18,433**	**(18,433)**
Total net effect	**47,841**	**(47,841)**	**(735,115)**	**735,115**

(c) Funding risk

The Group makes long term investments as a matter of normal course of business. The financing needs of these investments are met with liquid assets and and risks such as not being able to find funds on favorable terms for the project financing loan, the fact that the maturity of current loans can not be made according to the maturity of the assets and the lack of an optimum balance between assets and resources is being followed.

(d) Capital risk management

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

The Group sets the amounts of capital in proportion to its overall financing structure i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid the shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

2.8 Financial risk management (Continued)

As of 31 December 2020 and 2019, nebt debt to equity ratio is as follows:

	31 December 2020	31 December 2019
Financial liabilities (Note 7)	14,521,247	12,752,879
Other payables to related parties (Note 28)	367,998	30,079
Less: Cash and cash equivalents (Note 5)	(728,314)	(832,715)
Less: Other payables (Note 28) (*)	(314,600)	--
Less: Financial assets (Note 13)	(258,578)	(10,008)
Net debt	**13,587,753**	**11,940,235**
Total equity	**3,370,157**	**2,599,127**
Net debt to equity ratio	**4.0**	**4.6**

(*) The financial debt which is a capital advance amounting to TL 314,600 thousand (Note 28), incurred by Zorlu Holding, has not been taken into account in the calculation.

(e) Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognized at the financial position date.

The possession of financial instruments also carries the risk of not meeting the requirements of the other party. The Group management meets these risks by restricting the average risk for each negotiated counterparty and by obtaining collateral if necessary.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

2.8 Financial risk management (Continued)

	Receivables						
	Trade receivables		Service concession arrangements		Other receivables		
Credit risks exposed through types of financial instruments	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Cash at bank**
Maximum credit risk exposed as of balance sheet date as of 31 December 2020 (A+B+C+D)	**59,737**	**1,407,542**	**-**	**2,883,796**	**2,296,452**	**46,847**	**728,314**
- The part of maximum risk under guarantee with collaterals, etc	**-**	**818,806**	**-**	**-**	**-**	**-**	**-**
A. Net book value of financial assets that are neither past due nor impaired	59,737	972,613	-	2,883,796	2,296,452	46,847	728,314
B. Net book value of financial assets that are renegotiated, if not that will be accepted as part due or impaired	-	434,929	-	-	-	-	-
- The part under guarantee with collaterals, etc	-	347,953	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	112,408	-	-	-	-	-
- Impairment (-)	-	(112,408)	-	-	-	-	-
- The part under guarantee with collaterals, etc	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part under guarantee with collaterals, etc	-	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

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

2.8 Financial risk management (Continued)

	Receivables						
	Trade receivables		Service concession arrangements		Other receivables		
Credit risks exposed through types of financial instruments	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Cash at bank**
Maximum credit risk exposed as of balance sheet date as of 31 December 2019 (A+B+C+D)	**12,877**	**1,053,387**	**-**	**2,308,845**	**2,413,657**	**58,864**	**832,645**
- The part of maximum risk under guarantee with collaterals, etc	**-**	**402,408**	**-**	**-**	**-**	**-**	**-**
A. Net book value of financial assets that are neither past due nor impaired	10,623	736,789	-	2,308,845	2,413,657	58,864	832,645
B. Net book value of financial assets that are renegotiated, if not that will be accepted as part due or impaired	2,254	316,598	-	-	-	-	-
- The part under guarantee with collaterals, etc	-	218,220	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross carrying amount)	-	88,844	-	-	-	-	-
- Impairment (-)	-	(88,844)	-	-	-	-	-
- The part under guarantee with collaterals, etc	-	-	-	-	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-
- The part under guarantee with collaterals, etc	-	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-	-

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

2.8 Financial risk management (Continued)

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 fair values of financial instruments that are not traded in an active market 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 fair value. Accordingly, the estimates presented herein may differ from the amounts the Group could realise in a current market exchange.

Monetary assets

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

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

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

Monetary liabilities

The fair values of short term bank borrowings and other monetary liabilities are considered to approximate to their respective carrying values due to their short-term nature.

Since long term foreign currency loans generally have floating interest rate fair value is close to their book value. Fair value of long term bank loans are discounted amounts of contractual cash flows with the market interest rate.

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

2.8 Financial risk management (Continued)

Fair value estimation:

Disclosure of fair value measurements by level of the following 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 market prices included within level 1 that are observable for the asset or
Level 3: Inputs for the asset or liability that are not based on observable market data.

Fair values of translated foreign currency balances with year-end foreign exchange rates are considered to approximate their carrying values.

Cash and cash equivalents as at the carrying value of certain financial assets carried at cost, are considered to approximate their fair values due to their short-term.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to estimate the fair value an instrument are observable, the instrument is included in Level 2.

The fair values of assets and liabilities as at 31 December 2020 and 31 December 2019 are as follows:

Derivative financial instruments	**31 December 2020**	**31 December 2019**
Level 1	--	--
Level 2	(323,559)	(145,019)
Level 3	--	--
	(323,559)	**(145,019)**

The fair value of powerplants belonging to Zorlu Enerji is determined by using "market approach and cost method" (Level 2) and fair values of all other power plants are determined by using "income approach - discounted cash flow analysis" (Level 3).

Property, plant and equipment	**31 December 2020**	**31 December 2019**
Level 1	--	--
Level 2	253,166	191,203
Level 3	9,778,595	7,634,333
	10,031,761	**7,825,536**

The details of fair values of all other power plants are determined by using "income approach - discounted cash flow analysis" (Level 3) are as follows:

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

2.8 Financial risk management (Continued)

	1 January 2020	Additions	Transfers	Revaluation fund	Currency translation difference	31 December 2020
Cost:						
Rotor	1,008,906	20,114	--	(92,088)	--	936,932
Zorlu Jeotermal	1,004,845	3,686	913	290,129	--	1,299,573
Zorlu Enerji Pakistan	812,627	2,907	--	(23,056)	121,659	914,137
Zorlu Doğal	6,432,118	2,611	288,062	2,046,402	--	8,769,193
	9,258,496	**29,318**	**288,975**	**2,221,387**	**121,659**	**11,919,835**
Amortisation:						
Rotor	291,373	41,368	--	--	--	332,741
Zorlu Jeotermal	193,050	44,640	--	--	--	237,690
Zorlu Enerji Pakistan	193,169	44,644	--	--	33,295	271,108
Zorlu Doğal	946,571	353,130	--	--	--	1,299,701
	1,624,163	**483,782**	**-**	**--**	**33,295**	**2,141,240**
Net book value	**7,634,333**					**9,778,595**

	1 January 2019	Additions	Transfers	Currency translation difference	31 December 2019
Cost:					
Rotor	1,004,053	4,434	419	--	1,008,906
Zorlu Jeotermal	990,545	6,394	7,906	--	1,004,845
Zorlu Enerji Pakistan	778,177	22,611	--	11,839	812,627
Zorlu Doğal	6,368,456	8,512	55,150	--	6,432,118
	9,141,231	**41,951**	**63,475**	**11,839**	**9,258,496**
Amortisation:					
Rotor	255,521	35,852	--	--	291,373
Zorlu Jeotermal	156,184	36,866	--	--	193,050
Zorlu Enerji Pakistan	150,551	39,028	--	3,590	193,169
Zorlu Doğal	659,900	286,671	--	--	946,571
	1,222,156	**398,417**	**--**	**3,590**	**1,624,163**
Net book value	**7,919,075**				**7,634,333**

NOTE 3 - BUSINESS COMBINATIONS

In order to maintain operational integrity in the Group, it was decided that the total shares representing 100% of Zorlu Doğal Gaz Tedarik, which supply natural gas, have been acquired by the Zorlu Enerji Dağıtım (owned 100% shares by Zorlu Enerji), from the Zorlu Group companies at amounts to TL208,500 thousand. The acquisition transaction of Zorlu Doğal Gaz Tedarik was completed on 16 December 2020 and for the acquisition transaction, the statement of financial position as at 31 December 2020 have been taken into consideration. The acquisition transaction is accounted in accordance with IFRS 3 "Business Combinations" in these consolidated financial statements.

The fair values of the identifiable assets, liabilities and contingent liabilities acquired through the purchase of Zorlu Doğal Gaz Tedarik shares were determined as a result of the best estimation of management and shown in the consolidated financial statements.

To create synergy with the energy production and wholesale operations, which the Group's related parties already carry out, Zorlu Enerji Dağıtım acquired the shares of Zorlu Doğal Gaz Tedarik and included retail and wholesale operation in its portfolio. This synergy has been recorded as goodwill.

Information on the goodwill calculation and the acquired net assets is as follows:

Total purchase consideration	208,500
Net identifiable assets acquired	170,470
Goodwill	**38,030**

Fair values of the assets and liabilities recognised as a result of the acquisition are as follows:

	31 December 2020
Cash and cash equivalents	109
Trade receivables	36,455
Other receivables	66,658
Property plant and equipment	11
Intangible assets	158,255
Trade payables	(14,755)
Other payables	(44,429)
Taxes on income	(35)
Deferred tax liabilities	(31,646)
Other liabilities	(153)
Net identifiable assets acquired	**170,470**
Add: Goodwill	38,030
Net assets acquired	**208,500**

The net cash flow due to acquisition is presented below:

Total purchase consideration	(208,500)
Cash and cash equivalents - acquired	109
Amount netted of with related party balances	31,449
Net cash flow due to acquisition	**(176,942)**

NOTE 4 - SEGMENT REPORTING

Group management has determined the reportable parts of the Group as distribution of electricity and distribution of gas, retail and wholesale of electricity and producing and trading according to the activity groups.

