

**AKSA ENERJİ ÜRETİM A.Ş.
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020
AND INDEPENDENT AUDITOR’S REPORT**

**(CONVENIENCE TRANSLATION OF
THE REPORT AND THE
CONSOLIDATED FINANCIAL
STATEMENTS ORIGINALLY
ISSUED IN TURKISH)**

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Akxa Enerji Üretim A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

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

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

2) Basis for Opinion

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

3) Key Audit Matters

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

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| <p>Impairment of Trade Receivables from Third Parties</p> <p>Group's trade receivables from third parties amounting to TL 2,394,534,994 has reached to 25% in total assets as of 31 December 2020.</p> <p>Provision for expected credit losses for trade receivables from third parties is recognized for as a result of assumptions made considering the guarantees received from customers, customer's past payment performance and credibility with maturity analysis of receivables balances and legal disputes or lawsuits regarding receivables.</p> <p>There are significant estimates and assumptions used in the impairment tests of trade receivables performed by the Group management. These trade receivables from third parties are material taken the consolidated financial statements as a whole, thus the measurement of the expected credit loss of trade receivables from third parties in accordance with TFRS 9 ("Financial Instruments") is determined as a key audit matter.</p> <p>The related disclosure including the accounting policies for the measurement of expected credit losses of trade receivables from third parties are included in Note 2 and Note 5.</p> | <p>The audit procedures applied including but not limited to the following are:</p> <ul style="list-style-type: none"> • Understanding of the process of the Group's collection of trade receivables from third parties and performing the design and implementation testing of the relevant controls, • Review of basis and arithmetical accuracy of the model that is used for Group's expected credit losses calculation, • Testing of the receivables used in the ageing data used in the expected credit loss calculation model by sampling method and comparing collection turnover rate with previous year, • Inquiring about the management of any disputes or proceedings related to collections and obtaining information about the proceedings from legal counsel, • Testing collections after reporting period by sampling method, • Testing of trade receivable balances from third parties by sending external confirmations by sampling method, <p>We have evaluated the adequacy of related disclosures of trade receivables from third parties in Note 2 and Note 5 in accordance with TFRS.</p> |

4) Other Matters

The consolidated financial statements of the Group for the year ended on 31 December 2019 were audited by another independent auditor who expressed an unmodified opinion on those consolidated financial statements on 27 February 2020.

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards on auditing issued by Capital Markets Board and SIA 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 the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 25 February 2021.

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January-31 December 2020 does not comply with the TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of the TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Ali Çiçekli.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Ali Çiçekli
Partner

İstanbul, 25 February 2021

| INDEX | PAGE |
|--|-------------|
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 1-3 |
| CONSOLIDATED STATEMENT OF PROFIT OR LOSS | 4 |
| CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME | 5 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 6 |
| CONSOLIDATED STATEMENT OF CASH FLOWS | 7 |
| NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS..... | 8-80 |
| NOTE 1 ORGANIZATION AND OPERATIONS OF THE GROUP | 8-11 |
| NOTE 2 BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS | 11-36 |
| NOTE 3 OPERATING SEGMENTS | 37-38 |
| NOTE 4 RELATED PARTY DISCLOSURE | 38-41 |
| NOT 5 TRADE RECEIVABLES AND PAYABLES | 42 |
| NOT 6 CASH AND CASH EQUIVALENTS | 43 |
| NOT 7 FINANCIAL INVESTMENTS | 43-44 |
| NOT 8 BORROWINGS | 44-47 |
| NOT 9 OTHER RECEIVABLES AND PAYABLES | 48-49 |
| NOT 10 INVENTORIES | 49 |
| NOT 11 PREPAID EXPENSES | 50 |
| NOT 12 PROPERTY, PLANT AND EQUIPMENT | 50-53 |
| NOT 13 INTANGIBLE ASSETS | 54 |
| NOT 14 RIGHT OF USE ASSETS | 55 |
| NOT 15 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES | 55 |
| NOT 16 COMMITMENTS | 56-57 |
| NOT 17 EMPLOYEE BENEFITS | 57-58 |
| NOT 18 OTHER ASSETS AND LIABILITIES | 58 |
| NOT 19 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS | 59-61 |
| NOT 20 REVENUE | 62 |
| NOT 21 GENERAL ADMINISTRATIVE EXPENSE, SALES, MARKETING AND DISTRIBUTING EXPENSE | 62-63 |
| NOT 22 OTHER OPERATING INCOME AND EXPENSES | 63-64 |
| NOT 23 INCOME AND EXPENSE FROM INVESTING ACTIVITIES | 64 |
| NOT 24 EXPENSES BY NATURE | 64 |
| NOT 25 FINANCIAL INCOME | 65 |
| NOT 26 FINANCIAL EXPENSES | 65 |
| NOT 27 TAXATION | 65-68 |
| NOT 28 EARNINGS PER SHARE | 68 |
| NOT 29 FINANCIAL INSTRUMENTS | 69-70 |
| NOT 30 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS | 71-77 |
| NOT 31 FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATION ON HEDGE ACCOUNTING) | 77-78 |
| NOT 32 NOTES ON THE STATEMENT OF CASH FLOWS | 79 |
| NOT 33 EVENTS AFTER THE REPORTING PERIOD | 79-80 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

| ASSETS | Notes | Audited/ Current period | Audited / Prior period |
|--|-------|----------------------------|---------------------------|
| | | 31 December 2020 | 31 December 2019 |
| Current assets | | | |
| Cash and cash equivalents | 6 | 314,171,908 | 121,503,123 |
| Trade receivables | | 2,705,620,407 | 1,932,874,640 |
| - Trade receivables from related parties | 4 | 311,085,412 | 209,200,606 |
| - Trade receivables from third parties | 5 | 2,394,534,995 | 1,723,674,034 |
| Other receivables | | 76,414,447 | 143,595,524 |
| - Other receivables from related parties | 4 | 42,317,908 | 3,775,899 |
| - Other receivables from third parties | 9 | 34,096,539 | 139,819,625 |
| Derivative financial instrument | 7 | 2,148,922 | 4,387,466 |
| Inventories | 10 | 138,322,794 | 284,075,323 |
| Prepaid expenses | 11 | 116,007,264 | 68,121,888 |
| Current tax assets | 27 | 37,623,113 | 39,110,786 |
| Other current assets | 18 | 73,474,659 | 90,292,154 |
| Total current assets | | 3,463,783,514 | 2,683,960,904 |
| Non-current assets | | | |
| Financial investments | 7 | 412,408 | 412,408 |
| Other receivables | | 6,529,795 | 7,096,176 |
| - Other receivables from third parties | 9 | 6,529,795 | 7,096,176 |
| Property, plant and equipment | 12 | 5,655,050,521 | 5,499,257,130 |
| Right-of-use assets | 14 | 73,524,027 | 48,706,223 |
| Intangible assets | | 115,884,555 | 99,461,368 |
| - Other intangible assets | 13 | 115,884,555 | 99,461,368 |
| Prepaid expenses | 11 | 2,289,464 | 6,722,646 |
| Deferred tax asset | 27 | 185,220,021 | 155,505,193 |
| Total non-current assets | | 6,038,910,791 | 5,817,161,144 |
| TOTAL ASSETS | | 9,502,694,305 | 8,501,122,048 |

The accompanying notes from an integral part of these consolidated financial statements

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

| LIABILITIES | Notes | Audited / Current period | Audited / Prior period |
|---|-------|-----------------------------|---------------------------|
| | | 31 December 2020 | 31 December 2019 |
| Current liabilities | | | |
| Short-term borrowings | 8 | 728,277,260 | 785,721,878 |
| Current portion of long-term borrowings | 8 | 1,292,953,512 | 1,206,661,882 |
| Short-term finance lease liabilities | 8 | 830,908 | 11,556,577 |
| - Finance lease liabilities from related parties | | - | 4,232,174 |
| - Finance lease liabilities from third parties | 8 | 830,908 | 7,324,403 |
| Short-term portion of long-term finance lease liabilities | 8 | 3,396,047 | 3,033,070 |
| Other financial liabilities | 8 | 11,181,406 | 79,680,483 |
| Trade payables | | 779,913,222 | 599,548,139 |
| - Trade payables to related parties | 4 | 35,657,639 | 17,177,126 |
| - Trade payables to third parties | 5 | 744,255,583 | 582,371,013 |
| Payables related to employee benefits | 17 | 8,597,007 | 8,800,399 |
| Other payables | | 197,359,546 | 36,700,505 |
| - Other payables to related parties | 4 | - | 272,784 |
| - Other payables to third parties | 9 | 197,359,546 | 36,427,721 |
| Derivative instruments | 7 | 60,716,151 | 33,642,251 |
| Current tax liabilities | 27 | 183,176,286 | 167,942,891 |
| Short-term provisions | | 23,855,979 | 5,136,526 |
| - Short-term provisions for employee benefits | 17 | 980,104 | 777,554 |
| - Other short-term provisions | 15 | 22,875,875 | 4,358,972 |
| Other current liabilities | 18 | 7,406,200 | 5,985,809 |
| Total current liabilities | | 3,297,663,524 | 2,944,410,410 |
| Non-current liabilities | | | |
| Long-term borrowings | 8 | 834,709,520 | 1,133,695,421 |
| Long-term finance lease liabilities | | 74,975,209 | 34,745,275 |
| Other financial liabilities | 8 | - | 8,361,393 |
| Other payables | | 72,221,252 | 39,601,341 |
| - Other payables to third parties | 9 | 72,221,252 | 39,601,341 |
| Long-term provisions | | 9,346,433 | 4,715,939 |
| - Long-term provisions for employee benefits | 17 | 9,346,433 | 4,715,939 |
| Deferred tax liabilities | 27 | 588,434,184 | 516,631,304 |
| Total non-current liabilities | | 1,579,686,598 | 1,737,750,673 |
| TOTAL LIABILITIES | | 4,877,350,122 | 4,682,161,083 |

The accompanying notes from an integral part of these consolidated financial statements

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

| EQUITY | Notes | Audited/ Current period | Audited/ Prior period |
|--|-------|----------------------------|--------------------------|
| | | 31 December 2020 | 31 December 2019 |
| Equity Attributable to Owners of the Company | | | |
| Share capital | 19 | 613,169,118 | 613,169,118 |
| Share premiums | 19 | 247,403,635 | 247,403,635 |
| Accumulated other comprehensive income not to be reclassified in profit or loss | 19 | 2,196,268,403 | 2,263,711,269 |
| - Gains on revaluation of property, plant and equipment | | 2,196,123,264 | 2,262,917,793 |
| - Gain on remeasurements of the defined benefit plans | | 145,139 | 793,476 |
| Accumulated other comprehensive income that will be reclassified in profit or loss | 19 | 493,973,142 | 234,620,434 |
| - Foreign currency translation differences | | 520,339,505 | 248,243,241 |
| -Gain / (loss) of hedging reserve | | (26,366,363) | (13,622,807) |
| Restricted reserves appropriated from profit | 19 | 68,742,954 | 64,980,588 |
| Accumulated gain/(loses) | 19 | 129,592,233 | (262,622,830) |
| Net profit for the year | | 470,035,971 | 329,182,900 |
| Total equity attributable to equity holders of the Company | | 4,219,185,456 | 3,490,445,114 |
| Non-controlling interests | 19 | 406,158,727 | 328,515,851 |
| Total equity | | 4,625,344,183 | 3,818,960,965 |
| TOTAL LIABILITIES AND EQUITY | | 9,502,694,305 | 8,501,122,048 |

The accompanying notes from an integral part of these consolidated financial statements

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

| | | <i>Audited/ current period</i> | <i>Audited/ prior period</i> |
|--|--------------|---|---|
| Profit or loss: | <i>Notes</i> | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
| Revenue | 20 | 7,230,546,535 | 5,578,594,781 |
| Cost of sales (-) | 20 | (6,032,956,098) | (4,563,137,567) |
| Gross profit | | 1,197,590,437 | 1,015,457,214 |
| Administrative expenses (-) | 21 | (117,412,617) | (95,606,154) |
| Sales, marketing and distribution expenses (-) | 21 | (9,622,641) | (1,521,304) |
| Other operating income | 22 | 14,082,509 | 67,206,818 |
| Other operating expenses (-) | 22 | (42,165,376) | (9,527,013) |
| Operating profit | | 1,042,472,312 | 976,009,561 |
| Expected credit losses in accordance with TFRS 9 (-) | | (10,604,865) | 5,096,478 |
| Gain from investing activities | 23 | 156,404 | 633,402 |
| Operating profit before finance expenses | | 1,032,023,851 | 981,739,441 |
| Financial income | 25 | 356,862,103 | 398,409,926 |
| Financial expenses (-) | 26 | (682,056,938) | (828,696,646) |
| Financial expenses, net | | (325,194,835) | (430,286,720) |
| Profit before tax from continuing activities | | 706,829,016 | 551,452,721 |
| Tax expense from continuing activities | | (148,824,227) | (96,109,432) |
| - Current tax expense | 27 | (180,742,077) | (147,722,478) |
| - Deferred tax income | 27 | 31,917,850 | 51,613,046 |
| Profit for the year | | 558,004,789 | 455,343,289 |
| Profit for the year attributable to: | | | |
| - Non-controlling interests | 19 | 87,968,818 | 126,160,389 |
| - Owners of the Company | 28 | 470,035,971 | 329,182,900 |
| Total | | 558,004,789 | 455,343,289 |
| Earnings per share | | | |
| - Attributable to equity holders of the parent (TL) | 28 | 0.767 | 0.537 |

The accompanying notes from an integral part of these consolidated financial statements