Decision making authority of the Group considers Earnings before interest, taxes, depreciation and amortization ("EBITDA") as the most appropriate method for comparability with other companies within the same industry. The segment information in industrial basis is presented below:

1 January – 31 December 2020	Electricity distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation total
Revenue	1,367,436	1,813,401	4,468,484	2,523,880	(1,594,088)	8,579,113
Cost of sales	(1,052,274)	(1,798,878)	(4,224,548)	(1,586,033)	1,583,580	(7,078,153)
Gross profit	315,162	14,523	243,936	937,847	(10,508)	1,500,960
Operating expenses	(81,581)	(44,323)	(90,755)	(89,374)	4,950	(301,083)
Amortisation and depreciation expenses (*)	16,918	9,019	4,030	508,471	--	538,438
Weighted average cost of capital ("WACC") correction (**)	222,422	108,065	--	--	--	330,487
Indexation difference on receivables from service concession arrangements (**)	242,136	94,940	--	--	--	337,076
EBITDA	715,057	182,224	157,211	1,356,944	(5,558)	2,405,878

1 January – 31 December 2019	Electricity distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation total
Revenue	1,706,993	1,486,284	4,026,730	2,737,315	(1,753,125)	8,204,197
Cost of sales	(1,525,997)	(1,476,382)	(3,795,118)	(1,754,153)	1,751,643	(6,800,007)
Gross profit	180,996	9,902	231,612	983,162	(1,482)	1,404,190
Operating expenses	(60,468)	(26,473)	(65,418)	(73,556)	(15,263)	(241,178)
Amortisation and depreciation expenses (*)	14,228	9,360	4,448	424,936	--	452,972
Weighted average cost of capital ("WACC") correction (**)	168,824	91,804	--	--	--	260,628
Indexation difference on receivables from service concession arrangement (**)	86,024	70,915	--	--	--	156,939
EBITDA	389,604	155,508	170,642	1,334,542	(16,745)	2,033,551

31 December 2020	Electricity distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation total
Segment assets	3,065,291	1,933,266	1,374,735	22,962,273	(7,338,803)	21,996,762
Associates	--	--	--	681,368	--	681,368
Segment liabilities	2,165,341	3,052,725	1,126,090	16,585,333	(3,621,516)	19,307,973

31 December 2019	Electricity distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation total
Segment assets	2,371,452	1,552,960	1,136,245	19,424,813	(5,219,346)	19,266,124
Associates	--	--	--	532,402	--	532,402
Segment liabilities	1,851,879	2,565,008	993,902	14,615,349	(2,826,739)	17,199,399

(*) The amortisation and depreciation expense amounts to TL 538,438 thousand (31 December 2019: TL 452,972 thousand) has been presented in operating expenses, and amount of TL 130,363 thousand (31 December 2019: TL 130,186 thousand) has been presented in other operating expenses.

(**) WACC correction and indexation difference on receivables from service concession arrangement which are related to OEDAŞ, Gazdaş and Trakya amounts to TL 330,487 thousand (31 December 2019: TL 260,628 thousand) and TL 337,076 (31 December 2019: TL 156,939 thousand) respectively which are presented in the other income are considered in EBITDA calculation

NOTE 4 - SEGMENT REPORTING (Continued)

Reconciliation between EBITDA and income before tax from continued operations is as follows:

	31 December 2020	31 December 2019
EBITDA (*)	2,405,878	2,033,551
Amortisation and depreciation expenses	(668,801)	(583,158)
Financial income/(expenses), net	(1,688,957)	(1,579,407)
Other operating income/(expenses), net	(42,587)	(65,147)
Share of profit of associates	50,679	64,302
Income/(loss) before tax from continued operations	**56,212**	**(129,859)**

(*) The Group's Israel investments have been accounted using equity method and EBITDA related to these investments amounting TL 265,825 thousand (31 December 2019: TL 243,799 thousand) was not taken into consideration in Group's total EBITDA.

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash	--	70
Banks		
- Time deposits	438,507	655,500
- Demand deposits	289,807	177,145
	728,314	**832,715**

The maturities of time deposits are less than 3 months and the average effective annual interest rates for time deposits are as follows:

	31 December 2020 (%)	31 December 2019 (%)
USD	0.05	0.57
PKR	5.71	11.95
TL	11.60	9.25
EURO	--	0.04

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

The details of cash and cash equivalents include the following for the purpose of the consolidated statements of cash flows as at 31 December 2020 and 2019:

	31 December 2020	31 December 2019
Cash and cash equivalents	728,314	832,715
Less: Restricted cash (*)	(18,405)	(9,691)
	709,909	**823,024**

(*) Total restricted cash balance is TL 258,578 thousand of Group together with the restricted cash amounts to TL 276,983 thousand under the short-term financial investments (Note 13).

Supplementary explanations related to cash flows

"Other adjustments related to non-cash items" in net cash generated from operating activities before changes in operating assets and liabilities in cash flows represents the following:

	1 January - 31 December 2020	1 January - 31 December 2019
Redemptions related to loan commissions	63,371	38,311
Other	(59,348)	(61,560)
	4,023	**(23,249)**

Details of "Other inflows/outflows" in net cash generated from operating activities in cash flows as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Collection of investment expenditures (Note 6)	310,312	245,543
Subscriber connection fee (Note 6)	45,367	47,011
	355,679	**292,554**

Details of "Other inflows/outflows" in net cash generated from investing activities in cash flows as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Investment made during the period	(514,272)	(943,233)
Change in cash and cash equivalent related to assets held for sale	-	(6,261)
	(514,272)	**(949,494)**

NOTE 5 - CASH AND CASH EQUIVALENTS (Continued)

Details of "Other inflows/outflows" in net cash used in financing activities in cash flows as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Commission paid related to borrowings (Note 7)	(92,169)	(89,066)
	(92,169)	**(89,066)**

NOTE 6 - RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT

	31 December 2020	31 December 2019
Short-term receivables from service concession arrangement	349,605	258,074
Long-term receivables from service concession arrangement	2,534,191	2,050,771
	2,883,796	**2,308,845**

The receivables from service concession arrangement represent the amounts of the investments not yet recovered by the tariff.

As at 31 December 2020, TL2,139,255 thousand of the receivables from service concession arrangement is related to OEDAŞ (31 December 2019: TL1,658,544 thousand) and TL744,541 thousand is related to Gazdaş and Trakya (31 December 2019: TL650,301 thousand).

The maturity analysis of receivables from service concession arrangements has shown as below;

	31 December 2020	31 December 2019
Up to 1 years	349,605	258,074
Between 1 to 3 years	699,210	516,148
Between 3 to 5 years	699,210	516,148
More than 5 years	1,135,771	1,018,475
	2,883,796	**2,308,845**

NOTE 6 - RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT (Continued)

The movements of the receivables from service concession arrangement for OEDAŞ are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	**1,658,544**	**726,794**
Investment	497,251	1,060,302
Collections (-)	(258,676)	(214,576)
Indexation differences	242,136	86,024
Closing balance	**2,139,255**	**1,658,544**

The movements of the receivables from service concession arrangement for gas distribution companies are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	**650,301**	**599,138**
Gross investments	96,303	58,226
Subscriber connection fee	(45,367)	(47,011)
Net investment	50,936	11,215
Collections (-)	(51,636)	(30,967)
Indexation differences	94,940	70,915
Closing balance	**744,541**	**650,301**

NOTE 7 - FINANCIAL LIABILITIES

The detail of financial liabilities of the Group as at 31 December 2020 and 31 December 2019 is as follows:

	31 December 2020	31 December 2019
Short-term bank borrowings	1,062,764	1,149,529
Issued bonds	412,147	439,396
Other issued securities	119,773	--
Lease liabilities	19,922	29,739
Total short-term financial liabilities	**1,614,606**	**1,618,664**
Short-term portion of long-term bank borrowings	2,656,739	2,776,792
Issued bonds	214,299	31,969
Other issued securities	--	310,678
Total short-term portion of long term financial liabilities	**2,871,038**	**3,119,439**
Long-term bank borrowings	9,951,600	7,925,219
Lease liabilities	35,161	50,035
Issued bonds	48,842	39,522
Total long-term financial liabilities	**10,035,603**	**8,014,776**
Total financial liabilities	**14,521,247**	**12,752,879**

NOTE 7 - FINANCIAL LIABILITIES (Continued)

The detail of short-term bank borrowings and lease liabilities of the Group as at 31 December 2020 and 31 December 2019 is as follows:

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
USD	37,665	35,163	7.77	8.32	276,480	208,874
EUR	749	690	5.94	4.86	6,747	4,592
TL	1,331,275	1,405,110	19.65	20.95	1,331,275	1,405,110
PKR	2,296	2,296	--	--	104	88
					1,614,606	**1,618,664**

The detail of short-term portion of long-term bank borrowings, issued bonds, other issued securities and lease liabilities of the Group as at 31 December 2020 and 31 December 2019 is as follows:

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
USD	238,099	336,060	7.82	8.39	1,747,766	1,996,261
EUR	44,963	39,757	7.65	7.39	405,022	264,407
TL	709,107	850,616	17.94	22.10	709,107	850,616
PKR	201,130	211,006	9.88	17.78	9,143	8,155
					2,871,038	**3,119,439**

The detail of long-term bank borrowings, issued bonds and other long-term borrowings of the Group as at 31 December 2020 and 31 December 2019 is as follows:

	Original currency		Weighted average effective interest rate per annum (%)		TL equivalent	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
USD	1,102,914	1,114,972	8.04	8.39	8,095,940	6,623,157
EUR	25,012	52,970	5.88	5.16	225,306	352,282
TL	1,685,520	1,012,054	17.33	22.1	1,685,520	1,012,054
PKR	325,591	490,458	9.36	17.78	14,801	18,701
NIS	6,133	5,000	5.5	5.5	14,036	8,582
					10,035,603	**8,014,776**

The commission paid during the period amounting TL 92,169 thousand (31 December 2019: TL 89,066 thousand) related to the borrowings obtained by Zorlu Enerji and its subsidiaries from financial institutions are deducted from the total loan amount. Such commission amount is amortized during the term of loans.

Letters of guarantees given, pledges and mortgages related to financial liabilities are explained in Note 18.

NOTE 7 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of the borrowings as at 31 December 2020 and 31 December 2019 is as follows:

	31 December 2020	31 December 2019
Up to 1 year	4,485,644	4,738,103
Up to 1 to 2 years	2,329,028	1,532,293
Up to 2 to 3 years	2,753,494	1,355,826
Up to 3 to 4 years	1,033,558	1,949,324
Up to 4 to 5 years	1,019,932	724,049
More than 5 years	2,899,591	2,453,284
	14,521,247	**12,752,879**

The movements of financial liabilities for the period 1 January - 31 December 2020 and 2019 are as follow:

	2020	2019
As at 1 January	**12,752,879**	**11,251,123**
Cash inflows from borrowings	1,779,144	1,690,158
Cash inflows from issued debt instruments	988,680	777,264
Cash outflows due to the repayment of bank borrowings	(2,404,997)	(1,555,561)
Cash outflows from debt repayments of issued debt instruments	(819,380)	(586,712)
Cash outflows from debt repayments of lease agrrements	(30,352)	(25,821)
The impact of transition to IFRS 16	--	65,023
Change of exchange differences and interest accuals	2,268,660	1,144,526
Interest interest expense of lease contract	8,778	12,140
Liabilities related to asset held for sale	--	9,392
Other classifications	(22,165)	(28,653)
31 December	**14,521,247**	**12,752,879**

The Group has an obligation to comply with the various loan commitments in the loan agreements. Financial ratios of the Group comply with the provisions of the loan agreements.

As of 31 December 2020, the carrying value of the financial liabilities are considered to approximate to their respective carrying values. Fair value is calculated by reduction of the cash outflows according to the remaining maturities of the financial debts with the rates calculated by taking into account the changing country risk premium and market interest rate changes.

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables:

	31 December 2020	31 December 2019
Trade receivables from related parties (Note 28)	59,737	12,877
	59,737	**12,877**
Trade receivables from third parties	1,470,247	1,090,366
Notes receivables and cheques	6,416	6,225
Less: Allowance for doubtful receivables	(112,408)	(88,844)
	1,364,255	**1,007,747**

Movement for allowance for doubtful receivables is as follows:

	2020	2019
Opening Balance-1 January	**88,844**	**65,279**
Provisions related to the current period	31,072	32,112
Provision no longer required	(7,508)	(8,547)
Closing Balance-31 December	**112,408**	**88,844**

Trade receivables amounting to TL112,408 thousand (31 December 2019: TL88,844 thousand) have passed the due date and impaired as of 31 December 2020. As of 31 December 2020 and 2019 the aging schedules are as follows:

	31 December 2020	31 December 2019
More than 12 months	112,408	88,844
	112,408	**88,844**

Past experience of the Group at collecting its receivables is considered in providing doubtful receivable provisions. The Group believes that no other trade receivable collection risk is present.

The Group has receivable that is past due but not impaired in the amount of TL434,929 thousand (31 December 2019: TL318,852 thousand) and TL347,953 thousand of the amount is under guarantee with collaterals (31 December 2019: TL218,220 thousand).

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

b) Trade payables:

	31 December 2020	31 December 2019
Short term trade payables to related parties (Note 28)	54,024	72,942
Short term payables to third parties	1,760,557	2,049,603
	1,814,581	**2,122,545**

As of 31 December 2020 and 2019, the average maturity of trade payables is less than 3 months and unearned finance income from credit sales does not exist.

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

a) Short-term other receivables:

	31 December 2020	31 December 2019
Other receivables from related parties (Note 28)	936,353	1,248,988
Short-term other receivables	46,713	58,737
	983,066	**1,307,725**

b) Long-term other receivables:

	31 December 2020	31 December 2019
Other receivables from related parties (Note 28)	1,360,099	1,164,669
Long-term other receivables	134	127
	1,360,233	**1,164,796**

c) Other payables:

	31 December 2020	31 December 2019
Deposit received	966,258	813,417
Other payables to related parties (Note 28)	367,998	30,079
Other short-term payables	4,587	9,504
	1,338,843	**853,000**

Movement for deposit received is as follows:

	2020	2019
1 January	**813,417**	**688,969**
Additions and payments, net	86,383	90,354
Indexation on deposits (Note 25)	66,458	34,094
31 December	**966,258**	**813,417**

NOTE 9 - OTHER RECEIVABLES AND PAYABLES (Continued)

d) Long-term other payables:

	31 December 2020	31 December 2019
Other long-term payables	17,503	17,012
	17,503	**17,012**

NOTE 10 - INVENTORIES

	31 December 2020	31 December 2019
Direct materials and merchandise	45,897	40,684
Trade goods and other	23,531	22,291
	69,428	**62,975**

NOTE 11 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 December 2020	31 December 2019
Insurance income accruals	38,294	8,353
Prepaid expenses	32,532	9,486
VAT receivable	25,725	51,827
Advances given	8,711	17,154
Assets related to current income tax	37	9,123
Other	41,975	22,445
	147,274	**118,388**

b) Other non-current assets:

	31 December 2020	31 December 2019
Revenue difference correction component (*)	13,283	15,496
VAT receivable	--	55,390
Other	204	1,336
	13,487	**72,222**

(*) EMRA regulates the distribution companies' revenues and expenses by setting ceiling amounts for distribution revenue and non-controlling expenses. Excess or shortage portions of revenues and expenses ceilings are charged to subsequent two years' tariffs which is set by EMRA. These portions of revenues and expenses are considered as an adjustment to the tariffs set by EMRA in the following second year from the origination.

NOTE 11 - OTHER ASSETS AND LIABILITIES (Continued)

c) Other current liabilities

	31 December 2020	31 December 2019
Taxes and funds payable	125,036	106,394
Revenue difference correction component (*)	84,932	35,280
Due to personnel	17,415	15,321
Advances received	1,015	1,767
Other	6,222	7,607
	234,620	**166,369**

(*) Within the framework of EMRA regulations, some expenses of electricity distribution companies are limited by a specified cap. Collection through tariff for deferred distribution revenue exceed the EMRA cap (In previous years, this extra collected amount was considered an adjustment to the system operation revenue cap determined by EMRA in the second year and is collected with the 2020 system operation revenue cap.).

NOTE 12 – ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE

The sales of Zorlu Rüzgar which is evaluated within the scope of IFRS 5 "Assets Classified as Held For Sale and Discontinuing Operations has been publicly announced in 30 October 2018 by indicating the commencement of the sales negotiations. Following the fulfillment of the requirements of IFRS 5 as at 31 December 2018, assets and liabilities related to this subsidiary are classified as "Assets held for sale" and "Liabilities directly associated with the assets held for sale". According to the special circumstances disclosure dated 5 February 2020 sales of Group's all Zorlu Rüzgar shares to İmbat Energy which is %100 subsidiary of Akfen Yenilenebilir Enerji Üretim AŞ has been completed.

a) Assets held for sale

As at 31 December 2019, the Group's asset held for sale regarding to the sales of Zorlu Rüzgar are as follows:

	31 December 2019
Cash and cash equivalents	37,399
Trade receivables	6,662
Inventories	220
Other current assets	2,755
Other receivables (*)	1,538
Property, plant and equipment and intangible assets	559,134
	607,708

NOTE 12 - ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE (Continued)

(*) Other receivables of Zorlu Rüzgar from Zorlu Enerji amounting to TL 6,252 thousand and other payables of Zorlu Enerji to Zorlu Rüzgar amounting to same balance arising from intra-group transactions, are eliminated in the preparation of the consolidated financial statements. Before elimination of intra-group balances asset held for sale of Zorlu Ruzgar was amounting to TL 613,960 thousand (Note 12, c).

At the reporting date, in addition to assets belonging to Zorlu Rüzgar, gas turbines of Lüleburgaz and Bursa power plants were also reclassified as asset held for sale.
Assets such as gas turbines of of Lüleburgaz and Bursa power plants that are reclassified as asset held for sale are as follows:

Tangible assets	Cost	Accumulated depreciation	Net Book Value
Property, plant and equipment	93,740	(66,479)	27,261
	93,740	**(66,479)**	**27,261**

According to the Turbine sale agreement signed with Proenergy Services LLC ("Proenergy"), the sales of machineries and equipment amounting to TL27,261 thousand and located in Lüleburgaz and Bursa Power plants has been concluded in February 2020. Since the transaction value of gas turbine at Lüleburgaz power plant is lower than carrying value, remaining balance of revaluation surplus fund recognised in equity amounting to TL 7,749 -after deduction of related deferred tax effect- has been written off. As a result of this transaction, remaining balance of the assets after deducting revaluation surplus amounting to TL 17,574 thousand is reclassified as asset held for sale in compliance with IFRS 5 "Assets Classified as Held For Sale and Discontinuing Operations".

b) Liabilities directly associated with the assets held for sale

Liabilities directly associated with asset held for sale of Zorlu Rüzgar are as follows:

	31 December 2019
Financial liabilities	363,182
Derivative financial instruments	11,925
Trade payables	2,553
Provisions for employment benefits	1
Other non-current liabilities	423
Deferred tax liabilities	26,879
	404,963

NOTE 12 - ASSETS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE (Continued)

c) Information related to sales of Zorlu Rüzgar:

According to the special circumstances disclosure dated 5 February 2020, the Group has sold all of its Zorlu Rüzgar shares in the amount of net-off debt Enterprise Value of USD 43,242 thousand to İmbat Enerji AŞ which is 100% subsidiary of Akfen Yenilenebilir Enerji AŞ.

	31 December 2019
Sales amount	258,214
Contingent considerations	(9,057)
Net sales amount	**249,157**

Although the sales transaction of Zorlu Rüzgar to İmbat Enerji AŞ which is %100 subsidiary of Akfen Yenilenebilir Enerji Üretim AŞ has been concluded on 5 February 2020, by considering its immaterial significant impact, the financial statements as at 31 December 2019 has been used to account the sales transaction. Fair values of identifiable assets and liabilities arose from the sales transactions as at 31 December 2019 are as follows:

	31 December 2019
Cash and cash equivalents	37,399
Trade receivables	6,662
Inventories	220
Prepaid expenses	931
Other current assets	1,824
Other receivables	7,790
Tangible and intangible assets	559,134
Asset held for sale	**613,960**
Financial liabilities	(363,182)
Derivative financial instruments	(11,925)
Trade payables	(2,553)
Provisions for employment termination benefits	(1)
Other current liabilities	(423)
Deferred tax liabilities	(26,879)
Liabilities subject to sale of subsidiary	**(404,963)**
Net assets disposed of held for sale	**(208,997)**
Consideration received, net	**249,157**
Gain on sales of the subsidiary (Note 25)	**40,160**

NOTE 13 - FINANCIAL ASSETS

Short-term financial assets

	31 December 2020	31 December 2019
Time deposits between 3 and 12 months (*)	258,578	10,008
	258,578	**10,008**

(*) It is included resticted deposits between 3 months and 1 year.

Long-term financial assets

	31 December 2020	31 December 2019
Long-term securities (*)	246	246
	246	**246**

(*) Zorlu Enerji participated with 246,291 shares (share amount: TL246) and in a ratio of 0.4% in the ownership of Enerji Piyasaları İşletme Anonim Şirketi (EPİAŞ) which is established with a capital of TL61,573 thousand.

The cost of the long-term securities converges to its fair value.

NOTE 14 – EQUITY ACCOUNTED INVESTEES

Movement of equity accounted investees for the period is as follows:

	2020	2019
1 January	**532,402**	**378,523**
Share of gain of equity accounted investees	50,679	64,302
Dividend payment	(51,227)	--
Change on equity accounted investees (*)	149,514	89,577
31 December	**681,368**	**532,402**

(*) As at 31 December 2020 change on equity accounted investees amounting to TL149,514 thousand relates to the currency translation difference (31 December 2019: TL89,577 thousand).