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

| Other comprehensive income: | Notes | Audited/ Current period 1 January - 31 December 2020 | Audited/ Prior period 1 January - 31 December 2019 |
|---|-------|---|---|
| | | | |
| Profit for the year | | 558,004,789 | 455,343,289 |
| Items that will not be reclassified to profit or loss | | | |
| Gain on revaluation of the property, plant and equipment | 12 | - | 1,855,172,202 |
| Loss on remeasurements of the defined benefit obligation | 17 | (750,104) | (130,896) |
| Tax related to other comprehensive income to be reclassified subsequently to profit or loss: | | | |
| - Deferred tax income/(expense) | 27 | 101,767 | (358,202,175) |
| Items that will be reclassified subsequently to profit or loss | | | |
| Foreign currency translation differences | | 261,770,322 | 202,517,176 |
| Loss on cash flow hedging | | (13,330,080) | (12,630,351) |
| Tax related to other comprehensive income to be reclassified subsequently to profit or loss: | | | |
| - Deferred tax income/(expense) | 27 | 586,524 | 2,526,070 |
| Other comprehensive income | | 248,378,429 | 1,689,252,026 |
| Total comprehensive income | | 806,383,218 | 2,144,595,315 |
| Total comprehensive income attributable to | | | |
| Non-controlling interests | | 77,642,876 | 182,873,546 |
| Equity holders of the parent | | 728,740,342 | 1,961,721,769 |
| Total | | 806,383,218 | 2,144,595,315 |

The accompanying notes from an integral part of these consolidated financial statements

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES

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

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

| | Share capital | Share premium | Other comprehensive income and expenses not to be reclassified in profit or loss | | Other comprehensive income and expenses that will be reclassified in profit or loss | | Retained earnings | | | Attributable to equity holders of the parent | Non-controlling interests | Total equity |
|---------------------------------------|--------------------|--------------------|--|---|---|--|--|----------------------------|-------------------------|--|---------------------------|----------------------|
| | | | Gain/(loss) on remeasurements of defined benefit plans | Gains on revaluation of property, plant and equipment | Gain / (loss) of hedging reserve | Foreign currency translation differences | Restricted reserves appropriated from profit | Prior years' profit/(loss) | Net profit for the year | | | |
| Balance as of 1 January 2019 | 613,169,118 | 247,403,635 | 898,193 | 821,844,347 | (3,518,526) | 45,726,065 | 48,267,560 | (163,783,444) | 26,094,071 | 1,636,101,019 | 181,851,117 | 1,817,952,136 |
| - Total comprehensive income | - | - | (104,717) | 1,441,073,446 | (10,104,281) | 202,517,176 | - | (108,220,429) | 329,182,900 | 1,854,344,095 | 146,664,734 | 2,001,008,829 |
| -Transfers | - | - | - | - | - | - | 16,713,028 | 9,381,043 | (26,094,071) | - | - | - |
| Balance as of 31 December 2019 | 613,169,118 | 247,403,635 | 793,476 | 2,262,917,793 | (13,622,807) | 248,243,241 | 64,980,588 | (262,622,830) | 329,182,900 | 3,490,445,114 | 328,515,851 | 3,818,960,965 |
| Balance as of 1 January 2020 | 613,169,118 | 247,403,635 | 793,476 | 2,262,917,793 | (13,622,807) | 248,243,241 | 64,980,588 | (262,622,830) | 329,182,900 | 3,490,445,114 | 328,515,851 | 3,818,960,965 |
| - Total comprehensive income | - | - | (648,337) | - | (12,743,556) | 272,096,264 | - | - | 470,035,971 | 728,740,342 | 77,642,876 | 806,383,218 |
| -Transfers | - | - | - | (66,794,529) | - | - | 3,762,366 | 392,215,063 | (329,182,900) | - | - | - |
| Balance as of 31 December 2020 | 613,169,118 | 247,403,635 | 145,139 | 2,196,123,264 | (26,366,363) | 520,339,505 | 68,742,954 | 129,592,233 | 470,035,971 | 4,219,185,456 | 406,158,727 | 4,625,344,183 |

The accompanying notes from an integral part of these consolidated financial statements

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2020
(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

| | | <i>Audited</i> | <i>Audited</i> |
|---|-------|------------------------------------|------------------------------------|
| | Notes | 1 January - 31 December 2020 | 1 January - 31 December 2020 |
| A. Cash flows from operating activities | | 1,265,103,106 | 810,153,303 |
| Profit for the year | | 558,004,789 | 455,343,289 |
| Adjustments to reconcile net profit/loss for the year: | | 1,051,024,982 | 654,325,805 |
| Adjustments related to depreciation and amortization expenses | 24 | 465,598,364 | 485,469,510 |
| Adjustments related to provision for employee benefits | | 4,595,006 | 798,778 |
| Adjustments related to interest expenses | 26 | 450,940,677 | 489,369,965 |
| Adjustments related to interest income | 25 | (142,028,021) | (146,334,223) |
| Adjustments related to expected provision losses on trade receivables | 5 | 11,604,952 | (4,777,818) |
| Adjustments related to legal provision | 15 | 18,516,903 | 3,321,186 |
| Adjustments related to impairment in inventories | | (861,907) | (995,098) |
| Adjustments related to tax income/(expense) | 27 | 148,824,227 | 96,109,432 |
| Adjustments related to loss/(gain) on disposal of property, plant and equipment | 25,26 | 15,982,363 | 8,744,964 |
| Adjustments related to unrealized currency translation differences | 23 | (80,805) | (151,385) |
| Adjustments related to other increase / (decrease) in working capital | | 77,933,223 | (277,229,506) |
| Increase/(decrease) in inventories | | (308,043,847) | (279,753,737) |
| Decrease/(increase) in trade receivables from third parties | | 189,417,785 | (168,575,415) |
| Decrease/(increase) in trade receivables from related parties | | (684,236,187) | (431,545,230) |
| Decrease/(increase) in other operating receivables from related parties | | (101,884,806) | 22,992,701 |
| Decrease/(increase) in other operating receivables from third parties | | (38,542,009) | 170,293,411 |
| Increase/(decrease) in trade payables to third parties | | 106,289,467 | (25,904,399) |
| Decrease/(increase) in other operating payables to third parties | | 161,884,570 | 292,920,206 |
| Increase/(decrease) in trade payables to related parties | | 64,719,631 | 58,210,400 |
| Increase/(decrease) in other operating payables to related parties | | 18,480,513 | (215,842,456) |
| Increase/(decrease) in other liabilities related to operations | | (272,784) | (6,056,143) |
| Decrease/(increase) in prepaid expenses | | 19,552,167 | 51,324,958 |
| Cash flows generated from operations | | (43,452,194) | (27,571,770) |
| Tax payments | 27 | (35,188,904) | (18,890,373) |
| Provision for employee benefits paid | 17 | (693,914) | (871,681) |
| B. Cash flows from investing activities | | (274,294,336) | (151,758,695) |
| Proceeds from sale of property, plant and equipment and intangible assets | 12 | (19,227,997) | 377,023 |
| Purchases of property, plant and equipment | 12 | (254,327,249) | (122,281,378) |
| Purchases of intangible assets | 12 | (739,090) | (792,340) |
| Cash Outflows Regarding the Purchases of Control of Subsidiaries | | - | (29,062,000) |
| C. Cash flows from in financing activities | | (795,668,105) | (589,758,517) |
| Cash inflows from borrowings | 32 | 2,875,827,846 | 3,070,561,746 |
| Cash outflows from borrowings | 32 | (3,326,659,661) | (3,302,973,642) |
| Payments of obligations under finance leases | | (11,480,377) | (628,699) |
| Interest paid | 26 | (475,383,934) | (503,052,145) |
| Interest received | 25 | 142,028,021 | 146,334,223 |
| Net increase/(decrease) in cash and cash equivalents before foreign currency translation differences (A+B+C) | | 195,140,665 | 68,636,091 |
| D. Cash and cash equivalents at the beginning of the year | | 121,631,133 | 52,995,042 |
| Cash and cash equivalents at the end of the year (A+B+C+D) | | 316,771,798 | 121,631,133 |

(*) The Group calculated expected credit loss amounting to TL 2,601,210 on Cash and Cash Equivalents within the scope of TFRS 9 (31 December 2019: 159.330 TL)

The accompanying notes from an integral part of these consolidated financial statements

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

1 Organization and operations of the Company

Aksa Enerji Üretim A.Ş. (“Aksa Enerji” or “the Company”) was established on 12 March 1997 to engage in constructing, lending and operating of electricity power plant, production and sale of electricity or energy production capacity to the customers.

The shares of Company have been registered in the Borsa İstanbul A.Ş. (“BIST”) on 21 May 2010 under the name “AKSEN” and the shares are now publicly traded on the Istanbul Stock Exchange. As of 31 December 2020, 20.58% of the Group’s shares are listed on BIST (31 December 2019: 20.58%).

The main shareholder of the Company is Kazancı Holding A.Ş. (“Kazancı Holding”). The Company’s registered office address is Rüzgarlıbahçe Mahallesi, Özalp Çıkmazı, No:10, Kavacık-Beykoz, İstanbul / Turkey.

Aksa Enerji and its subsidiaries are collectively referred to as “the Group” in this report. The details of the subsidiaries included in the consolidation as of 31 December 2020 and 31 December 2019 are as follows:

| Name of Subsidiary – Foreign Branch | Principal activity | Place of operation | Voting power held (%) | |
|--|------------------------|--------------------|-----------------------|------------------|
| | | | 31 December 2020 | 31 December 2019 |
| Aksa Aksa Enerji Ticareti A.Ş. (“Aksa Aksa Enerji”) | Electricity production | Turkey | 100.00 | 100.00 |
| Aksa Energy Company Ghana Limited (“Aksa Enerji Gana”) | Electricity production | Ghana | 75.00 | 75.00 |
| Aksa Enerji Üretim A.Ş.-Y.Ş. (“Aksa Enerji – Y.Ş.”) | Electricity production | TRNC | 100.00 | 100.00 |
| Aksa Ghana B.V. | Holding company | Netherlands | 100.00 | 100.00 |
| Aksa Uzbekistan Investment B.V. (*) | Holding company | Netherlands | 100.00 | 100.00 |
| Aksa Global Investment B.V. (“Aksa Global B.V.”) | Holding company | Netherlands | 100.00 | 100.00 |
| Aksa Göynük Enerji Üretim A.Ş. (“Aksa Göynük Enerji”) | Electricity production | Turkey | 99.99 | 99.99 |
| Aksa Madagascar B.V. | Holding company | Netherlands | 100.00 | 100.00 |
| Aksa Madagascar SAU | Electricity production | Madagascar | 100.00 | 100.00 |
| Aksa Mali S.A. | Electricity production | Mali | 100.00 | 100.00 |
| Aksaf Power Ltd. (“Aksaf Power”) | Electricity production | Mauritius | 100.00 | 100.00 |
| İdil İki Enerji Sanayi ve Ticaret A.Ş. (“İdil İki Enerji”) | Electricity production | Turkey | 99.99 | 99.99 |
| Overseas Power Ltd. (“Overseas Power”) | Good and supply trade | Mauritius | 100.00 | 100.00 |
| Rasa Enerji Üretim A.Ş. (“Rasa Enerji”) | Electricity production | Turkey | 99.99 | 99.99 |
| Aksa Energy Company Congo (“Aksa Enerji Kongo”) (**) | Electricity production | Congo | 100.00 | 100.00 |
| Aksa Energy Cameroon (“Aksa Enerji Kamerun”) (***) | Electricity production | Cameroon | 75.00 | 75.00 |
| Aksa Energy Tashkent LLC (****) | Electricity production | Uzbekistan | 100.00 | - |

(*) Aksa Indonesia BV changed its title in 2020 and operates with the title of Aksa Uzbekistan Investment BV.

(**) Aksa Enerji Kongo is at investment process and has not started its operations of electricity generation yet.

(***) Aksa Enerji Kamerun has been established but not started its operations yet.

(****) Aksa Energy Tashkent LLC is at investment process and has not started its operations of electricity generation yet.

As of 31 December 2020, the number of employees of the Group is 841 (31 December 2019: 907).

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

1 Organization and operations of the Company (cont'd)

Aksa Aksen Enerji:

Aksa Aksen Enerji was founded on 8 July 2015 by the Aksa Enerji with an ownership percent of 100,00% for the purpose of selling the electricity produced by the Group companies.

Aksa Enerji Ghana:

Aksa Energy Ghana was founded on 15 July 2015 by the Aksa Enerji in accordance with the electricity production and sale agreement signed with the Government of Ghana Republic. Unit of power plant with a capacity 192.5 MW started its operations on 10 April 2017. The installed power of the power plant has increased from 192.5 MW to 35 MW with a reserve capacity of total 280 MW as of 1 August 2017. As of 19 November 2018, the installed capacity of Ghana Fuel Oil Power Plant has increased from 218 MW to 370 MW and thus the guaranteed capacity has been increased from 235,5 MW to 332 MW. Aksa Energy Ghana, sells all of the electricity generated during the agreement to the Ghana Electricity Authority (ECG) on a tariff basis determined in terms of USD.

Aksa Enerji – Cyprus (“Aksa Enerji Y.Ş.”)

On 10 June 2009, Aksa Enerji Y.Ş. made an electricity sale agreement with Electricity Distribution Company of Turkish Northern Cyprus (“KIB-TEK”) by providing service through lending the power plant constituting of diesel generator groups established in Kalecik-TRNC. The 5-year contract with Electricity Distribution Company of Turkish Northern Cyprus (“KIB-TEK”) in 2003 has been extended on 1 April 2009 as 15+3 years until 2027. Aksa Enerji Y.Ş. sells the whole electricity generated during this period to Electricity Distribution Company of Turkish Northern Cyprus on tariff based on USD within the scope of the guaranteed sales contract.

In accordance with the capacity increase investments of Kalecik Power Plant in TRNC, the installed capacity has been increased by 33 MW by the instalment of two units with the same engine specifications from the power plants whose licenses were cancelled. The installed capacity of our TRCN Kalecik Power Plant has increased to 153 MW, thus its percentage of availability has also grown by the increase in spare units capacity.

Aksa Energy Company Cameroon Plc

Aksa Energy Company Cameroon Plc was established in 2019 as a holding company of Aksa Enerji Cameroon.

Aksa Uzbekistan Investment B.V.:

Aksa Indonesia B.V. has changed its trade name as Aksa Uzbekistan Investment B.V. Aksa Uzbekistan Investment B.V. is the main shareholder of Aksa Energy Tashkent LLC Company.

Aksa Ghana B.V.:

On 24 November 2016, Aksa Ghana B.V. was established in Holland as a holding Company of Aksa Energy Ghana.