NOTE 14 – EQUITY ACCOUNTED INVESTEES (Continued)

The information of equity accounted investees'of Dorad, Ezotech and Solad financial statements is summarized as follows:

31 December 2020	Dorad Energy Ltd.	Ezotech Electric Ltd.	Solad Energy Ltd.	Total
Total assets	10,589,462	3,044,371	634	13,634,467
Total Equity	2,725,473	(202,353)	(110,070)	2,413,050
Share (%)	25%	42.15%	42.15%	
Group's share on total equity	681,368	--	--	681,368
Group's share on income for the year	50,679	--	--	50,679

31 December 2019	Dorad Energy Ltd.	Ezotech Electric Ltd.	Solad Energy Ltd.	Total
Total assets	9,245,143	2,310,765	106,708	11,662,616
Total Equity	2,078,183	(71,980)	30,501	2,036,704
Share (%)	25%	42.15%	42.15%	
Group's share on total equity	519,546	--	12,856	532,402
Group's share on income for the year	64,302	--	--	64,302

31 December 2020	Dorad Energy Ltd.	Ezotech Electric Ltd.	Solad Energy Ltd.	Total
Revenue	4,914,081	--	--	4,914,081
Financial income/ (expense), net	(315,134)	--	--	(315,134)
Amortisation and depreciation expenses	(484,984)	--	--	(484,984)
Tax expense	(60,470)	--	--	(60,470)

31 December 2019	Dorad Energy Ltd.	Ezotech Electric Ltd.	Solad Energy Ltd.	Total
Revenue	4,302,928	--	--	4,302,928
Financial income/ (expense), net	(303,433)	--	--	(303,433)
Amortisation and depreciation expenses	(352,455)	--	--	(352,455)
Tax expense	(76,112)	--	--	(76,112)

As of 31 December 2020, the EBITDA of Dorad which is the equity accounted investment of the Group amounting to TL 265,825 thousand equivalent to the shares Zorlu Enerji owns (31 December 2019: TL 243,799 thousand).

In the table presented above for the current period (31 December 2020), the financial statements of Dorad, Ezotech and Solad, which are the equity method investments as of 31 December 2020, 31 December 2019 and 31 December 2018were taken into consideration, respectively.

NOTE 15 - RIGHT OF USE ASSETS

As of 31 December 2020 and 31 December 2019, the details of right of use assets accounted in the consolidated financial statement are as follows:

	31 December 2020	31 December 2019
Land	26,242	27,062
Buildings	5,377	7,188
Plant and machinery	2,166	--
Vehicles	2,218	14,284
	36,003	**48,534**

The movements for the right of use assets are as follows:

	31 December 2019	Additions	31 December 2020
Cost			
Land	27,882	--	27,882
Buildings	8,077	--	8,077
Plant and machinery	--	2,471	2,471
Vehicles	29,064	3,940	33,004
	65,023	**6,411**	**71,434**
Accumulated depreciation			
Land	820	820	1,640
Buildings	889	1,811	2,700
Plant and machinery	--	305	305
Vehicles	14,780	16,006	30,786
	16,489	**18,942**	**35,431**
Net book value	**48,534**		**36,003**

NOTE 15 - RIGHT OF USE ASSETS (Continued)

	31 December 2018	IFRS 16 effect	Additions	31 December 2019
Cost				
Land	--	27,882	--	27,882
Buildings	--	4,637	3,440	8,077
Vehicles	--	29,055	9	29,064
	--	**61,574**	**3,449**	**65,023**
Accumulated depreciation				
Land	--	--	820	820
Buildings	--	--	889	889
Vehicles	--	--	14,780	14,780
	--	**--**	**16,489**	**16,489**
Net book value	**--**			**48,534**

Current period depreciation expenses are accounted in cost of sales and operating expenses.

NOTE 16 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2020	Additions (*)	Transfers (**)	Disposals	Currency translation difference	Revaluation increase	Effect of business combination	31 December 2020
Cost:								
Land	137,731	1,123	(1,020)	--	--	41,387	--	179,221
Land improvements	261,124	106	--	--	--	48,587	--	309,817
Buildings	47,983	313	9,860	--	--	21,246	--	79,402
Plant and machinery	9,190,593	43,615	306,319	(87,771)	121,856	2,169,294	--	11,743,906
Motor vehicles	17,486	185	--	(1,069)	--	--	--	16,602
Furniture and fixtures	43,056	4,038	--	(75)	61	--	--	47,080
Construction work in progress (*)	658,644	772,116	(754,720)	(1,124)	13,779	--	11	688,706
Leasehold improvements	15,402	4,338	(4,218)	--	--	--	--	15,522
	10,372,019	**825,834**	**(443,779)**	**(90,039)**	**135,696**	**2,280,514**	**11**	**13,080,256**
Accumulated depreciation:								
Land improvements	52,124	12,374	--	--	--	--	--	64,498
Buildings	10,266	1,515	--	--	--	--	--	11,781
Plant and machinery	1,804,053	485,693	--	(54,304)	33,519	--	--	2,268,961
Motor vehicles	9,018	2,878	--	(380)	--	--	--	11,516
Furniture and fixtures	33,777	5,870	--	(70)	54	--	--	39,631
Leasehold improvements	2,165	2,803	--	--	--	--	--	4,968
	1,911,403	**511,133**	**--**	**(54,754)**	**33,573**	**--**	**--**	**2,401,355**
Net book value	**8,460,616**							**10,678,901**

(*) Additions for construction work in progress in 2020 corresponding to Kızıldere IV Project and improvements of Kızıldere II and III amounting to TL 235,929 thousand, investments of OEDAŞ amounting to TL 459,095 thousand, Alaşehir II Project amounting to 30,228 thousand and Solar Pakistan and other projects amounting to TL 46,864 thousand.

(**) The total investment amount of the Group is TL 754,720 thousand and TL 443,767 thousand is related to OEDAŞ investments and transfered to receivables from service concession arrangements, TL 288,062 thousand is related to Kızıldere II and III projects and transferred to plant and machinery,TL 21,966 thousand is related to Zorlu Enerji investments and amounting to TL 13,126 thousand transferred to plant and machinery, amounting to TL 8,840 thousand transferred to buildings and amounting to TL 4 thousand related to Rotor investments tranferred to rights, amounting to TL 917 thousand related to Alaşehir investments and amounting to TL 913 thousand transferred to plant and machinery, amounting to TL 4 thousand to rights and amounting to TL 4 thousand related to investments of Elektrik Toptan transferred to rights.

NOTE 16 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2019	Additions (*)	Transfers (***)	Disposals	Currency translation difference	Fixed assets held for sale (**)	31 December 2019
Cost:							
Land	134,537	3,194	--	--	--	--	137,731
Land improvements	247,293	5,925	7,906	--	--	--	261,124
Buildings	47,981	2	--	--	--	--	47,983
Plant and machinery	9,188,133	37,795	49,866	(2,593)	11,132	(93,740)	9,190,593
Motor vehicles	4,707	210	12,569	--	--	--	17,486
Furniture and fixtures	41,800	2,392	--	(1,142)	6	--	43,056
Construction work in progress (*)	728,080	177,072	(244,657)	(3,608)	1,757	--	658,644
Leasehold improvements	11,555	2,854	1,750	(757)	--	--	15,402
	10,404,086	**229,444**	**(172,566)**	**(8,100)**	**12,895**	**(93,740)**	**10,372,019**
Accumulated depreciation:							
Land improvements	42,569	9,555	--	--	--	--	52,124
Buildings	8,922	1,344	--	--	--	--	10,266
Plant and machinery	1,470,326	399,092	(208)	(1,705)	3,027	(66,479)	1,804,053
Motor vehicles	2,679	1,130	5,209	--	--	--	9,018
Furniture and fixtures	22,423	12,520	(1,118)	(48)	--	--	33,777
Leasehold improvements	1,344	2,296	(1,457)	(18)	--	--	2,165
	1,548,263	**425,937**	**2,426**	**(1,771)**	**3,027**	**(66,479)**	**1,911,403**
Net book value	**8,855,823**						**8,460,616**

(*) TL85,733 thousand of the total investment amount of the Group is related to Kızıldere IV and improvement of Kızıldere III project, TL35,414 thousand to OEDAŞ, TL13,909 thousand to Alaşehir II project, TL42,016 thousand to Solar Pakistan project and the remaining amount is related to the other projects of the Group.

(**) The remaining net value of TL17,574 thousand for the property, plant and equipment in the Lüleburgaz and Bursa plants, having a cost of TL93,740 thousand, accumulated depreciation of TL66,479 thousand and a net book value of TL27,261 thousand after deducting the impairment of TRY 9,687 thousand, was classified under assets held for sale within the scope of the TFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" standard.

(***) The total investment amount of the Group is TL244,657 thousand and TL144,545 thousand is related to OEDAŞ investments and transfered to receivables from service concession arrangements, TL49,866 thousand is related to Kızıldere III project and transferred to property, plant and equipment, TL7,906 thousand is related to Alaşehir I investments and transferred to land improvements, TL42,340 thousand is related to the other projects of the Group and transferred to inventories.

NOTE 16 - PROPERTY, PLANT AND EQUIPMENT (Continued)

As of 31 December 2020, the net book value of tangible assets acquired by the Group through finance lease amounts is TL37,740 thousand (31 December 2019: TL35,095 thousand).

Group has chosen revaluation method among application methods mentioned under IAS 16 with respect to measurement and disclosure of the Group's power plants at fair value commencing from 31 December 2013. As at 31 December 2020, the Group has revalued its power plants and the revaluation fund has been accounted in the consolidated statement of financial position. The valuation studies related to the domestic power plants at the mentioned date have been performed by Aden Gayrimenkul Değerleme ve Danışmanlık AŞ and the valuation study related to the plant established in Pakistan has been performed by A A Baig & Co. Chartered Accountants.

As at 31 December 2020 and 31 December 2019, the movements for revaluation fund are as follows:

1 January 2019	**3,415,981**
Depreciation transfer	(196,342)
Revulation fund	(7,749)
31 December 2019	**3,211,890**
1 January 2020	**3,211,890**
Revaluation surplus	1,819,800
Revaluation surplus of subsidiary sold (*)	(201,378)
Depreciation transfer	(246,697)
31 December 2020	**4,583,615**

If the Group has not adopted the revaluation model in accordance with IAS 16, the net book values of the property, plant and equipment as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Land	57,064	82,255
Land improvements	113,177	116,380
Buildings	31,527	22,314
Plant and machinery	3,639,875	3,260,242

Collateral, pledges and mortgages on property, plant and equipment are presented in Note 18.

Breakdown of depreciation and amortisation expenses under cost of sales, operating expense and other operating expense have been presented in Note 24 and Note 25.

NOTE 17 - INTANGIBLE ASSETS

	1 January 2020	Additions	Transfers	Disposals	Currency Translation	Effect of business combination	31 December 2020
Cost							
Rights	2,525,446	1,554	12	(502)	209	158,265	2,684,984
-Customer relationships	352,574	--	--	--	--	158,228	510,802
-Service concession arrangements	2,031,944	--	--	--	--	--	2,031,944
-Contract cost	90,472	--	--	--	--	--	90,472
-Other rights	50,456	1,554	12	(502)	209	37	51,766
Goodwill	622,750	--	--	--	--	38,030	660,780
Licenses	12,253	787	--	--	--	--	13,040
	3,160,449	**2,341**	**12**	**(502)**	**209**	**196,295**	**3,358,804**
Accumulated amortization							
Rights	345,747	137,200	--	(196)	32	11	482,794
-Customer relationships	51,802	17,853	--	-	-	--	69,655
-Service concession arrangements	234,630	112,510	--	-	-	--	347,140
-Contract cost	32,307	3,422	--	-	-	--	35,729
-Other rights	27,008	3,415	--	(196)	32	11	30,270
Licenses	2,321	1,526	--	-	-	--	3,847
	348,068	**138,726**	**--**	**(196)**	**32**	**11**	**486,641**
Net book value	**2,812,381**						**2,872,163**

NOTE 17 - INTANGIBLE ASSETS (Continued)

	1 January 2019	Additions	Transfers	Disposals	Currency Translation	31 December 2019
Cost						
Rights	2,532,911	4,188	(11,821)	(111)	279	2,525,446
-Customer relationships	352,574	--	--	--	--	352,574
-Service concession arrangements	2,031,944	--	--	--	--	2,031,944
-Contract cost	90,472	--	--	--	--	90,472
-Other rights	57,921	4,188	(11,821)	(111)	279	50,456
Goodwill	622,750	--	--	--	--	622,750
Licenses	11,456	1,247	--	(450)	--	12,253
	3,167,117	**5,435**	**(11,821)**	**(561)**	**279**	**3,160,449**
Accumulated amortization						
Rights	209,892	139,704	(3,751)	(98)	--	345,747
-Customer relationships	33,998	17,804	--	--	--	51,802
-Service concession arrangements	122,248	112,382	--	--	--	234,630
-Contract cost	28,885	3,422	--	--	--	32,307
-Other rights	24,761	6,096	(3,751)	(98)	--	27,008
Licenses	1,454	1,028	--	(161)	--	2,321
	211,346	**140,732**	**(3,751)**	**(259)**	**--**	**348,068**
Net book value	**2,955,771**					**2,812,381**

NOTE 18 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

18.1 Short-term other provision

	31 December 2020	31 December 2019
Short-term other provisions	13,817	11,141
	13,817	**11,141**

TL13,373 thousand of short-term other provision (31 December 2019: TL10,779) consist of provision for legal disputes and the movement has been shown as below:

	2020	2019
1 January	**10,779**	**15,894**
Cancellations of provision for legal disputes / payments	2,594	(5,115)
31 December	**13,373**	**10,779**

18.2 Long-term other provision

	31 December 2020	31 December 2019
Long-term provisions for employment benefits	44,000	32,584
	44,000	**32,584**

18.3 Contingent assets

		31 December 2020		31 December 2019	
	Currency	Original amount	TL equivalent	Original amount	TL equivalent
Letters of guarantees received	TL	553,545	553,545	511,952	511,952
Letters of guarantees received	USD	4,775	35,051	5,477	32,534
Letters of guarantees received	EUR	2,402	21,637	2,810	18,688
Cheques received	TL	14,351	14,351	11,720	11,720
Cheques received	USD	782	5,740	615	3,653
Cheques received	EUR	176	1,585	169	1,124
			631,909		**579,671**

Guarantee letters received consist of the letters, cheques and notes received from customers in relation to the Group's operations.

NOTE 18 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The Group's guarantees, pledges and mortgages ("GPM") as at 31 December 2020 and 2019 are summarized as follows:

		31 December 2020		31 December 2019	
	Original currency	Original amount	TL equivalent	Original equivalent	TL amount
GPM's given by the Group					
Total amount of GPM's given for companies' own legal entity	USD	261,565	1,920,018	135,804	806,703
	EUR	130,000	1,171,027	160,704	1,068,778
	TL	4,352,167	4,352,167	4,261,817	4,261,817
	PKR	7,525,652	342,116	7,525,652	286,953
Total amount of GPM given for the subsidiaries and associates in the full scope of consolidation	TL	35,595	35,595	26,535	26,535
	USD	550	4,037	550	3,267
	EUR	7,300	65,758	7,320	48,682
Total amount of GPM given for the purpose of maintaining operating activities	USD	19,810	145,415	19,950	118,507
	EUR	350	3,153	350	2,328
	NIS	7,298	16,702	7,298	12,526
Total amount of other GPMs given		--	--	--	--
			8,055,988		**6,636,096**

Letters of guarantees given generally consist of letters given to government agencies for the electricity and gas transmission and distribution (mainly to "EMRA" and government agencies providing electricity and gas transmission and distribution) and natural gas suppliers for the procurement of natural gas and banks for borrowings obtained. The ratio of other guarantees, pledges and mortgages given by the Group to the total equity is 0% as at 31 December 2020 (31 December 2019: 0%).

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Details concerning the guarantees, pledges and mortgages that the Company and its subsidiaries gave within the scope of project financing loans and on behalf of their legal entities are given below:

Rotor Elektrik Üretim AŞ

Rotor has signed a long-term loan agreement with the consortium of a group of financial institutions amounts to EUR 130 million as at 8 May 2009 related to the 135 MW electricity production powerplant located in Osmaniye. In addition to the table above, mortgage, commercial enterprise pledge, share pledge, account pledge, assignment of receivables and assignment of insurance receivable agreements were signed. As per the mortgage agreement signed by the Rotor and the Bank, a pledge amounting to EUR 130 million has been placed on the property of Rotor. As per the commercial pledge agreement, a commercial pledge of TL 501,725 thousand was placed on the Rotor's fixed assets and is included in the "collateral, pledges and mortgages given by the Group" note. The commercial enterprise pledge upper limit is EUR 235 million and Zorlu Holding and Zorlu Enerji are guarantors for Rotor's aforementioned loan agreement amounting to EUR 130 million. The outstanding balance after payments and with all adjustments related to reporting is amounting to EUR 26 million.

Zorlu Enerji Pakistan Ltd.

As at 26 October 2011, Zorlu Enerji Pakistan Ltd. subsidiary of Zorlu Enerji, signed a long term loan agreement with International Finance Corporation ("IFC"), the Asian Development Bank ("ADB"), Eco Trade and Development Bank ("ECO") and local consortium leader Habib Bank Limited ("HBL") amounting USD111million with a maturity of up to 12 years for financing of its wind energy power plant with a capacity of 56.4 MW in Pakistan/Jhimpir established in Jhimpir, the Sindh region of Pakistan. In addition to the loan agreement, account pledge, share pledge, transfer of insurance receivables, title deed pledge, assignment of project rights and mortgage establishment agreements on fixed assets have been signed. A mortgage amounting to USD 118,625 thousand and PKR 1,875 million has been established on the fixed assets of Zorlu Enerji Pakistan. Zorlu Holding is a guarantor for Zorlu Enerji Pakistan's aforementioned loan agreement. The outstanding balance after payments and with all adjustments related to reporting is amounting to USD 26 million and PKR 510 million.

Zorlu Doğal Elektrik Üretimi AŞ

On 27 October 2015, a loan agreement amounts to USD815 million (USD 785 million in cash and USD 30 million in non-cash) and having 14 years term has been signed on 27 October 2015 between Zorlu Doğal, Akbank TAŞ, Türkiye Garanti Bankası AŞ, Türkiye İş Bankası AŞ and Türkiye Sınai Kalkınma Bankası AŞ for the refinancing of its existing debts and for financing the investment in the Kızıldere III geothermal power plant, which is planned to be constracted in Denizli. Also, Zorlu Doğal signed a loan agreement amounts to USD190 million with European Bank for Reconstruction and Development ("EBRD"), Akbank TAŞ, Türkiye İş Bankası AŞ and Türkiye Sınai Kalkınma Bankası AŞ on 6 April 2017 for the purpose of financing the second unit (65.5 MW) of the Kızıldere III Geothermal Energy Plant. In addition to the table above, agreements for assignment of EPİAŞ receivable, account pledge, assignment of receivables, assignment of hedging receivables and stakeholder receivable agreements, Zorlu Holding and Zorlu Enerji are guarantor for Zorlu Doğal's loan In addition to the loan agreement, Enerji Piyasaları İşletme A.Ş.'s ("EPİAŞ") receivable transfer amount cap in the scope of the transfer of receivables agreement is TL 9,500,000. Since EPİAŞ's receivable transfer amount is the cap, it is not included in the collateral, "pledges and mortgages given by the Group" note. Zorlu Holding and Zorlu Enerji are guarantors for Zorlu Doğal's loan amounting to USD 975 million. The outstanding balance after payments and with all adjustments related to reporting is amounting to USD 782 million.

NOTE 18 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Zorlu Jeotermal Enerji Elektrik Üretimi AŞ

The 14 years term loan agreement has been signed on 25 November 2013 between Zorlu Jeotermal and Yapı Kredi AŞ with a credit line up to USD113million in order to finance the project. Pursuant to the material disclosure dated 24 June 2015, the project capacity was increased to 45MW. Hence, an amended loan agreement was signed between aforementioned parties and the credit line were increased to USD 148 million.

In addition to the aforementioned loan agreement, agreements for assignment of EPİAŞ receivable, consecutive receivables, assignments of receivables and account pledge agreements Zorlu Holding is guarantor for Zorlu Jeotermal's loan. In addition to the loan agreement, account pledge, mortgage, share pledge, consecutive lending and takeover contracts were signed. As per the Commercial Enterprise Pledge Contract, a commercial enterprise lien equal to TL 1,060,800 was granted. As per the transfer of receivables agreement, the cap for the receivable transfer amount of EPİAŞ was determined to be TL 2,155 thousand. Since the EPİAŞ receivable transfer amount is the cap, it is not included in the collateral, pledges and mortgages given by the Group note. Zorlu Holding AŞ is a guarantor for Zorlu Jeotermal's USD 148 million loan from Yapı ve Kredi AŞ. The outstanding balance after payments and with all adjustments related to reporting is amounting to USD 83 million.