Aksa Global B.V.:

On 24 November 2016, Aksa Global was established in Netherlands to coordinate the foreign investments as a holding Company. Aksa Madagascar B.V., Aksa Uzbekistan Investment B.V. and Aksa Energy Company Cameroon Plc are affiliates of Aksa Global B.V.

Aksa Göynük Enerji:

Aksa Göynük Enerji has an royalty agreement with General Directorate of Turkish Coal for the use of coal in Bolu-Göynük reservoir and Aksa Enerji has a licence for the utilisation of this coal in its power plant with 270 MW capacity.

On 28 October 2011, Aksa Enerji acquired 99,99% of all shares of Aksa Göynük Enerji from Kazancı Holding, the ultimate parent company. The main operations of Aksa Göynük Enerji are constructing, lending and operating of electricity power plant, production and sale of electricity and all kind of exploration and production of natural gas and petroleum resources and mining. First unit of the power plant with 135 MW has started its operations as of 15 July 2015 and second unit of the power plant with 135 MW has started its operations as of 29 January 2016.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

1 Organization and operations of the Company (cont'd)

Aksa Madagascar B.V:

On 19 October 2016, Aksa Madagascar B.V. was established as a holding company of Aksaf Power.

Aksa Mali S.A.:

On 6 February 2017, Aksa Mali SA was established for operating and maintenance coordination of Mali plant. On 4 August 2017, 10 MW powered portion from the first phase has been put in use. On 28 September 2017, the remaining 30 MW portion of 40 MW installed powered plant in total has been put in use.

Aksaf Power:

Aksa Enerji established Aksaf Power with participation by Aksa Enerji and a local partner with an ownership interest of 58,35% and 41,65%, respectively, in Mauritius for the purpose of constructing a Heavy Fuel Oil ("HFO") power plant with a capacity of 120 MW in Republic of Madagascar and guarantee sale of the electricity produced for 20 years. Aksaf Power started to construction of power plant upon receipt of the advances and guarantees in accordance with the agreement with Jiro Sy Rano Malagasy ("Jirama"), a public company in Republic of Madagascar providing water and electricity services in this country. On 22 October 2019, Aksa Energy acquired the entire company by purchasing 41.65% of the shares belonging to the local partner.

The first engines of the power plant with an installed power of 25 MW, whose construction started in the last quarter of 2016, were put in use on 10 July 2017, earlier than the planned period and on 4 August 2017, installed power of power plant has increased to 50 MW and the remaining 16 MW powered portion from the first phase of 66 MW installed powered in total, has been put in use on 5 September 2017. Second phase of 54 MW installed power will be planned to put in use subsequent to the completion of transmission lines in the area. In the guaranteed electricity sales agreement, the tariff was determined in USD, and the field, fuel supply, all licenses and permissions related to the project were provided by Jirama.

İdil İki Enerji:

In 2001, İdil İki Enerji was acquired by Koni İnşaat Sanayi A.Ş. ("Koni İnşaat"), a related party, from Bilkent Group. İdil İki Enerji has a fuel oil fired power plant located in Şırnak with a capacity of 24 MW. The power plant started its operations in 2001. On 5 June 2010, Aksa Enerji acquired 99.99% of all shares of İdil İki İnşaat from Koni İnşaat. Licence of power plant has been cancelled on 7 February 2017.

Rasa Enerji:

Rasa Enerji was established on 2000 for production and distribution of electricity. Rasa Enerji's 99.99% shares have been acquired by Aksa Enerji on 5 June 2010 from Koni İnşaat, one of the related parties of the Group. Rasa Enerji started to generate electricity in August 2011 with an installed capacity of 129 MW and the investment to transform the plant into a combined cycle engine driven technology was completed in 8 October 2012. As of 18 November 2015, the installed capacity of Şanlıurfa Natural Gas Power Plant has been increased by 18 MW to 147 MW.

Aksa Enerji Kongo:

It was established in Republic of Congo in 2019 to develop projects.

Aksa Enerji Kamerun:

It was established in Cameroon in 2019 to develop projects.

Overseas Power:

Overseas Power was established on 18 November 2016 in Mauritius in order to carry out the procurement of raw materials and goods mainly related to the activities of Aksaf Power. Overseas Power is the partner of Aksa Enerji Kongo.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

1 Organization and operations of the Company (cont'd)

Aksa Energy Tashkent LLC:

Aksa Energy has established a company named Aksa Energy Tashkent LLC located in Uzbekistan which is 100% owned by Aksa Energy, in order to establish a natural gas combined cycle power plant with an installed capacity of 240 MW in Uzbekistan and sale of the energy generated in the plant based on a guaranteed capacity payment for a duration of 25 years. As of the reporting date, the Company has not started its operations yet and is at the investment stage.

There is no change in electricity production licenses compared to prior year. As of 31 December 2020, electricity production licenses held by the Group are as follows:

| Licence owner | Location | Type of facility | Date of licence | Licence Duration | The capacity of the plant (MWhe) |
|--------------------|------------|------------------|-------------------|------------------|----------------------------------|
| Aksa Enerji | TRNC | Fuel oil | 1 April 2009 | 15+3 | 153 |
| Aksa Enerji | Antalya | Natural gas | 13 November 2007 | 30 years | 900 |
| Aksa Göynük Enerji | Bolu | Thermal | 25 June 2008 | 30 years | 270 |
| Aksa Enerji Gana | Ghana | Fuel Oil | 1 August 2017 | 6.5 years | 370 |
| Aksa Mali S.A | Mali | Fuel Oil | 28 September 2017 | 6.25 years | 40 |
| Aksaf Power | Madagascar | Fuel Oil | 5 September 2017 | 20 years | 66 |
| Rasa Enerji | Şanlıurfa | Natural gas | 12 May 2011 | 49 years | 147 |
| Total | | | | | 1,946 |

| License Owner | Location | Plant Name | Type of facility | Date of licence | Licence Duration | Contract Type | The capacity of the plant (MWhe) |
|--|------------|------------|------------------|-----------------|------------------|------------------------|----------------------------------|
| Societe Jiro Sy Rano Malagasy (Jirama) | Madagascar | CTA-2 | Fuel oil | 8 January 2019 | 5 years | Maintenance& operating | 24 |

2 Basis of preparation of the financial statements

2.1 Basis of Preparation

a) Preparation of Financial Statements

Statement of compliance to TFRS

The accompanying consolidated financial statements have been prepared in accordance with the provisions of the Capital Markets Board (CMB) “Communiqué on Principles Regarding Financial Reporting in the Capital Market” No:14.1 published in the Official Gazette No: 28676 of 13 June 2013. Pursuant to Article 5 of the Communiqué, the financial statements are based on Turkish Financial Reporting Standards (“TFRS”) and exhibits and interpretations associated which were enacted by the Public Oversight Accounting and Auditing Standards Authority (“POA”). TFRS Standards include Standards and Interpretations published as Turkish Accounting Standards (“TAS”), Turkish Reporting Standards, TAS Interpretations and TFRS Interpretations.

The consolidated financial statements are presented in accordance with the TFRS Taxonomy developed on the basis of the financial statement illustrations specified in the Illustrative Financial Statements and User Guide published by the POA dated 15 April 2019.

The consolidated financial statements have been prepared on the historical cost basis *except for certain properties and financial instruments that are measured at revalued amounts or fair values*. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The consolidated financial statements of the Group as of 31 December 2020 were approved by the Board of Directors of the Company on 25 February 2021. The Company's General Assembly and the relevant regulatory bodies have the right to request the change of the consolidated financial statements after the publication.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of preparation of financial statements (cont'd)

2.1 Basis of preparation (cont'd)

b) Adjustment of Financial Statements in Hyperinflationary Periods

In accordance with the decision numbered 11/367 and dated 17 March 2005 issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Financial Reporting Standards, it is decided not to apply inflation accounting from 1 January 2005. Accordingly, as of 1 January 2005, No:29 "Financial reporting in Hyperinflationary Economies" ("TAS 29") was not applied.

c) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis and for the Group's Turkish entities as adjusted for the effects of inflation that lasted by 31 December 2004, except for the followings:

- Derivative financial instruments.
- Financial investments.
- Lands, land improvements, buildings and plant, machinery and equipment in property, plant and equipment are measured at fair value.

d) Functional and presentation currency

The functional currency of the Group, except for its subsidiaries in foreign countries, is Turkish Lira ("TL"). The accompanying consolidated financial statements expressed in TL. All financial information presented in TL has been rounded to the nearest TL amounts, except when otherwise indicated.

The table below summarizes functional currencies of the Group entities.

| Company | Functional currency |
|----------------------|----------------------------|
| Aksa Enerji – Y.Ş. | USD |
| Rasa Enerji | TL |
| İdil İki Enerji | TL |
| Aksa Göynük Enerji | TL |
| Aksa Aksen Enerji | TL |
| Aksa Enerji Gana | USD |
| Aksa Gana B.V. | EUR |
| Aksa Global B.V. | EUR |
| Aksa Madagascar B.V. | EUR |
| Aksa Mali S.A. | EUR |
| Aksaf Power | USD |
| Overseas Power | USD |
| Aksa Enerji Tashkent | USD |
| Aksa Enerji Kongo | USD |
| Aksa Enerji Kamerun | USD |

Functional currencies are used to a significant extent in, or have a significant impact on the operations of the related Group entities and reflect the economic substance of the underlying events and circumstances relevant to these entities. All currencies other than the currencies selected for measuring items in the consolidated financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currencies of the Group have been re-measured to the related functional currencies.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of preparation of financial statements (cont'd)

2.1. Basis of Preparation (Cont'd)

e) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls a business when exposure, or rights, to variable returns due to its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The Group measures any non-controlling interests in the acquiree at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any NCI and other components of equity related to the subsidiary. Any resulting gain or loss arising on the loss of control is recognized in profit or loss. Any interest retained in the former subsidiary, then such interest is measured at fair value at the date when control is lost.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of preparation of financial statements (cont'd)

2.1. Basis of Preparation (cont'd)

e) Basis of consolidation (cont'd)

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Carrying value of shares owned by the Group and dividends arising from these shares has been eliminated in equity and profit or loss accounts.

f) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising hedge instruments recognized in other comprehensive income.

The EUR/TL, USD/TL, GHS/USD and TL/USD as of the end of the reporting periods are as follows:

| | 31 December 2020 | 31 December 2019 |
|-----------|-------------------------|-------------------------|
| EUR / TL | 9.0079 | 6.6506 |
| USD / TL | 7.3405 | 5.9402 |
| GHS / USD | 0.1745 | 0.1807 |
| TL / USD | 0.1362 | 0.1683 |

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to TL at exchange rates at the reporting date. The income and expenses of foreign operations are translated to TL at average exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation difference in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of preparation of financial statements (cont'd)

2.1 Basis of Preparation (cont'd)

f) Foreign currency (cont'd)

Foreign operations (cont'd)

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operations is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented within equity in the foreign currency translation difference.

2.2 Standards issued but not yet effective and not early adopted

a) New and amended TFRS Standards that are effective as of 2020

| | |
|---|---|
| Amendments to TFRS 3 | <i>Definition of a Business</i> |
| Amendments to TAS 1 and TAS 8 | <i>Definition of Material</i> |
| Amendments to TFRS 9, TAS 39 and TFRS 7 | <i>Interest Rate Benchmark Reform</i> |
| Amendment to TFRS 16 | <i>COVID-19 Related Rent Concessions</i> |
| Conceptual Framework | <i>Amendments to References to the Conceptual Framework in TFRS Standards</i> |

Amendments to TFRS 3 *Definition of a Business*

The definition of “business” is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of “business” in TFRS 3 Business Combinations standard has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

Amendments to TAS 1 and TAS 8 *Definition of Material*

The amendments in Definition of Material (Amendments to TAS 1 and TAS 8) clarify the definition of ‘material’ and align the definition used in the Conceptual Framework and the standards.

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

The amendments clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.2 Standards issued but not yet effective and not early adopted (cont'd)

a) New and amended TFRS Standards that are effective as of 2020 (cont'd)

Amendment to TFRS 16, COVID-19 Related Rent Concessions

The changes in COVID-19 Related Rent Concessions (Amendment to TFRS 16) brings practical expedient which allows a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 31 December 2021 and
- there are no substantive changes to other terms and conditions of the lease.

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

POA has made changes on TFRS 16 Lease Liabilities standard regarding to rent concessions given to lessees due to Covid-19 pandemic on 5 June 2020. The lessees who take advantage of these rent concessions should recognize any change in rent payment according to current sentences of the standard same as applied for as unchanged in lease liabilities.

The Group has decided to not to take any advantage of rent concessions mentioned above. So, no assessment has been made by the Group whether if there is any change in rent conditions or not.

Amendments to References to the Conceptual Framework in TFRS Standards

The references to the Conceptual Framework revised the related paragraphs in TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, TFRS Interpretation 12, TFRS Interpretation 19, TFRS Interpretation 20, TFRS Interpretation 22, and TFRS Interpretation 32. The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted. If all other changes made by the *Amendments to References to the Conceptual Framework in TFRS Standards* are applied, early application is allowed.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)
2.2 Standards issued but not yet effective and not early adopted (cont'd)

b) New and revised TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

| | |
|--|---|
| TFRS 17 | <i>Insurance Contracts</i> |
| Amendments to TAS 1 | <i>Classification of Liabilities as Current or Non-Current</i> |
| Amendments to TFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to TAS 16 | <i>Property, Plant and Equipment - Proceeds before Intended Use</i> |
| Amendments to TAS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract</i> |
| Annual Improvements to TFRS Standards 2018 – 2020 | <i>Amendments to TFRS 1, TFRS 9, TFRS 16 and TAS 41</i> |
| Amendments to TFRS 4 | <i>Extension of the Temporary Exemption from Applying TFRS 9</i> |
| Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 | <i>Interest Rate Benchmark Reform — Phase 2</i> |

TFRS 17 Insurance Contracts

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2023.

Amendments to TAS 1 Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are deferred and are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 3 Reference to the Conceptual Framework

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.2 Standards issued but not yet effective and not early adopted (cont'd)

b) New and revised TFRSs in issue but not yet effective (cont'd)

Amendments to TAS 16 Property, Plant and Equipment -Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 Onerous Contracts - Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 1 First time adoption of International Financial Reporting Standards

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to TFRSs.