Zorlu Enerji Elektrik Üretim AŞ

Since Yatırım Varlık Kiralama AŞ is the issuer and Zorlu Enerji is the beneficiary of the funds in the sukuk transaction, which amounts to TL 50 million and was issued on 3 June 2020, amounts to TL 80 million and was issued on 25 June 2020 and also amounts to TL 40 million and was issued on 6 August 2020, Zorlu Enerji and Zorlu Holding became the guarantor of Yatırım Varlık Kiralama AŞ.

As per the sale of the Lüleburgaz steam generator of Zorlu Enerji, a sell and lease-back financial leasing agreement was signed between Şeker Finansal Kiralama AŞ and Zorlu Enerji on 24 August 2017. Zorlu Holding is guarantor for the financial leasing liabilities of Zorlu Enerji resulted from sell and lease back agreement signed for the sale of steam generator. The receivables of Zorlu Enerji arising from the steam agreement with Zorluteks Tekstil Tic. ve San. AŞ ("Zorluteks") were transferred to Şeker Finansal Kiralama AŞ in the scope of financial leasing transactions.

Zorlu Holding is guarantor for Zorlu Enerji's loan obtained from Export Development Canada amounts to USD 100 million and loan obtained from Kuwait Investment Authority amounts to USD 250 million.

Zorlu Enerji has become a guarantor to provide the limit of Bank Mizrani for Adnit which is a 42.15% subsidiary of Zorlu Enerji.

Gazdaş

On 29 June 2015, a loan agreement with a term of 12 years for the amount of USD 102 million was signed with Akbank and Yapı ve Kredi Bankası for use in the expansion investments to be made by Gazdaş in the scope of natural gas distribution licence expansion in the Gaziantep region. In this agreement, Zorlu Holding is a guarantor, and Trakya and Gazdaş are guarantors for each other. In addition to the loan agreement, an account pledge agreement, transfer of consecutive receivables and a share collateral agreement, a licence transfer contract and an account pledge agreement worth TL 29,250 thousand were signed. The outstanding balance after payments and with all adjustments related to reporting is amounting to USD 48 million.

NOTE 18 - CONTINGENT ASSETS AND LIABILITIES (Continued)

Trakya

On 29 June 2015, a loan agreement with a term of 12 years for the amount of USD 114 million was signed with Akbank and Yapı ve Kredi Bankası for use in the expansion investments to be made by Trakya in the scope of natural gas distribution licence expansion in the Gaziantep region. In this agreement, Zorlu Holding is a guarantor, and Trakya and Gazdaş are guarantors for each other. In addition to the loan agreement, an account pledge agreement, transfer of consecutive receivables and a share collateral agreement, a licence transfer contract and an account pledge agreement worth TL 63,500 thousand were signed. The outstanding balance after payments and with all adjustments related to reporting is amounting to USD 51 million.

OEDAŞ

OEDAŞ, the European Bank for Reconstruction and Development ("EBRD"), the International Finance Corporation ("IFC"), Nederlandse Financierings Maatschappij Voor Ontwikkelingslanden N.V. ("FMO") and Denizbank AŞ signed project financing aggrements. In addition to the loan aggrement, agreements for receivable transfer, account pledge, transfer of consecutive receivables and share collateral amounting to TL147,743 thousand were signed. Zorlu Enerji, Zorlu Holding and Zorlu Osmangazi were co-signers as the guarantors for OEDAŞ's loan in the amount of TL 1,746 million, which was provided from EBRD, IFC, FMO and Denizbank. And also, TL52,126 thousand and TL1,150,050 thousand shares pledge agreements were signed for OEPSAŞ and Zorlu Osmangazi, respectively. The outstanding balance after payments and with all adjustments related to reporting is amounting to USD 1,557 million.

Zorlu Elektrik Toptan

Zorlu Elektrik Toptan has no committed to purchase related to 2021. Sales commitments of 21,840 MWh, within the scope of electricity energy purchase agreements with energy companies, within 2020, it has committed to take and all of the energy undertaken has been taken. In relation to electricity purchase and sale operations and in the scope of the risk sharing agreements signed with energy firms in 2020, it carried out 43,920 MWh of transactions in 2020 and committed to carry out 175,200 MWh of transactions in 2021.

OEPSAŞ

OEPSAŞ has no any energy selling commitment regarding other energy companies for the year 2020. Within scope of buying commitment among energy companies, the Company commited to buy 1,117,656 MWh energy for 2020 and fullfilled all energy buying commitment. OEPSAŞ has no any energy buying commitment for the year 2021.

NOTE 19 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments

	31 December 2020						
	Contract amount (USD)	Contract amount (EUR)	Total contract amount (TL)	Fair value asset	Fair value liability	Carried at fair value through profit or loss	Carried at fair value under hedge reserves (*)
Cross currency swap agreements held for hedging	--	15,381	138,551	3,749	--	1,176	3,469
Cross currency swap agreements	--	--	--	--	--	2,541	--
Forward agreements	24,572	10,857	278,170	--	(21,030)	(21,030)	--
Interest rate swap agreements held for hedging	575,235	--	4,222,513	--	(306,278)	(19,282)	(194,839)
	599,807	**26,238**	**4,639,234**	**3,749**	**(327,308)**	**(36,595)**	**(191,370)**

	31 December 2019						
	Contract amount (USD)	Contract amount (EUR)	Total contract amount (TL)	Fair value asset	Fair value liability	Carried at fair value through profit or loss	Carried at fair value under hedge reserves (*)
Cross currency swap agreements held for hedging	--	32,381	215,353	--	(5,894)	84	(10,916)
Cross currency swap agreements	69,420	--	412,369	--	(2,541)	(350)	--
Interest rate swap agreements	--	--	--	--	--	(5,148)	--
Interest rate swap agreements held for hedging	575,235	--	3,417,011	--	(136,584)	(28,237)	(74,510)
	644,655	**32,381**	**4,044,733**	**--**	**(145,019)**	**(33,651)**	**(85,426)**

(*) The amount was presented as netted off deferred tax in "Hedge Reseves" account under equity.

NOTE 19 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative financial instruments are initially recognized in the consolidated statement of financial position at cost and subsequently are re-measured at their fair value. The derivative instruments of the Group consist of interest rate swap and cross currency swaps.

On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognized asset or liability ("fair value hedge") or a hedge of a forecasted transaction or a firm commitment ("cash flow hedge"). Interest rate swap transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for hedging. Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognized in "Other comprehensive income/(expenses) to be reclassified to profit or loss" under "hedge reserves" whereas ineffective portion is recognized in the consolidated statement of profit or loss. Amounts recognized under equity are transferred to the consolidated statement of profit or loss in the period in which the hedged firm commitment or forecasted transaction affects the consolidated statement of profit or loss.

As at 31 December 2020, the Group has a forward purchase commitment amounts to USD 24,572 against a sale commitment of TL 237,063 thousand and forward sales commitment amounts to USD 17,854 thousand against a purchase commitment of EUR 15,381 thousand. In additon, forward purchase commitment amounts to USD 12,637 thousand against a sale commitment of EUR 10,857 thousand.

Non-derivative financial instruments

	31 December 2020			31 December 2019		
	Original amount		Carried at fair value through other comprehensive income	Original amount		Carried at fair value through other comprehensive income
	USD	EUR	(TL) (*)	USD	EUR	(TL) (*)
Hedged amount for foreign currency risk	914,202	--	(3,667,006)	1,318,064	16,714	(2,550,169)
	914,202	**--**	**(3,667,006)**	**1,318,064**	**16,714**	**(2,550,169)**

(*) The Group uses investment loans amounting to USD914,202 thousand and as a hedging instrument against the USD exchange rate risk which the Group is exposed to due to highly probable YEKDEM sales income, and applies cash flow hedge accounting as a result of the effectiveness tests performed.

NOTE 19 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The movements of derivative financial instruments are as follows:

	2020	2019
As at 1 January	**(145,019)**	**(36,450)**
Carried at fair value through profit or lose		
- Loss on derivative instruments (Note 27)	(36,595)	(33,651)
Carried at fair value through other comprehensive income		
- Hedged amount for financial risk	(141,945)	(80,079)
Transfer of held for sales assets	--	5,161
31 December	**(323,559)**	**(145,019)**

The movements of non derivative financial instruments are as follows:

	2020	2019
As at 1 January	**(2,550,169)**	**(1,962,737)**
Carried at fair value through other comprehensive income		
- Hedged amount for financial risk	(1,116,837)	(587,432)
31 December	**(3,667,006)**	**(2,550,169)**

NOTE 20 - PROVISIONS FOR EMPLOYMENT BENEFITS

Long - term provisions related to employee benefits

	31 December 2020	31 December 2019
Provision for employee termination benefits	44,000	32,584
	44,000	**32,584**

Movement of provision for employee termination benefits is as follows:

	2020	2019
1 January	**32,584**	**23,281**
Service cost	5,702	5,061
Interest cost	4,300	3,766
Cancellation of provisions	--	(1,419)
Termination benefits paid	(1,536)	(3,165)
Actuarial loss	2,950	5,060
31 December	**44,000**	**32,584**

NOTE 20 - PROVISIONS FOR EMPLOYMENT BENEFITS (Continued)

Provisions for employment termination benefits are allocated in accordance with the disclosures given below:

Under the Turkish Labour Law, companies are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to the length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL7,117 for each year of service as of 31 December 2020 (31 December 2019: TL6,380).

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

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

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2020	**2019**
Discount rate (%)	4.2	5.1
Probability of retirement (%)	93.7	92.2

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 TL7,639 for each period of service as of 1 January 2020 (1 January 2020: TL6,730).

NOTE 21 - EQUITY

a) Share capital

	31 December 2020	31 December 2019
Limit on registered share capital (*)	3,000,000	3,000,000
Issued capital	2,000,000	2,000,000

(*) Regarding the decision taken by the members of the Company's Board of Directors dated 21 January 2021, while the process of increasing the current registered capital ceiling of TL 3,000,000,000 of the Company to TL 6,000,000,000 continues, It has been decided to start working on increasing the issued capital of the Company, without restricting our current shareholders' right to purchase new shares, and to be fully covered in cash.