Amendments to TFRS 9 Financial Instruments

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to TFRS 4 Extension of the Temporary Exemption from Applying TFRS 9

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9 Financial Instruments, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023.

Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform – Phase 2

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

2.3 Summary of significant accounting policies

The accounting policies applied in the consolidated financial statements of the Group are the same as the accounting policies applied in the consolidated financial statements prepared as of 31 December 2019 and in the year ending on the same date.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

a) Revenue

General model for revenue recognition

The Group recognizes the revenue generated by the sale of electricity produced by official authorities and in the market. When control of an asset passes to the customer, the asset is transferred.

The Group recognized the revenue in accordance with the following 5 basic principles:

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

A contract is considered within the scope of TFRS 15 if all the conditions of the contract are legally enforceable, the rights and payment terms for the goods and services are identifiable, the contract has commercial substance, the contract is approved by the parties and all the conditions are met by the parties to fulfill their obligations.

At the beginning of the contract, the Group evaluates the goods or services promised in the contract with the customer and defines each commitment made to transfer it to the customer as a separate performance obligation. The Group also determines whether it fulfills each performance obligation over time or at a certain point in time at the inception of the contract.

The Group takes into account the contract terms and commercial practices in order to determine the transaction price. Transaction price is the price that the Group expects to deserve in return for transferring the promised goods or services to the customer, excluding the amounts collected on behalf of third parties (eg some sales taxes). While evaluating, it is taken into consideration whether the contract includes elements of variable amounts and a significant financing component.

In accordance with TFRS 15 "Revenue from contracts with customers" standard, the performance obligations of the Group consist of wholesale electricity sales and ancillary services regarding electricity sales. The electricity sold is transmitted to the customer over transmission lines and the customer simultaneously consumes the benefit obtained from the performance of the Group. Revenue from electricity sales and ancillary services related to electricity sales are recognized at the time of delivery.

b) Financial instruments

i) Recognition and measurement

Trade receivables and debt securities are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

According to TFRS 9, when a financial asset is included in the financial statements for the first time; measured at amortized cost; - investments in debt instruments - measured at fair value through other comprehensive income; the difference is measured by reflecting on other comprehensive income - investments made in equity instruments or classified as measured by reflecting the difference to profit or loss.

Financial assets are not reclassified after initial recognition unless the Group changes its operating model to manage financial assets. In this case, all affected financial assets are reclassified on the first day of the first reporting period following the change in operating model.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

b) Financial instruments (cont'd)

ii) Classification and subsequent measurement (cont'd)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets and equity investments measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes;

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- the purpose of the business model; managing daily liquidity needs, maintaining a specific interest yield, or aligning the maturity of financial assets with the maturity of the debts that fund those assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales. Financial assets that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets- Assessment whether contractual cash flows are solely payments of principal and interest

Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

b) Financial instruments (cont'd)

Financial assets- Assessment whether contractual cash flows are solely payments of principal and interest (cont'd)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Since the principal is the present value of expected cash flows, trade receivables and other receivables meets the solely payments of principal and interest criteria. It is managed in accordance with the business model based on collection of these receivables.

The following accounting policies are valid for the subsequent measurements of financial assets.

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. |
| Equity instruments at FVOCI | These assets are measured at fair value in subsequent periods. Dividends are recognized in profit or loss unless it is expressly intended to recover part of the investment cost. Other net gains and losses are recognized in other comprehensive income and cannot be reclassified to profit or loss. |
| Financial assets at amortized cost | These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss. |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

b) Financial instruments (cont'd)

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. The Group does not have any financial liabilities at FVTPL except for derivatives and issued debt instruments.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest income and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Non-derivative financial liabilities are first recorded on the transaction date when the Group becomes a party to the contractual terms of the relevant financial instrument.

Non Derivative financial liabilities were comprised of loans, trade and other payables, payables to related parties and other payables.

Such financial liabilities were recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities were measured at amortized cost using the effective interest method.

iii. Derecognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group continues to recognize the financial asset in the statement of financial position if it retains substantially all the risks and benefits arising from the ownership of a financial asset.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

b) Financial instruments (cont'd)

Financial liabilities (cont'd)

iv. Financial asset and liability offsetting

The Group clarifies its financial assets and liabilities only when it has a legal right to netting and intends to perform the transaction on a net basis or to realize the asset and fulfill the obligation simultaneously and show the net amount in its financial statements.

v. Derivative financial instrument and hedge accounting

The Group uses derivative financial instruments for the purpose of hedging foreign currency and interest risk rate. Embedded derivative instruments are separated from the host contract and recognized separately when the underlying contract is not a financial asset and met certain criteria.

Derivatives are initially recognized at fair value. Subsequent to initial recognition of derivative instruments, changes in fair value are recognized in profit or loss.

The Group defines certain derivatives as hedging instruments in order to maintain the variability in the cash flows related to the high probability of realization arising from the changes in exchange rates and interest rates. The Group defines certain derivatives and non-derivative financial liabilities as hedging instruments for net investment in foreign operations.

At the beginning of the hedge relationship, the Group makes a certification regarding the risk management purpose and strategy that causes the hedging relationship and the operation of the enterprise.

The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in the cash flows of the hedged item and the hedging means are expected to offset each other.

Hedge accounting

If a derivative instrument is designed as a cash flow hedge hedging instrument, the effective portion of the change in the fair value of the derivative instrument is recognized in other comprehensive income and presented under equity in the hedging reserve. The ineffective portion of the change in the fair value of the derivative is recognized directly in profit or loss. The effective portion of the change in the fair value of the derivative instrument determined on the present value basis from the beginning of the hedging relationship recognized in other comprehensive income is limited to the cumulative effect of the change in the fair value of the hedging instrument. In the cash flow hedge relationship, the group defines only the change in the spot item of the forward contract as a means of hedging.

The change in the fair value of forward value of forward foreign exchange purchase contracts is recognized as hedging reserve as a hedging cost in equity as a hedging cost.

The change in the fair value of the forward value of the forward foreign exchange purchase and sale contracts (the "forward element") is accounted as a hedge fund as a separate component in equity as hedging cost.

In the event that a non-financial asset or liability is subsequently recognized in the financial statements, the amount accumulated in the hedging fund and the cost of hedging are included directly in the initial cost of the non-financial asset or liability.

For all other hedge transactions, the hedging reserve and the hedging cost are classified in profit or loss in the hedging reserve in the period or periods when the estimated future cash flows are affected by profit or loss.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

b) Financial instruments (cont'd)

Financial liabilities (cont'd)

Hedge accounting (cont'd)

The hedge accounting is discontinued in case the hedging relationship (or part of it) no longer meets the required criteria, the hedging instrument is expired or sold, terminated or used. In case of discontinuation of cash flow hedge accounting, the retained amount in the hedging fund shall continue to be classified under equity until the hedged estimate of the non-financial item is recorded; hedging cost is classified as profit or loss in the period or periods in which the estimated future cash flows are affected by profit or loss.

If the expected future cash flows are no longer expected to materialize, the amount accumulated in the hedge fund and the cost of that fund are immediately classified in profit or loss.

vi. Non-derivative financial assets

Financial instruments

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- bank balances for which credit risk has not increased significantly since initial recognition.

The Group applied lifetime ECL for calculation of loss allowances for trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

c) Impairment in assets

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. In other words, it is the credit losses that are measured on the present value of all the cash deficits (for example, the difference between the cash inflows to the entity and the cash flows expected by the entity to be collected based on the contract).

The cash deficit is the difference between the cash flows to be incurred and the cash flows expected to be received by the entity. As the amount and timing of payments are considered in anticipated credit losses, a credit loss occurs even if the entity expects to receive the full payment in the contract with the maturity specified in the contract. Expected credit loss are discounted over the effective interest rate of the financial asset.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

c) Impairment in assets (cont'd)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where trade receivables, other receivables, other assets and contract assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Non-derivative financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the impairment test, assets that cannot be tested separately are grouped into the smallest units that generate cash inflows from sustainable operations, or cash generating units ("CGU"), independent of other assets and asset groups. Goodwill arising in the business combination is distributed to the CGUs that are expected to benefit from the merger synergy for the impairment test.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

c) Impairment in assets (cont'd)

Non-derivative financial assets (cont'd)

If the registered value of CGU exceeds the recoverable value, the depreciation expense is recorded.

Impairment losses are recognized in profit or loss. Impairment losses allocated in previous periods are re-evaluated in each reporting period, in case there is a decrease in value or there are indications that the impairment is not valid. Impairment is reversed in case of a change in estimates used in determining the recoverable amount.

If the depreciation of non-financial assets reserved in previous periods were not recorded for the depreciation of this asset, the registered value to be determined for the asset will be reversed in a way that does not exceed the amount after the depreciation or amortization shares are deducted.

d) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. The cost of inventories is calculated using the weighted average method.

e) Related parties

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

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

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others),
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
- (iii) Both entities are joint ventures of the same third party, One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
- (iv) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company itself has such a plan, the sponsoring employers are also related to the reporting entity,
- (v) The entity is controlled or jointly controlled by a person identified in (a),
- (vi) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

f) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment except for land and buildings and land improvements and machinery and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The Group has opted for the option of measuring the land and buildings and land improvements and machinery and equipment in the tangible fixed assets by revaluation method in accordance with TAS 16 "Property, Plant and Equipment". The revalued amount is the value found by deducting the subsequent accumulated depreciation and subsequent accumulated impairment losses from its fair value at the date of revaluation. The increase arising from the revaluation of the said lands, land improvements, buildings and plant, machinery and equipment is recorded after netting off the deferred tax effect on the revaluation reserve in equity. Decreases arising from the valuation made over the recorded amounts of the re-evaluated lands, land improvements, buildings and plant, machinery and equipment are also reflected as expense, if any, exceeding the amount of revaluation reserve arising from the previous valuation.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the net proceeds from disposal with the carrying amount of property and equipment, and are recognized net within "Gain/(loss) from investing activities" in profit or loss.

During the production phase of the mine, the material removed when stripping in the production phase, often it will be a combination of ore and waste. Removal of material with a low ratio of ore to waste may produce some usable material, which can be used to produce inventory. This removal might also provide access to deeper levels of material that have a higher ratio of ore to waste that will be mined in future periods. The Group, recognize stripping activity asset when it is probable that the future economic benefit associated with the stripping activity will flow to the Group, identify the component of the ore body for which access has been improved; and the costs relating to the stripping activity associated with that component can be measured reliably. The Group shall allocate the production stripping costs between the inventory produced and the stripping activity asset by using an allocation basis that is based on mineral content of the ore extracted compared with expected mineral content to be extracted, for a given quantity of ore produced.

Since some incidental operations may take place at the same time as the production stripping activity, but which are not necessary for the production stripping activity to continue as planned, these incidental operations are not be included in the cost of the stripping activity asset.

(ii) Subsequent costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

f) Property, plant and equipment (cont'd)

(iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are available for use, or in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation expense of revalued lands, land improvements, buildings and plant, machinery and equipment for the period are recognized in profit or loss. When the re-evaluated lands, land improvements, buildings and plant, machinery and equipment are sold or withdrawn from service, the remaining balance in the revaluation reserve is directly transferred to previous years losses. On the other hand, some of the value increase is transferred to the previous year's profit / loss as the asset is used by the enterprise.

After initial recognition, the stripping activity asset is initially measured at its cost less depreciation and less impairment losses. Stripping activity asset is depreciated on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

The estimated useful lives for the current and comparative periods are as follows:

| | <u>Year</u> |
|--------------------------------|-------------|
| Buildings | 10 - 50 |
| Plant, machinery and equipment | 3 - 40 |
| Furniture and fixtures | 5 - 15 |
| Vehicles | 5 - 8 |
| Land improvements | 5 |
| Leasehold improvements | 5 |

Power generation plants depreciated over shorter of license term and their useful lives. The Group depreciates its power generation plants in different useful lives in accordance to their different useful lives.

| | <u>Year</u> |
|--------------------------|-------------|
| Fuel oil power plants | 4-22 |
| Natural gas power plants | 33 |
| Coal plants | 43 |

Overhaul costs related to power generation plants have different useful lives, then they are accounted as separate items (major components) of power generation plants.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

g) Intangible assets

(i) Recognition and measurement

Other intangible assets

Other intangible assets that are acquired by the Group which have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses. In case of impairment, the registered value of intangible fixed assets is reduced to the recoverable amount.

(ii) Subsequent costs

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives of licenses for the current and comparative periods are between 2 and 49 years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

h) Leases

Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

h) Leases (cont'd)

Group as a lessee (cont'd)

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under TAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies TAS 36 standard to determine whether right-of-use assets are impaired or not, and accounts for all determined impairment losses as specified in the "Property, Plant and Equipment" policy.

As a practical expedient, TFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

h) Leases (cont'd)

Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group also rents equipment to retailers necessary for the presentation and customer fitting and testing of footwear and equipment manufactured by the Group.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group applies the derecognition and impairment provisions in TFRS 9 to the net lease investment. The Group regularly reviews the estimated unguaranteed residual values used in the calculation of the gross lease investment and revises the distribution of income over the lease term in the event of a decrease in the estimated unguaranteed residual value and reflects the decrease in the accrued amounts directly to the financial statements.

When a contract includes both lease and non-lease components, the Group applies TFRS 15 to allocate the consideration under the contract to each component.

i) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money where appropriate, and the risks specific to the liability.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

j) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. According to the current Labor Law in Turkey is obliged to pay for any reason claimed by the employee if the ending, but unused annual leave belonging fee gross salary at the date when the contract expires and contractual other interests him or rights to their owners over the total. The unused vacation liability is the undiscounted total liability amount that all employees deserve but which are not yet used as of the reporting date. Liabilities arising from unused vacation rights are accrued in the period in which they are entitled.

(ii) Other long-term employee benefits

In accordance with the existing labor law in Turkey, the Group entities in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay maximum TL 7,639 as at 31 December 2020 (31 December 2019: TL 6,379) per year of employment at the of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements on a current basis. The management of the Group used some assumptions (detailed in Note 17) in the calculation of the retirement pay provision. All actuarial gains and losses are recognized for in other comprehensive income.

k) Contingent assets and liabilities

It is defined as an existing asset or liability that will result in the exit or entry of resources that are arising from past events and that contain economic benefits. Contingent liabilities are disclosed in the notes to the consolidated financial statements, except in cases where the possibility of the outflow of resources embodying economic benefits is remote. If the situation requiring resource transfer is probable, contingent liabilities are reflected in the consolidated financial statements. If it becomes probable that the economic benefit will enter the business, an explanation is made in the footnotes of the consolidated financial statements regarding the contingent asset. If it is certain that the economic benefit will enter the business, the asset and the related income change are included in the consolidated financial statements at the date of their change.

l) Income from investing activities and expenses from investing activities

Income from investing activities includes profits from sales of subsidiaries, and income from sales of fixed assets and scrap. Includes expenses from investing activities, fixed assets, expenses and losses from sales of subsidiaries.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

m) Finance income and finance expenses

Finance income consists of interest income from bank deposits, which are part of the cycle used for financing, interest income from funds made, foreign exchange income on financial assets and liabilities (other than trade receivables and payables) and derivative instruments, which are recorded in profit or loss and received from related parties and interest and maturity difference earnings.

Financing expenses include interest expenses on bank loans, foreign exchange expenses on financial assets and liabilities (excluding trade receivables and payables), losses from derivative instruments recorded in profit or loss, and interest and maturity difference expense paid to related parties. Borrowing costs that cannot be directly associated with the acquisition, construction or production of an asset are recognized in consolidated profit or loss using the effective interest rate.

Foreign exchange gains and expenses on financial assets and liabilities (excluding trade receivables and payables) are reported as gross in finance income or finance expenses. Exchange difference and rediscount income on trade receivables and payables are reported under other operating income, while exchange difference and rediscount expenses are reported as gross in other operating expenses.

n) Earnings/(loss) per share

Earnings / (loss) per share stated in the consolidated statement of profit or loss and other comprehensive income, dividing the net profit / (loss) or total comprehensive income / (expense) of the parent company has been found by the weighted average number of stocks in the market during the relevant period.

o) Tax

Tax expense comprises current and deferred tax. Tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

It is calculated by taking into consideration the tax rates which are in effect as of the end of the reporting period or which are close to the registration date.

The current tax asset and liability can only be cleared when certain conditions are met. Tax legislation in Turkey does not permit a parent company and its subsidiary to fill out consolidated tax return. Therefore, the tax provision reflected in the consolidated financial statements is calculated separately for companies.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

o) Tax (don't'd)

(ii) Deferred tax

Deferred tax is calculated over the temporary differences between the book values of assets and liabilities in the financial statements and the values used in the tax base. Deferred tax is not recognized for temporary differences that occur in the following situations:

- Temporary differences arising from initial recognition of assets or liabilities resulting from a transaction that is not a business combination and affects neither accounting profit nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries that are unlikely to reverse in the foreseeable future and where the Group can control the reversal time; and
- Taxable temporary differences arising during the initial recognition of goodwill.

Unused prior year's financial losses, tax advantages and deductible temporary differences can be taxed at an amount sufficient to offset them in the future, and a deferred tax asset is recognized if it is probable that a profit will be obtained. Taxable profit is determined according to the business plans of each subsidiary in the Group. Deferred tax assets are reviewed at each reporting date and if it is probable that it will gain taxable profit in the future, a deferred tax asset that has not been recognized beforehand is recognized, limited to these amounts.

The Group measures deferred tax liabilities and deferred tax assets consistently with the tax consequences of its expectations at the end of the reporting period regarding how its assets will recover their book values or how they will pay their debts.

The Company and its subsidiaries within the scope of consolidation have reflected their deferred tax assets and liabilities in their financial statements by netting, but no netting has been made on a consolidated basis. Deferred tax is calculated over the tax rates expected to be valid in the period when assets are created or liabilities are fulfilled.

(iii) Tax risk

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

p) Reporting according to segments

The operating segment is a part of the Group, which is engaged in operating activities where it can generate revenue and spend, and whose operating results are regularly reviewed by the authority to make decisions regarding the activities in order to make decisions regarding the resources to be allocated to the department and to evaluate the performance of the department and separate financial information about it.

Explanations regarding the activity segments for the periods ending on 31 December 2020 and 31 December 2019 are presented in Note 3.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.3 Summary of significant accounting policies (cont'd)

r) Share capital

Ordinary Shares

Ordinary shares are classified as paid-in capital. Additional costs directly attributable to the issuance of ordinary shares are recognized as a decrease in equity after deducting any tax effect, if any.

2.4 Significant accounting judgements, estimates and assumptions

Other matters that significantly affect the financial statements or are required to be disclosed in order to make the financial statements clear, interpretable and understandable

Group has been implementing several contingency plans to mitigate the potential negative impacts of COVID 19 on the Group's operations and financial statements. It has been some partial hitches in sales process due to curfews and due to closure in countries that Group operates in parallel with the effects on global markets in terms of macro-economic uncertainty. Meanwhile Group has taken series of actions to minimize operational costs and has reviewed current cash flow strategies to maintain strong balance sheet and liquidity figures. Lifting of curfews and decreasing in restrictions regarding to pandemic has positive effect on both market demand and Group's operations.

While preparing its consolidated financial statements dated 31 December 2020, the Group evaluated the possible effects of the COVID-19 pandemic on the financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. While preparing the financial statements dated 31 December 2020, the Group evaluated the possible effects of the COVID-19 outbreak on the important estimates and assumptions used in the preparation of the financial statements and concluded that there is no material effect. The Company Management takes the necessary precautions to keep the possible negative effects under control and to minimize its exposure. This approach, which is preferred for the period of 31 December 2020, will be reviewed in the upcoming reporting periods, taking into account the impact of the epidemic and future expectations.

The nature of the Group's risks arising from financial instruments, risk management policies and risk level are presented in Note 30.

Useful lives of property, plant and equipment

Items of property, plant and equipment are depreciated from the date that they are available for use, or in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

After initial recognition, the stripping activity asset is initially measured at its cost less depreciation and less impairment losses. Stripping activity asset is depreciated on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

2 Basis of presentation of financial statements (cont'd)

2.4 Significant accounting judgements, estimates and assumptions (cont'd)

Useful lives of property, plant and equipment (cont'd)

The estimated useful lives for the current and comparative periods are as follows:

| | <u>Year</u> |
|--------------------------------|-------------|
| Buildings | 10 - 50 |
| Plant, machinery and equipment | 3 - 40 |
| Furnitures and fixtures | 5 - 15 |
| Vehicles | 5 - 8 |
| Land improvements | 5 |
| Leasehold improvements | 5 |

Power generation plants depreciated over shorter of license term and their useful lives. The Group depreciates its power generation plants in different useful lives in accordance to their different useful lives:

| | <u>Year</u> |
|--------------------------|-------------|
| Fuel oil power plants | 4-22 |
| Natural gas power plants | 33 |
| Coal plants | 43 |

Overhaul costs related to power generation plants have different useful lives, then they are accounted as separate items (major components) of power generation plants.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

2.5 Comparative information and restatement of prior periods' consolidated financial statements

The financial statements of the Group are prepared in comparison with the prior period in order to allow the determination of financial position and performance trends. In order to comply with the presentation of the current period consolidated financial statements, comparative information is reclassified when necessary and significant differences are disclosed.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

3 Operating segments

The geographical information presented below analyzes the Group's revenue, profit before interest, tax, depreciation and amortization (EBITDA), assets and liabilities, taking into account the country where the Group is located and the African region. In the presentation of this information, segment revenue and EBITDA are presented according to the geographical location of the customers, and the segment assets and liabilities are presented according to the geographical location.

| | 1 January – 31 December 2020 | | |
|---|-------------------------------------|---------------|----------------------|
| | Turkey (*) | Africa | Total |
| Total segment income | 5,772,391,255 | 1,458,155,280 | 7,230,546,535 |
| Profit before interest, tax, depreciation and amortization (EBITDA) | 506,721,786 | 990,744,025 | 1,497,465,811 |

| | 1 January – 31 December 2019 | | |
|---|-------------------------------------|---------------|----------------------|
| | Turkey (*) | Africa | Total |
| Total segment income | 4,296,532,062 | 1,282,062,719 | 5,578,594,781 |
| Profit before interest, tax, depreciation and amortization (EBITDA) | 571,067,845 | 895,507,704 | 1,466,575,549 |

| | 1 January – 31 December 2020 | | |
|---|-------------------------------------|--------------------|----------------------|
| | Turkey (*) | Africa | Total |
| Reconciliation of EBITDA with profit before tax | 506,721,786 | 990,744,025 | 1,497,465,811 |
| Depreciation and amortisation | (162,520,695) | (303,077,669) | (465,598,364) |
| Finance income/(expenses), net | (292,985,196) | (32,209,639) | (325,194,835) |
| Income from investing activities, net | 75,867 | 80,537 | 156,404 |
| Profit before tax | 51,291,762 | 655,537,254 | 706,829,016 |

| | 1 January – 31 December 2019 | | |
|---|-------------------------------------|--------------------|----------------------|
| | Turkey (*) | Africa | Total |
| Reconciliation of EBITDA with profit before tax | 571,067,845 | 895,507,704 | 1,466,575,549 |
| Depreciation and amortisation | (287,430,679) | (198,038,831) | (485,469,510) |
| Finance income/(expenses), net | (463,660,006) | 33,373,286 | (430,286,720) |
| Income from investing activities, net | 633,402 | - | 633,402 |
| Profit before tax | (179,389,438) | 730,842,159 | 551,452,721 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

3 Operating segments (cont'd)

| | 31 December 2020 | | |
|---------------------|------------------|---------------|---------------|
| | Turkey (*) | Africa | Total |
| Segment assets | 5,959,878,216 | 3,542,816,089 | 9,502,694,305 |
| Segment liabilities | 3,835,636,531 | 1,041,713,591 | 4,877,350,122 |
| | 31 December 2019 | | |
| | Turkey (*) | Africa | Total |
| Segment assets | 5,691,940,213 | 2,809,181,835 | 8,501,122,048 |
| Segment liabilities | 3,787,152,257 | 895,008,826 | 4,682,161,083 |

(*) TRNC included.

4 Related party disclosures

(a) Related party balances

Short-term receivables from related parties as of 31 December 2020 and 31 December 2019 are as follows:

| | 31 December 2020 | | 31 December 2019 | |
|------------------------|--------------------|-------------------|--------------------|------------------|
| | Trade | Other | Trade | Other |
| Short-term receivables | | | | |
| Short-term receivables | 311,085,412 | 42,317,908 | 209,200,606 | 3,775,899 |
| Total | 311,085,412 | 42,317,908 | 209,200,606 | 3,775,899 |

i) Receivables from related parties:

| | 31 December 2020 | | 31 December 2019 | |
|--|--------------------|-------------------|--------------------|------------------|
| | Trade | Other | Trade | Other |
| Aksa Elektrik Satış A.Ş. | 250,470,646 | 42,317,908 | 157,669,120 | 3,770,092 |
| Koni İnşaat Sanayi A.Ş. | 20,886,486 | - | 32,497,061 | - |
| Fırat Elektrik Perakende Satış A.Ş. | 22,072,262 | - | 7,693,333 | - |
| Çoruh Elektrik Perakende Satış A.Ş. | 8,064,709 | - | 2,077,944 | - |
| Aksa Doğalgaz Toptan Satış A.Ş. | 4,986,827 | - | - | - |
| Aksa Power Generation FZE | 1,282,697 | - | 5,966,648 | - |
| Flamingo Biyoyakıt Üretim ve Sanayi A.Ş. | - | - | 1,263,465 | - |
| Other | 3,321,785 | - | 2,033,035 | 5,807 |
| Total | 311,085,412 | 42,317,908 | 209,200,606 | 3,775,899 |

Maturity difference is calculated by taking into account the legal interest rate for the receivables from related parties.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

4 Related party disclosures (cont'd)

(a) Related party balances (cont'd)

ii) Payables to related parties:

Short-term payables to related parties as of 31 December 2020 and 31 December 2019 are as follows:

| | 31 December 2020 | | 31 December 2019 | |
|-----------------------|-------------------|----------|-------------------|----------------|
| Short-term payables | Trade | Other | Trade | Other |
| Short-term payables | 35,657,639 | - | 17,177,126 | 272,784 |
| Total payables | 35,657,639 | - | 17,177,126 | 272,784 |

| | 31 December 2020 | | 31 December 2019 | |
|---------------------------------------|-------------------|----------|-------------------|----------------|
| | Trade | Other | Trade | Other |
| Aksa Doğalgaz Toptan Satış A.Ş. | 23,732,705 | - | - | - |
| ATK Sigorta Aracılık Hizmetleri A.Ş. | 10,308,746 | - | 11,479,357 | - |
| Kazancı Holding A.Ş. | 1,347,985 | - | 1,580,435 | 269,188 |
| Aksa Elektrik Satış A.Ş. | 208,971 | - | 167,186 | - |
| Koni İnşaat Sanayi A.Ş. | 30,722 | - | 49,419 | - |
| Aksa Jeneratör Sanayi A.Ş. | 6,603 | - | 1,816,970 | 3,000 |
| Fırat Elektrik Perakende Satış A.Ş. | - | - | 7,619 | - |
| Çoruh Elektrik Perakende Satış A.Ş. | - | - | 5,957 | - |
| Aksa Şanlıurfa Doğal Gaz Dağıtım A.Ş. | - | - | 2,013,906 | - |
| Other | 21,907 | - | 56,277 | 596 |
| Total | 35,657,639 | - | 17,177,126 | 272,784 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

4 Related party disclosures (cont'd)

(b) Related party transactions

i) Purchases from and sales to related parties:

1 January - 31 December 2020

| | Electricity Sales | Electricity Purchases | Natural Gas Purchases | Interest Income | Interest Expense | Rent Expenses | General Administrative Expenses | Reflection of Common Expenses | Material Purchases | Material Sales | Other (Expense) / Income, Net |
|--|----------------------|--------------------------|--------------------------|--------------------|---------------------|------------------|---------------------------------------|-------------------------------------|-----------------------|-------------------|-------------------------------------|
| Aksa Elektrik Satış A.Ş. | 263,786,973 | 51,101,324 | - | 30,769,732 | 3,729 | - | 5,200 | - | - | - | - |
| ATK Sigorta Aracılık Hizmetleri A.Ş. | - | 1,829 | - | - | - | - | 26,972 | - | 135 | - | (674,537) |
| Aksa Doğal Gaz Toptan Satış A.Ş. | - | - | 228,056,879 | 1,077 | 2,828 | - | - | - | - | - | (2,641,356) |
| Kazancı Holding A.Ş. | - | - | - | 44,958,790 | 474,965 | - | 673,929 | 13,296,537 | - | - | (220) |
| Koni İnşaat Sanayi A.Ş. | 1,018 | - | - | 1,775,979 | 21,852 | 3,751,171 | 1,396,446 | 86,252 | - | 81,833 | 85,564 |
| Aksa Jeneratör Sanayi A.Ş. | - | - | - | 4,250,854 | 52,779 | - | 5,556 | 1,097 | 1,692 | - | (551,512) |
| Renk Transmisyon Sanayi A.Ş. | - | - | - | - | 4,662 | - | - | - | 394,079 | - | (56,380) |
| Flamingo Enerji Üretim A.Ş. | - | - | - | 134,876 | - | - | - | - | - | - | - |
| Flamingo Biyoyakıt Üretim Sanayi A.Ş. | - | - | - | 191,204 | - | - | - | - | - | - | - |
| Aksa Jeneratör Sanayi A.Ş. | - | - | - | - | - | - | - | - | 4,839 | - | (4) |
| Aksa Power Generation (Dubai) | - | - | - | - | - | - | - | - | - | - | (346,347) |
| Aksa Ankara Makine Sat. ve Servis A.Ş. | - | 2,385 | - | - | - | - | - | - | - | - | (42,764) |
| Çoruh Elektrik Perakende Satış A.Ş. | 137,255,870 | 7,617,862 | - | - | 2,739,273 | - | - | - | - | - | - |
| Fırat Elektrik Perakende Satış A.Ş. | 105,565,948 | 13,259,113 | - | 936,167 | 1,467,039 | - | - | - | - | - | - |
| Aksa Generators Ghana LTD. | 34,970 | - | - | - | - | - | - | - | 32,237 | 133,345 | (589,699) |
| Aksa Satış ve Pazarlama A.Ş. | - | - | - | - | 1,666 | - | - | - | 72,860 | - | (22,455) |
| Aksa Şanlıurfa Doğal Gaz Dağıtım A.Ş. | 310 | - | 11,934,126 | - | 94,035 | - | - | - | - | 5,000 | - |
| Çoruh Elektrik Dağıtım A.Ş. | 83,350 | 89,750 | - | 19,904 | - | - | - | - | - | 262,100 | - |
| Elektrik Altyapı Hizmetleri A.Ş. | - | - | - | - | 3,507 | - | - | - | - | - | - |
| Aksa Turizm İşletmeleri A.Ş. | - | - | - | - | - | - | 17,537 | - | - | - | (1,198) |
| | 506,728,439 | 72,072,263 | 239,991,005 | 83,038,583 | 4,866,335 | 3,751,171 | 2,125,640 | 13,383,886 | 505,842 | 482,278 | (4,840,908) |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

4 Related party disclosures (cont'd)

(b) Related party transactions (cont'd)

i) Purchases from and sales to related parties (cont'd):

1 January – 31 December 2019

| | Electricity Sales | Electricity Purchases | Natural Gas Purchases | Interest Income | Interest Expense | Rent Expenses | General Administrative Expenses | Reflection of Common Expenses | Material Purchases | Material Sales | Other (Expense) / Income, Net |
|--|----------------------|--------------------------|-----------------------------|--------------------|---------------------|------------------|---------------------------------------|-------------------------------------|-----------------------|-------------------|-------------------------------------|
| Aksa Elektrik Satış A.Ş. | 79,435,398 | 22,103,980 | - | 46,607,927 | 16,424 | - | 4,806 | - | 19,001 | - | - |
| ATK Sigorta Aracılık Hizmetleri A.Ş. | - | - | - | - | - | - | 162 | - | 331,240 | 263,265 | (4,394,322) |
| Aksa Doğal Gaz Toptan Satış A.Ş. | - | - | 3,316,914 | - | - | - | - | - | - | - | - |
| Kazancı Holding A.Ş. | - | - | - | 1,289,364 | 361,322 | - | 590,370 | 8,655,210 | - | - | (275) |
| Koni İnşaat Sanayi A.Ş. | 11,824 | - | - | 7,464,278 | 32,055 | 3,263,650 | 785,429 | - | 92,153 | 948,282 | 252,113 |
| Aksa Jeneratör Sanayi A.Ş. | - | - | - | 938,122 | 235,912 | - | 164,942 | - | 62,788 | - | (3,418) |
| Flamingo Enerji Üretim A.Ş. | - | - | - | 68,428 | - | - | - | - | - | - | - |
| Flamingo Biyokütle Üretim Sanayi A.Ş. | - | - | - | 142,440 | - | - | - | - | - | - | - |
| Aksa Power Generation (Dubai) | - | - | - | - | - | - | 2,436 | - | - | - | (1,185,063) |
| Aksa Ankara Makine Sat. ve Servis A.Ş. | - | - | - | - | - | - | 565 | - | - | - | (22,239) |
| Çoruh Elektrik Perakende Satış A.Ş. | 18,447,697 | 1,820,259 | - | 1,630,685 | 14,125,229 | - | - | - | 52,976 | - | - |
| Fırat Elektrik Perakende Satış A.Ş. | 18,301,905 | 5,547,072 | - | 316,828 | 12,937,778 | - | - | - | - | - | - |
| Fırat Elektrik Dağıtım A.Ş. | - | - | - | - | 52,872 | - | - | - | - | 735 | - |
| Aksa Satış ve Pazarlama A.Ş. | - | - | - | - | 2,468 | - | - | - | - | 118,794 | (8,371) |
| Aksa Şanlıurfa Doğal Gaz Dağıtım A.Ş. | - | - | 45,272,009 | - | - | - | - | - | - | - | - |
| Çoruh Elektrik Dağıtım A.Ş. | 16,374 | - | - | 2,443 | 17,395 | - | 500 | - | - | - | - |
| Elektrik Altyapı Hizmetleri | - | - | - | - | 108,830 | 430,354 | 340,671 | - | - | - | (29,104) |
| Aksa Teknoloji ve Müşteri Hiz. A.Ş. | - | - | - | 5,453 | - | - | - | - | - | - | - |
| Aksa Servis Kirlama A.Ş. | - | - | - | - | - | - | - | - | 6,075 | - | - |
| | 116,213,198 | 29,471,311 | 48,588,923 | 58,465,968 | 27,890,285 | 3,694,004 | 1,889,881 | 8,655,210 | 564,233 | 1,331,076 | (5,390,679) |

ii) Guarantees and other liabilities given by the related parties in favor of the Group:

The total amount of guarantees given by the partners and related parties in favor of the Group within the framework of the general loan agreements made against the loans used by the Group is TL 13,952,026,500 as of 31 December 2020 (31 December 2019: TL 10,161,287,700).

iii) Total salaries and benefits provided to key management personnel:

Key management personnel consists of members of Board of Directors. The compensation of key management personnel includes salaries, bonus, health insurance, communication and transportation and total amount of compensation is explained below. The remuneration of key management personnel for the year ended on 31 December 2020 is TL 1,650,000 (31 December 2019: TL 1,460,000).

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

5 Trade receivables and payables

(a) Short-term trade receivables

As of 31 December 2020 and 31 December 2019, trade receivables from third parties consist of the following items:

| Current trade receivables | 31 December 2020 | 31 December 2019 |
|---|-------------------------|-------------------------|
| Trade receivables | 2,424,480,022 | 1,740,243,835 |
| Expected credit losses (-) | (29,945,027) | (16,569,801) |
| Total trade receivables from third parties | 2,394,534,995 | 1,723,674,034 |

The Group's foreign currency risk, liquidity risk and impairment risk regarding to current trade receivables disclosed in Note 30.

Movement of expected credit loss as of December 31 as follows:

| | 31 December 2020 | 31 December 2019 |
|---|-------------------------|-------------------------|
| Balance as at 1 January | 16,569,801 | 24,961,521 |
| Provision made / (reversed) during the period | 9,163,072 | (4,937,148) |
| Currency translation adjustment | 4,212,154 | (3,454,572) |
| 31 December | 29,945,027 | 16,569,801 |

(b) Short-term trade payables

As of 31 December 2020 and 31 December 2019, trade payables to third parties consist of the following items:

| Current trade payables | 31 December 2020 | 31 December 2019 |
|--|-------------------------|-------------------------|
| Trade payables | 744,255,583 | 582,371,013 |
| Total trade payables to third parties | 744,255,583 | 582,371,013 |

The Group's foreign currency risk and liquidity risk regarding to short term trade payables disclosed in Note 30.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

6 Cash and cash equivalents

As of 31 December 2020 and 31 December 2019, cash and cash equivalents are detailed below:

| | 31 December 2020 | 31 December 2019 |
|---|--------------------|--------------------|
| Cash in hand | 606,541 | 242,200 |
| Banks | 313,565,367 | 121,260,923 |
| - Demand deposit | 39,228,508 | 42,814,483 |
| - Time deposit (*) | 274,335,539 | 78,415,120 |
| - Blocked deposit | 1,320 | 31,320 |
| Total | 314,171,908 | 121,503,123 |
| Restricted cash amount | (1,320) | (31,320) |
| Cash and cash equivalents in the statement of cash flows | 314,170,588 | 121,471,803 |

(*) As of 31 December 2020, the Group has;

- time deposit denominated in USD equivalent of TL 3,400.00 at 15.62% interest rate with maturity of 4 January 2021; and
- TL 273,213,410 at 0.67% interest rate with maturity of 4 January 2021.
- (As of 31 December 2019, the Group has time deposit denominated in USD equivalent of TL 41,878,410 at 14.30% interest rate with maturity of 4 January 2021, in Euro equivalent of TL 10,408,000 at 0.01% interest rate with maturity of 2 January 2020, and in TL 26,440,000 at 10.5% interest rate with maturity of 2 January 2020).

Explanations about the nature and level of risk related to cash and cash equivalents are provided in Note 30.

7 Financial investments

(a) Financial assets

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

| Financial Asset | Acquisition % | 31 December 2020 | 31 December 2019 |
|------------------------------------|---------------|------------------|------------------|
| Enerji Piyasaları İşletme A.Ş. (*) | 0.67 | 412,408 | 412,408 |
| Total | | 412,408 | 412,408 |

(*) The Group invest to Enerji Piyasaları İşletme A.Ş. and obtained 412,408 number of Group C share on 20 November 2014.

According to IFRS 9, since cost is a reflection of the fair value estimation, financial investments are presented at their cost value.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

7 Financial investments (cont'd)

(b) Derivative financial assets and liabilities

Derivative financial instruments are recognized as derivative financial instruments in the consolidated financial statements when they are not designed in a hedging relationship required for hedge accounting. Hedging transactions that fulfill the requirements of hedge accounting of the Group are classified as derivative financial instruments for hedging purposes.

As of 31 December 2020 and 31 December 2019, derivative financial instruments are detailed below:

| | 31 December 2020 | | 31 December 2019 | |
|--|------------------|---------------------|------------------|---------------------|
| | Fair value | | Fair value | |
| Short-term financial instruments | Asset | Liability | Asset | Liability |
| Instruments intended for cash flow hedging | - | (30,358,076) | - | (17,027,994) |
| Held for trading | 2,148,922 | (30,358,075) | 4,387,466 | (16,614,257) |
| Total | 2,148,922 | (60,716,151) | 4,387,466 | (33,642,251) |

All derivative financial instruments which are receivables at net (with a positive fair value) have been reported as derivative financial assets, and all derivative financial instruments which are payables at net (with a negative fair value) as derivative financial liabilities, including purchased options.

Explanations about the nature and level of risk related to derivative financial instruments are provided in Note 30.

8 Borrowings

| Short-term | 31 December 2020 | 31 December 2019 |
|--|----------------------|----------------------|
| Short-term bank loans | 728,277,260 | 785,721,878 |
| Short-term portion of long-term bank loans | 1,292,953,512 | 1,206,661,882 |
| Total Current Borrowings | 2,021,230,772 | 1,992,383,760 |
| Long-term | | |
| Long-term bank loans | 834,709,520 | 1,133,695,421 |
| Total Borrowings | 2,855,940,292 | 3,126,079,181 |

The maturity information on the borrowings is stated in Note 16.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

8 Borrowings (cont'd)

The maturities and terms for the open loans as of 31 December 2020 and 31 December 2019 are as follows:

| Currency | Interest rate | 31 December 2020 |
|--------------|------------------------------|----------------------|
| TL | 7.50% - 20.50% | 1,931,765,729 |
| USD | Libor6M +6.35% , 6.75%-8.35% | 911,057,249 |
| EUR | Euribor6M+1.95% | 13,117,314 |
| Total | | 2,855,940,292 |

| Currency | Interest rate | 31 December 2019 |
|--------------|-------------------------|----------------------|
| TL | 11.50% - 28.90% | 1,510,079,050 |
| USD | 6MLibor +0.15%- | 1,582,930,035 |
| EUR | 6MLibor +8.35% | 33,070,096 |
| | Euribor6M+1.95% - 3.84% | |
| Total | | 3,126,079,181 |

| 31 December 2020 | | | |
|------------------|----------|-----------------|----------------------|
| Maturity | Currency | Currency amount | TL amount |
| Less than 1 year | USD | 104,663,974 | 768,285,902 |
| | EUR | 1,456,201 | 13,117,314 |
| | TL | 1,239,827,556 | 1,239,827,556 |
| 1-2 Years | USD | 27,980,708 | 205,392,390 |
| | TL | 214,024,170 | 214,024,170 |
| 2-3 Years | USD | 24,453,680 | 179,502,235 |
| | TL | 9,592,701 | 9,592,701 |
| 3-4 Years | USD | 21,264,144 | 156,089,449 |
| 4-5 Years | USD | 9,550,926 | 70,108,575 |
| Total | | | 2,855,940,292 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

8 Borrowings (cont'd)

| 31 December 2019 | | | |
|------------------|----------|-----------------|----------------------|
| Maturity | Currency | Currency amount | TL amount |
| Less than 1 year | USD | 120,490,666 | 715,738,654 |
| | EUR | 3,555,751 | 23,647,876 |
| | TL | 1,252,997,230 | 1,252,997,230 |
| 1-2 Years | USD | 66,975,270 | 397,846,496 |
| | EUR | 1,416,747 | 9,422,220 |
| | TL | 232,375,291 | 232,375,291 |
| 2-3 Years | USD | 27,003,097 | 160,403,798 |
| | TL | 24,706,529 | 24,706,529 |
| 3-4 Years | USD | 23,252,747 | 138,125,965 |
| 4-5 Years | USD | 19,922,058 | 118,341,009 |
| +5 Years | USD | 8,833,728 | 52,474,113 |
| Total | | | 3,126,079,181 |

Other financial liabilities as of 31 December 2020 and 31 December 2019 are as follows:

| Other short-term financial liabilities | 31 December 2020 | 31 December 2019 |
|--|-------------------|-------------------|
| Factoring liabilities | 11,181,406 | 79,680,483 |
| Total | 11,181,406 | 79,680,483 |
| Other long-term financial liabilities | 31 December 2020 | 31 December 2019 |
| Factoring liabilities | - | 8,361,393 |
| Total | - | 8,361,393 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

8 Borrowings (cont'd)

The details of factoring payables as of 31 December 2020 and 31 December 2019 are as follows:

| 31 December 2020 | | |
|------------------|----------|-------------------|
| Maturity | Currency | TL |
| Less than 1 year | TL | 11,181,406 |
| Total | | 11,181,406 |

| 31 December 2019 | | |
|------------------|----------|-------------------|
| Maturity | Currency | TL |
| Less than 1 year | TL | 79,680,483 |
| 1-2 Years | TL | 8,361,393 |
| Total | | 88,041,876 |

Details of the liquidity and exchange rate risk regarding the borrowings of the Group are explained in Note 30.