The Group's shareholders and shareholding structure as at 31 December 2020 and 31 December 2019 are as follows:

	Share (%)	31 December 2020	Share (%)	31 December 2019
Zorlu Holding	45.97	919,365	48.72	974,478
Korteks	17.55	350,949	17.55	350,949
Publicly held (*)	34.73	694,512	31.98	639,623
Other	1.75	35,174	1.75	34,950
	100.00	**2,000,000**	**100.00**	**2,000,000**
Adjustment to share capital		**110,948**		**110,948**
Total		**2,110,948**		**2,110,948**

(*) TL 329,207 thousand and the portion equivalent to 16.46% of the total capital represent the shares that belong to Zorlu Holding.

As of 31 December 2020 and 31 December 2019, the Group's capital inflation adjustment differences amounted to TL 110,948 thousand, representing the adjustment difference arising from the adjustment of the Group's paid-in capital amount according to inflation and not offset with previous years' losses.

b) Legal Reserves

Restricted Reserves reserve for specific purposes other than profit from previous period, due to law or contractual obligations or other profit distributions. These reserves are shown in the amounts in the statutory records of the Group and difference arising in preparing the consolidated financial statements in accordance with TFRS are associated with prior years' profit or loss.

As at 31 December 2020 restricted reserves comprised of legal reserves amounting to TL 7,931 thousand (31 December 2019: TL 7,897 thousand).

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 only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

NOTE 22 - TAXES

Turkish tax legislation does not allow for the submission of tax returns over consolidated financial statements prepared by the parent company, which include its affiliates and affiliates. Accordingly, tax considerations reflected in these consolidated financial statements have calculated separately for each of the companies in the scope of the consolidation.

In Turkey, corporation tax is payable at a rate of 22% for 2020, 2019 and 2018. Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government. Within the scope of the Law regarding Amendments to Certain Tax Laws and Other Laws No. 7061, which went into effect after promulgation in the Official Gazette dated 5 December 2017, the corporate income tax rate was raised from 20% to 22% for 2018, 2019 and 2020.

The taxation on income and expense for the Group for the period ended 31 December 2020 and 2019 is summarised as follows:

	31 December 2020	**31 December 2019**
Current period tax expense	(114,362)	(71,686)
Deferred tax income/ (expense)	25,738	(6,857)
Total tax expense	**(88,624)**	**(78,543)**

The reconciliation of taxation on income for the years ended 31 December 2020 and 2019 as follows:

	1 January - 31 December 2020	**1 January - 31 December 2019**
Profit / (loss) before tax	**56,212**	**(129,859)**
Tax rate	22%	22%
Tax calculated on basis of tax rate	(12,367)	28,569
Deductions and exemptions	128,608	67,821
Additions	(125,330)	(66,106)
Tax losses and other tax advantages, net effect	(69,699)	(113,786)
Effect of tax rate change	(20,172)	(12,796)
Share of equity accounted investees	11,149	14,146
Other	(813)	3,609
Total tax expense	**(88,624)**	**(78,543)**

NOTE 22 – TAXES (Continued)

Deferred taxes

According to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. As at 31 December 2020, 20% tax rate is used for the calculation of deferred tax assets and liabilities (31 December 2019: 20% and 22% depending on the estimation of on which years temporary differences will reverse).

	31 December 2020	31 December 2019
Deferred tax assets	494,245	375,127
Deferred tax liabilities	(939,565)	(662,013)
Deferred tax assets/(liabilities), net	**(445,320)**	**(286,886)**

	Temporary differences		Deferred tax assets/(liabilities)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Tangible and intangible assets	3,463,405	2,236,612	(692,681)	(414,501)
Carry forward tax losses	(3,687,055)	(2,754,617)	737,411	568,043
Receivables from service concession arrangements	2,883,796	2,308,845	(576,759)	(495,996)
Credit commission and unearned credit finance expense	312,108	345,922	(62,422)	(70,438)
Indexation of deposits received	(361,496)	(295,038)	72,299	64,908
Derivative instruments	(323,559)	(145,019)	64,712	29,004
Investment incentive	(95,600)	(76,388)	19,120	15,278
Provision for employee termination benefits	(44,000)	(32,584)	8,800	7,169
Other	78,381	(44,732)	(15,800)	9,647
Deferred tax assets/(liabilities), net			**(445,320)**	**(286,886)**

As at 31 December 2020, the Group recognized deferred tax assets for the carry forward tax losses amounting to TL 3,687,055 thousand (31 December 2019: TL 2,754,617 thousand) for which the Group believes it will utilize in the future. For the remaining carry forward tax losses amounting to TL 509,637 thousand (31 December 2019: TL 471,693 thousand), the Group has not recognized deferred tax assets.

NOTE 22 – TAXES (Continued)

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

	2020	2019
1 January	**(286,886)**	**(449,216)**
Charged to statement of profit or loss	25,738	(6,857)
Charged to other comprehensive income	(152,526)	165,924
Deferred tax accounted due to acquisition	(31,646)	--
Transfer to assets/(liabilities) held for sale	--	3,263
31 December	**(445,320)**	**(286,886)**

The Group's expiration dates of recognized carry forward tax losses are as follows:

Due date	Losses
2021	104,321
2022	164,481
2023	1,249,413
2024	985,703
2025	1,183,137
	3,687,055

The Group's expiration dates of unrecognized carry forward tax losses are as follows:

Due date	Losses
2021	272,668
2022	196,170
2023	26,530
2024	4,613
2025	9,656
	509,637

NOTE 23 – REVENUE

	1 January - 31 December 2020	1 January - 31 December 2019
Retail sales income	2,385,076	2,177,462
Electricity sales income	1,841,782	1,671,375
Natural gas sales income	1,594,913	1,321,863
Electricity wholesales income	1,149,492	947,827
Income from distribution activities	630,013	480,339
Income from investment activities	593,554	1,118,528
Other	384,283	486,803
	8,579,113	**8,204,197**

NOTE 24 - EXPENSES BY NATURE

	1 January - 31 December 2020	1 January - 31 December 2019
Retail electricity purchase expense	2,121,297	2,052,914
Natural gas purchase expense	1,587,178	1,324,909
Electricity generation and wholesale purchase expense	1,368,407	1,100,806
Depreciation and amortisation (*)	538,438	452,972
Expense from investment activities	514,272	943,233
Employee and personnel expenses (**)	269,228	222,201
System usage expenses	243,363	181,642
Energy purchase related to distribution	237,528	215,406
Other	499,525	547,102
	7,379,236	**7,041,185**

(*) The total amount of depreciation and amortization expense is TL 668,801 thousand (31 December 2019: TL 583,158 thousand). TL 538,438 thousand (31 December 2019: TL 452,972 thousand) of the amount is presented expense by nature and TL 130,363 thousand (31 December 2019: TL 130,186 thousand) of the amount is presented in other operating expense (Note 25).

(**) The total amount of employee and personnel expenses is TL 269,228 (31 December 2019: TL222,201 thousand), thousand and TL 16,006 thousand of the amount accounted under selling and marketing expenses (31 December 2019: TL16,822 thousand), TL 102,813 thousand of amount accounted under general and administrative expense (31 December 2019: TL 57,151 thousand) and TL 150,409 thousand of the amount is accounted under cost of sales (31 December 2019: TL 150,228 thousand).

NOTE 25 - OTHER OPERATING INCOME AND EXPENSE

a) Other operating income:

	1 January - 31 December 2020	1 January - 31 December 2019
Indexation difference on receivables from service concession arrangements (Note 6)	337,076	156,939
Interest income from distribution activities	330,487	260,628
Gain on sale of subsidiary	40,160	29,546
Interest income from trading activities	33,496	25,268
Gain on sale of property, plant and equipment	31,724	397
Income accruals	30,898	--
Foreign exchange difference from trading activities	2,006	56
Other	53,249	36,621
	859,096	**509,455**

NOTE 25 - OTHER OPERATING INCOME AND EXPENSE (Continued)

b) Other operating expense:

	1 January - 31 December 2020	1 January - 31 December 2019
Depreciation of service concession arrangements	112,510	112,382
Indexation of deposits received (*)	99,157	63,079
Provisions expenses	36,649	25,089
Interest expense from trading activities	36,368	34,442
Depreciation of customer relations	17,853	17,804
Foreign exchange difference from trading activities	4,318	9,599
Other	57,628	24,826
	364,483	**287,221**

(*) The balance consists of indexation effect of paid deposits amounts to TL 32,699 thousand (31 December 2019: TL 28,985 thousand)

NOTE 26 - SHARE OF PROFIT OF EQUITY ACOUNTED INVESTEES

	2020	2019
Profit share in equity accounted investees	50,679	64,302

NOTE 27 - FINANCIAL INCOME AND EXPENSES

a) Financial income:

	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange gains	715,846	434,659
Interest income	247,252	268,287
	963,098	**702,946**

NOTE 27 - FINANCIAL INCOME AND EXPENSES (Continued)

b) Financial expense:

	1 January - 31 December 2020	1 January - 31 December 2019
Interest expense (*)	1,510,149	1,641,057
Foreign exchange loss (*)	1,019,201	556,661
Loss on derivative instruments	36,595	33,651
Bank commission and other financial expenses	86,110	50,984
	2,652,055	**2,282,353**

(*) As at 31 December 2020, capitalized borrowing cost on property, plant and equipments is TL 106,594 thousand (31 December 2019: TL 83,594 thousand).

NOTE 28 - RELATED PARTY TRANSACTIONS

i) Related party balances:

a) Short-term trade receivables from related parties

	31 December 2020	31 December 2019
Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ ("Meta Nikel")	24,913	2,178
Vestel Elektronik Sanayi ve Ticaret AŞ ("Vestel Ticaret")	13,728	283
Vestel Beyaz Eşya Sanayi ve Ticaret AŞ ("Vestel Beyaz Eşya")	10,887	--
Korteks	5,785	3,890
Zorluteks Tekstil Ticaret ve Sanayi AŞ ("Zorluteks")	2,631	2,619
Other	1,793	3,907
	59,737	**12,877**

NOTE 28 - RELATED PARTY TRANSACTIONS (Continued)

b) Short-term other receivables from the related parties

	31 December 2020	31 December 2019
Zorlu Holding (*)	720,901	986,473
Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ ("Zorlu O&M ") (**)	166,256	48,940
Zorlu Doğal Gaz İthalat İhracat ve Toptan AŞ ("Zorlu Doğal Gaz İthalat")	44,220	4,199
Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Ticaret AŞ ("Zorlu Endüstriyel")	--	136,802
Other	4,976	72,574
	936,353	**1,248,988**

(*) The maturity of TL 1,678,666 thousand portion of the Group's total receivables from Zorlu Holding amounts to TL 720,901 thousand is less than one year. TL 120 million of short term receivables is back-to-back loans and the applied interest rate is 21.5% The applied interest rate is between 6.25% and 8.5% for USD 20,6 million and EUR24 million of back-to-back loans. The interest rate of the USD remaing receivable amounts to USD 31.3 million is 7% which is determined in the market conditions and is applied for USD (31 December 2019: 7%).