The details of payables from leases are as follows:

The Group's lease obligations represent the present value of the future payables of the power plant land, vehicle and building leased from third parties during the useful life of the asset.

As of 31 December 2020 and 31 December 2019, the TL equivalent values and the repayment schedule of financial lease payables as of the balance sheet date are as follows:

| Currency | Interest Type | Payment Period | Interest Rate | 31 December 2020 |
|--------------|---------------|------------------|---------------|-------------------|
| TL | Fixed | 1 March 2038 | 13.55%-29.40% | 73,898,863 |
| USD | Fixed | 19 October 2039 | 3.24%-8.53% | 4,685,964 |
| EUR | Fixed | 17 February 2022 | 3.81%-5.70% | 617,337 |
| Total | | | | 79,202,164 |

| Currency | Interest Type | Agreement Date | Interest Rate | 31 December 2019 |
|--------------|---------------|-----------------|---------------|-------------------|
| TL | Fixed | 1 March 2038 | 21.29%-29.40% | 47,499,812 |
| USD | Fixed | 1 November 2020 | 7.70% | 819,884 |
| EUR | Fixed | 1 August 2020 | 7.00% | 1,015,226 |
| Total | | | | 49,334,922 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

9 Other receivables and payables

(a) Other short-term receivables

As of 31 December 2020 and 31 December 2019, other short-term receivables from third parties comprise the following items:

| Other short-term receivables | 31 December 2020 | 31 December 2019 |
|--|-------------------------|-------------------------|
| Receivables from sales of subsidiaries (*) | 29,900,499 | 128,680,219 |
| Deposits and guarantees given | 1,404,117 | 8,043,101 |
| Other | 2,791,923 | 3,096,305 |
| Total | 34,096,539 | 139,819,625 |

(*) Receivables from Borusan EnBW Enerji Yatırımlar ve Üretim A.Ş. is in relation to sale of Alenka Enerji.

Explanations about the nature and level of risk related to other short term receivables are provided in Note 30.

(b) Other long-term receivables

As of 31 December 2020 and 31 December 2019, other long-term receivables from third parties comprise the following items:

| Other long-term receivables | 31 December 2020 | 31 December 2019 |
|------------------------------------|-------------------------|-------------------------|
| Deposits and guarantees given | 6,529,795 | 7,096,176 |
| Total | 6,529,795 | 7,096,176 |

Explanations about the nature and level of risk related to other long term receivables are provided in Note 30.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

9 Other receivables and payables (cont'd)

(c) Other short and long-term payables

As of 31 December 2020 and 31 December 2019, other short-term payables to third parties comprise the following items:

| Other short-term payables | 31 December 2020 | 31 December 2019 |
|----------------------------------|-------------------------|-------------------------|
| Taxes and funds(*) | 143,258,756 | - |
| Payable VAT | 18,762,058 | 27,069,501 |
| Deposits and guarantees received | 7,736,744 | 6,784,864 |
| Other (**) | 27,601,988 | 2,573,356 |
| Total | 197,359,546 | 36,427,721 |

Explanations about the nature and level of risk related to other short term payables are provided in Note 30.

| Other long-term payables | 31 December 2020 | 31 December 2019 |
|---------------------------------|-------------------------|-------------------------|
| Taxes and funds (*) | 47,752,919 | - |
| Other payables (**) | 24,468,333 | 39,601,341 |
| Total | 72,221,252 | 39,601,341 |

(*) Corporate tax installment payment for its subsidiaries.

(**) Aksa Madagascar B.V., a wholly-owned subsidiary of Aksa Enerji Üretim A.Ş. ("Aksa Energy") has acquired 416.5 shares, each with a nominal value of 1 (one) USD, in AKSAF Power Ltd, a company established for the construction of a power plant and electricity sales in Republic of Madagascar, in which Aksa Madagascar B.V. had a 58.35% stake and our foreign partner AF Power Ltd had a 41.65% stake, for a consideration of USD 15,000,000. USD 5,000,000 portion of the share transfer price has been paid up on the transfer date and the remaining portion will be paid in quarterly installments of USD 833,333 to be completed by 31 December 2022.

10 Inventories

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

| | 31 December 2020 | 31 December 2019 |
|---|-------------------------|-------------------------|
| Raw material | 101,764,109 | 198,600,078 |
| Other material inventories | 21,305,102 | 28,308,095 |
| Work-in-progress | 15,794,633 | 58,570,107 |
| Provision for impairment on inventories (-) | (541,050) | (1,402,957) |
| Total | 138,322,794 | 284,075,323 |

As of 31 December 2020, the inventories of the Group mainly consist of fuel oil, oil, fuel and operating materials, and there are no pledges, annotations or guarantees given on the inventories.

As a result of aging, whether there is an impairment related to the inventories is tested by determining the inventories that have not moved for a long time and by taking into account their net realizable value according to the reason of not moving.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

11 Prepaid expenses and deferred income

(a) Prepaid expenses – short-term

| <u>Short-term prepaid expenses</u> | <u>31 December 2020</u> | <u>31 December 2019</u> |
|--|-------------------------|-------------------------|
| Advances given for raw material purchase | 91,775,806 | 41,919,414 |
| Prepaid insurance expenses | 16,130,210 | 14,166,930 |
| Other prepaid expenses | 8,101,248 | 12,035,544 |
| Total | 116,007,264 | 68,121,888 |

(b) Prepaid expenses- long-term

| <u>Long-term prepaid expenses</u> | <u>31 December 2020</u> | <u>31 December 2019</u> |
|--------------------------------------|-------------------------|-------------------------|
| Advances given for tangible assets | 882,980 | 4,120,355 |
| Prepaid guarantee letter commissions | 1,406,484 | 2,592,472 |
| Other prepaid expenses | - | 9,819 |
| Total | 2,289,464 | 6,722,646 |

12 Property, plant and equipment

As of 31 December 2020 and 31 December 2019, property, plant and equipment consists of other tangible assets and mining assets.

| | <u>31 December 2020</u> | <u>31 December 2019</u> |
|--------------------------------|-------------------------|-------------------------|
| Property, plant and equipments | 5,599,044,159 | 5,468,215,676 |
| Mining assets | 56,006,362 | 31,041,454 |
| Total | 5,655,050,521 | 5,499,257,130 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

12 Property, plant and equipment (cont'd)

a) Other tangible assets

| | Lands | Land improvements | Buildings | Plant, machinery and equipment | Vehicles | Furniture and Fixture | Leasehold improvements | Construction in progress | Total |
|--|-------------------|-------------------|--------------------|--------------------------------|------------------|-----------------------|------------------------|--------------------------|----------------------|
| Cost | | | | | | | | | |
| Opening balance as of January 1, 2020 | 90,951,776 | 8,559,932 | 117,630,717 | 7,027,288,865 | 7,421,782 | 16,357,642 | 26,815,088 | 160,937,044 | 7,455,962,846 |
| Additions | 2,083,308 | 3,157,884 | 12,709 | 32,111,302 | 372,508 | 1,816,134 | - | 173,311,049 | 212,864,894 |
| Disposals | - | - | - | - | (199,459) | - | - | - | (199,459) |
| Transfers | - | 695,398 | - | 42,016,833 | - | 203,172 | - | (85,718,752) | (42,803,349) |
| Currency translation effect | - | 1,376,735 | 20,408,997 | 541,089,570 | 1,486,278 | 1,548,202 | - | 41,322,709 | 607,232,491 |
| Closing balance as of December 31, 2020 | 93,035,084 | 13,789,949 | 138,052,423 | 7,642,506,570 | 9,081,109 | 19,925,150 | 26,815,088 | 289,852,050 | 8,233,057,423 |
| Accumulated depreciation | | | | | | | | | |
| Opening balance as of January 1, 2020 | - | 2,899,113 | 32,214,490 | 1,929,664,937 | 3,134,271 | 14,704,316 | 5,130,043 | - | 1,987,747,170 |
| Charge of period | - | 711,675 | 9,167,858 | 415,039,369 | 907,686 | 1,066,610 | 2,747,288 | - | 429,640,486 |
| Disposals | - | - | - | (19,459,419) | (48,842) | - | - | - | (19,508,261) |
| Currency translation effect | - | 244,188 | 8,708,009 | 225,147,777 | 868,368 | 1,165,527 | - | - | 236,133,869 |
| Closing balance as of December 31, 2020 | - | 3,854,976 | 50,090,357 | 2,550,392,664 | 4,861,483 | 16,936,453 | 7,877,331 | - | 2,634,013,264 |
| Net book value | 93,035,084 | 9,934,973 | 87,962,066 | 5,092,113,906 | 4,219,626 | 2,988,697 | 18,937,757 | 289,852,050 | 5,599,044,159 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

12

Property, plant and equipment (cont'd)

a)

Other tangible assets (cont'd)

| | Lands | Land improvements | Buildings | Plant, machinery and equipment | Vehicles | Furniture and Fixture | Leasehold improvements | Construction i progres | Total |
|--|-------------------|------------------------------|--------------------|---|------------------|----------------------------------|-----------------------------------|-----------------------------------|----------------------|
| Cost | | | | | | | | | |
| Opening balance as of January 1, 2019 | 43,488,513 | 6,541,481 | 100,433,931 | 4,975,385,471 | 4,312,293 | 14,233,479 | 26,810,511 | 78,220,961 | 5,249,426,640 |
| Additions | 2,992,937 | 1,576,173 | - | 58,539,475 | 672,965 | 644,048 | 4,577 | 88,542,818 | 152,972,993 |
| Disposals | (225,638) | - | - | - | - | - | - | (385,674) | (611,312) |
| Revaluation of property, plant and equipment | 44,695,964 | (1,873,205) | 16,467,714 | 1,792,844,315 | 2,056,616 | 980,798 | - | - | 1,855,172,202 |
| Currency translation effect | - | 2,315,483 | 403,090 | (36,775,763) | 379,908 | 499,317 | - | 9,427,032 | (23,750,933) |
| Transfers | - | - | 325,982 | 237,295,367 | - | - | - | (14,868,093) | 222,753,256 |
| Closing balance as of December 31, 2019 | 90,951,776 | 8,559,932 | 117,630,717 | 7,027,288,865 | 7,421,782 | 16,357,642 | 26,815,088 | 160,937,044 | 7,455,962,846 |
| Accumulated depreciation | | | | | | | | | |
| Opening balance as of January 1, 2019 | - | 1,995,509 | 14,531,808 | 1,502,744,760 | 1,231,642 | 10,566,137 | 3,886,227 | - | 1,534,956,083 |
| Charge of period | - | 849,364 | 12,369,723 | 442,565,761 | 1,614,200 | 3,763,517 | 1,243,816 | - | 462,406,381 |
| Disposals | - | 54,240 | 5,312,959 | (15,645,584) | 288,429 | 374,662 | - | - | (9,615,294) |
| Currency translation effect | - | 2,899,113 | 32,214,490 | 1,929,664,937 | 3,134,271 | 14,704,316 | 5,130,043 | - | 1,987,747,170 |
| Closing balance as of December 31, 2019 | 90,951,776 | 5,660,819 | 85,416,227 | 5,097,623,928 | 4,287,511 | 1,653,326 | 21,685,045 | 160,937,044 | 5,468,215,676 |

(*) Group's lands, building and land improvements, plant, machinery and equipment are measured at their fair value amount which their accumulated depreciation has been reduced from fair value on the date of revaluation. Measurement of lands, building and land improvements, plant, machinery and equipment has been made by an independent valuation expert as of 31 December 2019. Fair value of lands, building and land improvements, plant, machinery and equipment have been determined according to cost method. Gain in value for the relevant lands, building and land improvements, plant, machinery and equipment have been identified as TL 1,855,172,202. Net book value has brought to their revalued amounts and as a result, the incremental value has been recorded at the amount of TL 1,496,943,832 by netting effect of deferred tax to revaluation gain fund in equity. As of the reporting date, the fair value level of the relevant lands, building and land improvements, plant, machinery and equipment is Level 2.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

12 Property, plant and equipment (cont'd)

a) Other tangible assets (cont'd)

As of 31 December 2020 and 31 December 2019, the details of the expenditures classified under the construction in progress item of the projects under construction are as follows:

| Project | 31 December 2020 | Technical completion rate (%) | 31 December 2019 | Technical completion rate (%) |
|---------------------|---------------------|-------------------------------------|---------------------|-------------------------------------|
| Ghana | 209,245,929 | 99% | 117,138,279 | 99% |
| Uzbekistan Tashkent | 18,962,685 | - | - | - |
| Kıbrıs Kalecik | - | - | 15,092,713 | 99% |
| Other (*) (**) | 61,643,436 | - | 28,706,052 | - |
| Total | 289,852,050 | | 160,937,044 | |

(*) It consists of construction in progress in Africa.