(**) The interest rate of the Group's receivable for financing purpose amounts to USD 22,649 thousand is 7% which is determined in the market conditions (31 December 2019: 7%).

c) Long-term other receivables from related parties

	31 December 2020	31 December 2019
Zorlu Holding (*)	957,765	860,478
Ezotech (**)	245,823	184,291
Edeltech (**)	102,395	100,371
Solad (**)	24,132	19,529
Other	29,984	--
	1,360,099	**1,164,669**

(*) TL 957,765 thousand portion Zorlu Enerji's total receivables amounting to TL 1,678,666 thousand from Zorlu Holding is more than one year. USD 18,8 million and EUR 5 million of the amount is the back-to-back loans and the applied interest rates are 11.75% and 7.5%, respectively. The remaining long term receivables amounts to USD 105 million is provided for financing purpose and the applied interest rate that determined in market condition is 7% for USD (31 December 2019: 7%).

(**) The receivables from Dorad, Ezotech, Solad and Edeltech consist of the amounts provided for the power plant projects in Israel.

NOTE 28 - RELATED PARTY TRANSACTIONS (Continued)

i) Related party balances (Continued):

d) Short-term trade payables to related parties

	31 December 2020	31 December 2019
Zorlu O&M	15,740	10,371
Zorlu Dış Ticaret AŞ	10,512	--
Zorlu Gayrimenkul Geliştirme ve Yatırım AŞ	10,512	--
Linens Pazarlama Tic AŞ	10,425	--
Zorlu Holding A.Ş.	3,652	1,893
Zorlu Doğalgaz Tedarik Ticaret AŞ ("Zorlu Doğal Gaz Tedarik")	--	38,363
Zorlu Doğal Gaz İthalat İhracat ve Toptan AŞ ("Zorlu Doğal Gaz")	--	3,620
Zorlu Endüstriyel	--	6,807
Other	3,183	11,888
	54,024	**72,942**

e) Short-term other payables to related parties

	31 December 2020	31 December 2019
Zorlu Holding (*)	332,620	--
Korteks (*)	31,288	--
Zorlu OM	3,109	--
Zorlu Endüstriyel	--	5,449
Other	981	24,630
	367,998	**30,079**

(*) A portion of TL 314,600 thousand of the total debt of the Group to Zorlu Holding TL 332,620 thousand in total, is the capital advance made by Zorlu Holding based on Zorlu Enerji's material event disclosure dated 21 January 2021.

f) Short-term bank borrowings

	31 December 2020	31 December 2019
Zorlu Faktoring A.Ş.	41,886	39,892
	41,886	**39,892**

NOTE 28 - RELATED PARTY TRANSACTIONS (Continued)

ii) Transactions carried out with related parties for the period 1 January - 31 December 2020 and 2019 are as follows:

	Sales	Purchases	Operating expenses and other income/ (expenses), net	Interest income/ (expenses), net	Foreign exchange income/(expenses), net
1 January - 31 December 2020					
Korteks	132,714	--	(259)	(5,778)	4,282
Zorluteks	73,002	(312)	(1,331)	(679)	--
Zorlu Tesis Yönetimi AŞ	21,832	--	(1,434)	--	--
Meta Nikel	23,185	--	(38)	1,445	--
Vestel Beyaz Eşya	23,703	--	--	112	--
Vestel Elektronik	37,173	--	--	141	--
Zorlu O&M	943	(63,885)	(123)	17,908	26,041
Zorlu Holding	325	(34)	(27,038)	167,454	401,333
Zorlu Doğal Gaz Tedarik	--	(307,912)	--	--	--
Zorlu Endüstriyel	--	(132)	(124)	3,497	25,954
Edeltech	--	--	(8)	2,127	21,309
Zorlu Doğal Gaz İthalat	--	(4,853)	(160)	2,707	(3,589)
Other	3,559	(7,732)	(16,047)	3,893	65,348
	316,436	**(384,860)**	**(46,562)**	**192,827**	**540,678**

	Sales	Purchases	Operating expenses and other income/ (expenses), net	Interest income/ (expenses), net	Foreign exchange income/(expenses), net
1 January – 31 December 2019					
Korteks	126,102	--	30	(1,380)	3,350
Zorluteks	73,176	(14)	(57)	(359)	592
Zorlu Tesis Yönetimi AŞ	43,571	--	(985)	--	--
Meta Nikel	12,103	--	(34)	--	--
Zorlu O&M	756	(70,412)	(643)	4,017	17,789
Zorlu Endüstriyel	35	(294)	(1,244)	8,473	16,818
Zorlu Holding	142	(15)	(12,676)	152,663	178,880
Edeltech	--	--	20	3,311	12,012
Zorlu Doğal Gaz Tedarik	163	(315,341)	6	(1,093)	(2,017)
Zorlu Doğal Gaz İthalat	--	--	(145)	3,464	13,720
Other	6,083	(9,743)	(11,556)	1,859	33,221
	262,131	**(395,819)**	**(27,284)**	**170,955**	**274,365**

NOTE 28 - RELATED PARTY TRANSACTIONS (Continued)

ii) Transactions carried out with related parties for the period 1 January - 31 December 2020 and 2019 are as follows:

Sales and purchases made to related parties, generally includes electricity and product and service sales and purchases within the framework of its main field of activity.

Interest income (expense) and exchange difference income (expense), are related to both financing and commercial transactions.

iii) Key management compensations for the periods between 1 January – 31 December 2020 and 2019 are as follows:

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

	1 January - 31 December 2020	1 January - 31 December 2019
Salaries	14,632	9,842

NOTE 29 – EARNINGS/(LOSS) PER SHARE

Income per share disclosed in the accompanying consolidated statement of income are determined by dividing net income/(expense) by the weighted average number of shares in existence during the year concerned.

	1 January - 31 December 2020	1 January - 31 December 2019
Net (loss)/ income for equity holders of the Group	3,232	(189,293)
Weighted average value of each of the issued share	200,000,000	200,000,000
Profit/ (loss) per 100 share (TL)	0.002	(0.095)

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

NOTE 30 - SUBSEQUENT EVENTS

As per the material event disclosure dated 12 January 2021, within the scope of the "Regulation Amending the Electricity Market Licensing Regulation" published in the Official Gazette dated 8 March 2020 and numbered 31062 and entered into force on 1 July 2020, Zorlu Jeotermal plans to establish a "Combined Renewable Electricity Generation Facility (Main Source GPP + Auxiliary Source SPP)" to generate electricity from solar energy in integration with the Alaşehir I Geothermal Power Plant, which has an installed power of 45 MWe, in Manisa Alaşehir.

NOTE 30 - SUBSEQUENT EVENTS (Continued)

In this context, an application was made to the Energy Market Regulatory Authority to amend the current electricity generation license to 48,5880 MWm / 45 MWe.

As per the decision of the members of the Company's Board of Directors dated 21 January 2021 and the material event disclosure on the same date;

- The Company tries to ensure that the going concerns are carried out efficiently, on the other hand, is aimed to enhance the profit and market value of the company by keeping the balance of debt and equity, in this context, as a result of the evaluation made by taking the investments into consideration; although the current registered capital ceiling has not yet been reached, it is not sufficient for the Company to reach its targets.

- In this context, within the framework of the provisions of Article 18 of the Capital Markets Law and the Registered Capital System Communique numbered II.18-1 of the Capital Markets Board; Increasing the company's current TL 3,000,000,000 registered capital ceiling to TL 6,000,000,000,

- In this context, amendment of Article 6 of the Company's Articles of Association,

- While the ceiling increase process continues, to initiate working on increasing the issued capital of the company, without restricting the current shareholders' right to purchase new shares and to be fully met in cash,

- The capital increase decision, which includes the amount of shares to be issued due to the targeted capital increase up to 100%, the usage price of the right to buy new shares, the sales method of the shares to be issued, is evaluated by the Board of Directors and declared to the public after the decision of the Board of Directors following the announcement of the financial statements of the Company for the 2020 accounting period,

- It was decided unanimously by the members present at the meeting to authorize the Management to perform all kinds of works and transactions required for the implementation of this decision.

As per the material event disclosure dated 3 February 2021, an application was made to the Capital Markets Board in order to obtain a conformity assent regarding the amendment of Article 6 of our Company's Articles of Association.

As per the material event disclosures dated 21 January, 22 January and 3 February 2021, an application was made to Ministry of Commerce in order to obtain a conformity assent regarding the amendment of Article 6 of our Company's Articles of Association.

As per the material event disclosures dated 21 January, 22 January, 3 February and 11 February 2021, it has been decided to approve the amendment of Article 6 of our Company's Articles of Association regarding the registered capital ceiling increase at the Extraordinary General Assembly meeting of Zorlu Enerji Elektrik Üretim AŞ held at the address Levent 199 Büyükdere Cad. N199 34394 Şişli/İstanbul.

NOTE 30 - SUBSEQUENT EVENTS (Continued)

As per the material event disclosure dated 9 March 2021, the installed power of Gökçedağ Wind Power Plant, which has an installed power of 135 MW within Rotor has been amended to 150.6 MW, in order to allow an additional capacity increase of 15.6 MW.

As per the material event disclosure dated 12 April 2021, Zorlu Jeotermal won the tenders held by Ayter Aydın Termal Turizm ve Jeotermal Sistemleri AŞ for the geothermal resource exploration license area numbered 2019-A/6 ,3144.23 hectare Kuyucak and numbered 2019-A9,3403,14 hectare Nazilli/Diracık by accepting and undertaking to pay 6,250 TL + VAT and 600 TL + VAT.

As of 31 December 2020, the prevailing corporate tax rate in Turkey is 22%. However, "the Law On Collection Procedure of Public Receivables" which has been published on the Official Gazette numbered 31462 and dated 22 April 2021, Article 11 of "the Law on the Amendment of Some Laws" and the provisional article 13 which has been added to the Law No 5520 Corporate Tax, the income tax rate will be applied as 25% for the corporate income related to the 2021 taxation period and 23% for the corporate income related to the 2022 taxation period. This change will be applicable for the taxation of corporate income for the taxable periods beginning from 1 January 2021, beginning with the declarations that must be submitted as of 1 July 2021.

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