(**) Technical completion rates indicates the completion of the planned phases of the related investment.

b) Mining assets

As of 31 December 2020 and 31 December 2019, mining assets consist of mine site development and deferred mining costs.

| Cost: | 31 December 2020 | 31 December 2019 |
|----------------------------------|--------------------|-------------------|
| Stripping costs | 94,728,199 | 53,265,844 |
| Mining development assets | 5,477,772 | 5,477,772 |
| | 100,205,971 | 58,743,616 |
| Accumulated depreciation: | | |
| Stripping costs | 43,967,276 | 27,469,829 |
| Mining development assets | 232,333 | 232,333 |
| | 44,199,609 | 27,702,162 |
| Carrying amount | 56,006,362 | 31,041,454 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

13 Intangible assets

Movements of intangible assets as of 31 December 2020 and 2019 are as follows:

| <u>Cost</u> | <u>Rights</u> | <u>Other</u> | <u>Total</u> |
|---------------------------------------|--------------------|----------------|--------------------|
| Balance as of 1 January 2020 | 109,760,029 | 726,610 | 110,486,639 |
| Additions | 624,088 | 115,002 | 739,090 |
| Currency translation effect | 21,193,766 | - | 21,193,766 |
| Balance as of 31 December 2020 | 131,577,883 | 841,612 | 132,419,495 |
| <u>Amortization interest</u> | | | |
| Balance as of 1 January 2020 | 10,404,174 | 621,097 | 11,025,271 |
| Current period amortization expense | 2,886,521 | 44,093 | 2,930,614 |
| Currency translation effect | 2,579,055 | - | 2,579,055 |
| Balance as of 31 December 2020 | 15,869,750 | 665,190 | 16,534,940 |
| Carrying value | 115,708,133 | 176,422 | 115,884,555 |

| <u>Cost</u> | <u>Rights</u> | <u>Other</u> | <u>Total</u> |
|---------------------------------------|--------------------|----------------|--------------------|
| Balance as of 1 January 2019 | 99,735,678 | 626,510 | 100,362,188 |
| Additions | 692,240 | 100,100 | 792,340 |
| Currency translation effect | 9,332,111 | - | 9,332,111 |
| Balance as of 31 December 2019 | 109,760,029 | 726,610 | 110,486,639 |
| <u>Amortization interest</u> | | | |
| Balance as of 1 January 2019 | 7,909,337 | 607,759 | 8,517,096 |
| Current period amortization expense | 2,452,875 | 13,338 | 2,466,213 |
| Currency translation effect | 41,962 | - | 41,962 |
| Balance as of 31 December 2019 | 10,404,174 | 621,097 | 11,025,271 |
| Carrying value | 99,355,855 | 105,513 | 99,461,368 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

14 Right-of-use assets

| | Land of Power Plants | Buildings | Vehicles | Total |
|---|-------------------------|------------------|------------------|-------------------|
| Balance as of 1 January 2020 | 46,989,961 | 1,161,619 | 554,643 | 48,706,223 |
| Additions | 33,740,848 | 4,531,560 | 4,358,704 | 42,631,112 |
| Disposals | (319,685) | (250,532) | (713,276) | (1,283,493) |
| Amortization and depreciation for the period | (10,236,127) | (4,267,553) | (2,026,135) | (16,529,815) |
| Balance as of 31 December 2020 | 70,174,997 | 1,175,094 | 2,173,936 | 73,524,027 |
| | Land of Power Plants | Buildings | Vehicles | Total |
| Balance as of 1 January 2019 | 63,767,476 | 5,620,506 | 3,726,356 | 73,114,338 |
| Additions | 9,945,058 | - | - | 9,945,058 |
| Disposals | (21,532,967) | (2,546,597) | (2,071,580) | (26,151,144) |
| Amortization and depreciation for the period | (5,189,606) | (1,912,290) | (1,100,133) | (8,202,029) |
| Balance as of 31 December 2019 | 46,989,961 | 1,161,619 | 554,643 | 48,706,223 |

The Group, as a lessee, has included the right-of-use asset representing the right to use the underlying asset and the lease payables representing the lease payments for which the rent is required to be paid in the consolidated financial statements.

15 Provisions, contingent assets and liabilities

Short-term provisions

As of 31 December 2020 and 31 December 2019, short term provisions are as follows:

| Short-term provisions | 31 December 2020 | 31 December 2019 |
|------------------------------|-------------------------|-------------------------|
| Provision for lawsuit | 22,875,875 | 4,358,972 |
| Total | 22,875,875 | 4,358,972 |

For the years ended 31 December movement of provisions is as follows:

| | Lawsuit provisions |
|--|---------------------------|
| Opening 1 January 2020 | 4,358,972 |
| Provision for current period (Note 21) | 18,516,903 |
| Closing 31 December 2020 | 22,875,875 |
| Opening 1 January 2019 | 1,037,786 |
| Provision for current period (Note 21) | 3,321,186 |
| Closing 31 December 2019 | 4,358,972 |

Provision for lawsuit includes, reemployment and expropriation cases.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

16 Commitments

(a) Guarantees, pledges and mortgages given

As of 31 December 2020 and 31 December 2019, the table regarding the Group's guarantee, pledge and mortgage (GPM) position is as follows:

| GPM Given by the Group | 31 December 2020 | 31 December 2019 |
|--|-----------------------------|-----------------------------|
| A. GPM given for companies own legal personality | 2,172,067,306 | 2,161,287,700 |
| B. GPM given in behalf of fully consolidated companies | 6,275,339,013 | 6,628,392,413 |
| C. GPM given for continuation of its economic activities on behalf of third parties | - | - |
| D. Total amount of other GPM's | - | - |
| i. Total amount of GPM's given on behalf of majority shareholder | - | - |
| ii. Total amount of GPM's given on behalf of other Group companies which are not in scope of B and C | - | - |
| iii. Total amount of GPM's given on behalf of third parties which are not in scope of C | - | - |
| Total CPM | 8,447,406,319 | 8,789,680,113 |

The details of the letters of guarantee given by the Group as of 31 December 2020 and 31 December 2019 are as follows:

| 31 December 2020 | TL | USD | EUR | CHF | TL Equivalent |
|---|--------------------|------------------|------------------|----------------|--------------------------|
| Energy Market Regulatory Authority | 35,458,000 | - | - | - | 35,458,000 |
| Electricity Distribution Companies | 191,494,053 | 6,525,463 | - | - | 239,394,214 |
| Turkey Electricity Transmission Corporation (TEIAS) | 20,340,525 | - | 400,000 | - | 23,943,685 |
| Turkish Coal Enterprises Institution(TKI) | 7,497,253 | - | - | - | 7,497,253 |
| Botaş-Petroleum Pipeline Corporation | 665,042 | - | - | - | 665,042 |
| Enforcement Offices | 1,307,490 | - | - | - | 1,307,490 |
| Other | 8,770,056 | 3,000,000 | 1,896,000 | 800,000 | 54,497,814 |
| Total | 265,532,419 | 9,525,463 | 2,296,000 | 800,000 | 362,763,498 |

| 31 December 2019 | TL | USD | EUR | CHF | TL Equivalent |
|---|--------------------|-------------------|----------------|----------------|--------------------------|
| Energy Market Regulatory Authority | 23,108,000 | - | - | - | 23,108,000 |
| Electricity Distribution Companies | 93,552,659 | 8,441,001 | - | - | 143,693,893 |
| Turkey Electricity Transmission Corporation (TEIAS) | 28,981,241 | 2,062,080 | 300,000 | - | 43,225,589 |
| Turkish Coal Enterprises Institution(TKI) | 15,874,115 | - | - | - | 15,874,115 |
| Botaş-Petroleum Pipeline Corporation | 665,042 | - | - | - | 665,042 |
| Enforcement Offices | 10,561,169 | - | - | - | 10,561,169 |
| Other | 35,094,380 | 3,000,000 | 370,000 | 800,000 | 60,250,262 |
| Total | 207,836,606 | 13,503,081 | 670,000 | 800,000 | 297,378,070 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

16 Commitments (cont'd)

(b) Guarantees received

The details of the letters of guarantee received by the Group as of 31 December 2020 and 31 December 2019 are as follows:

| Type of Guarantees | TL | USD | EUR | 31 December 2020 |
|-------------------------------|--------------------|-------------------|------------------|--------------------|
| | | | | TL amount |
| Letter of guarantee | 152,658,902 | 75,900,224 | - | 709,804,496 |
| Notes taken for collaterals | 26,268,905 | 1,034,174 | 1,184,169 | 44,527,135 |
| Cheques taken for collaterals | 8,400,000 | 28,000 | 3,456,000 | 39,736,836 |
| Mortgage | 700,000 | - | - | 700,000 |
| Total | 188,027,807 | 76,962,398 | 4,640,169 | 794,768,467 |

| Type of Guarantees | TL | USD | EUR | 31 December 2019 |
|-------------------------------|--------------------|-------------------|------------------|--------------------|
| | | | | TL amount |
| Letter of guarantee | 80,832,604 | 75,000,000 | 1,625,750 | 537,159,817 |
| Notes taken for collaterals | 26,268,905 | 1,034,174 | 1,184,169 | 40,287,540 |
| Cheques taken for collaterals | 11,387,533 | 28,000 | 3,456,000 | 34,538,332 |
| Mortgage | 700,000 | - | - | 700,000 |
| Total | 119,189,042 | 76,062,174 | 6,265,919 | 612,685,689 |

17 Employee benefits

(a) Provision for unused vacation

Short-term provisions for employee benefits consist of unsued vacation provisions. For the accounting period ended 31 December 2020, TL 980,104 (31 December 2019: TL 777,554) provision for unsued vacation has been recorded.

Provision for unsued vacation is calculated by multiplying the remaining leave days by the daily wage. Current period provision expenses are recorded in the cost of sales and general administrative expenses accounts in the consolidated financial statements.

(b) Employment termination benefit

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

The amount payable consists of one month's salary limited to a maximum of TL 7,638.96 for each period of service at 31 December 2020 (2019: TL 6,379.86).

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2020, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 3,67% real discount rate (31 December 2019: 4,86 %) calculated by using 9% annual inflation rate and 13% discount rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 19,65% for employees with 0-15 years of service, and 0% for those with 16 or more years of service. Ceiling amount of TL 7,638.96 which is in effect since 1 January 2021 is used in the calculation of Groups' provision for retirement pay liability (1 January 2020: TL 6,730.15).

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

17 Employee benefits (cont'd)

(b) Provision for employment termination benefit (cont'd)

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

- If the discount rate had been 1% lower/(higher), provision for employee termination benefits would increase/(decrease) by TL 508,425 / (620,977).
- If the anticipated turnover rate had been 1% higher/(lower) while all other variables were held constant, provision for employee termination benefits would decrease/(increase) by TL (180,347) / 201,192.

| | 2020 | 2019 |
|----------------------------|------------------|------------------|
| Opening 1 January | 4,715,939 | 4,350,528 |
| Service cost | 4,324,417 | 1,022,732 |
| Payments (-) (*) | (622,673) | (762,038) |
| Actuarial gain | 750,104 | 104,717 |
| Translation difference | 178,646 | - |
| Closing 31 December | 9,346,433 | 4,715,939 |

(*) As of 2020, severance pay is allocated for employees at our power plants operating in Africa.

(c) Payables within the scope of employee benefits

Payables within the scope of employee benefits as of 31 December 2020 and 2019 are as follows:

| | 31 December 2020 | 31 December 2019 |
|---------------------------------------|------------------|------------------|
| Payables to personnel | 6,437,983 | 6,692,044 |
| Social security deductions to be paid | 2,159,024 | 2,108,355 |
| Total | 8,597,007 | 8,800,399 |

18 Other assets and liabilities

As of 31 December 2020 and 31 December 2019, other current assets are as follows:

| Other current assets | 31 December 2020 | 31 December 2019 |
|----------------------------------|-------------------|-------------------|
| Deferred Value Added Tax ("VAT") | 67,790,175 | 87,595,241 |
| Other | 5,684,484 | 2,696,913 |
| Total | 73,474,659 | 90,292,154 |

As of 31 December 2020 and 31 December 2019, other short-term liabilities are as follows:

| Other current liabilities | 31 December 2020 | 31 December 2019 |
|---------------------------|------------------|------------------|
| Advances received | 6,267,400 | 5,084,690 |
| Other | 1,138,800 | 901,119 |
| Total | 7,406,200 | 5,985,809 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

19 Share capital, reserves and other equity items

(a) Issued capital

The Company has switched to the registered capital system with the permission of the CMB dated 16 April 2010 and numbered 10/330, and the registered capital ceiling is TL 4,750,000,000 (31 December 2019: TL 4,750,000,000). The registered capital ceiling permission given by the Capital Markets Board is valid for the years 2014-2018 (5 years). Since the permitted registered capital ceiling has not been reached at the end of 2018, the Board of Directors must obtain authorization from the General Assembly for a new period by obtaining permission from the Capital Markets Board for the previously allowed ceiling or a new ceiling amount in order to take a decision to increase the capital.

As of 31 December 2020, the issued capital of the Company is TL 613,169,118 (31 December 2019: TL 613,169,118). The issued capital consists of 613,169,118 shares each with a nominal value of TL 1 (31 December 2019: 613,169,118).

The capital structure of the Group as of 31 December 2020 and 31 December 2019 is as follows:

| Shareholders | 31 December 2020 | | 31 December 2019 | |
|------------------|------------------|--------------------|------------------|--------------------|
| | Share rate (%) | Amount | Share rate (%) | Amount |
| Kazancı Holding | 78.607 | 481,991,868 | 78.607 | 481,991,868 |
| Public share (*) | 21.390 | 131,158,000 | 21.390 | 131,158,000 |
| Other | 0.003 | 19,250 | 0.003 | 19,250 |
| Total | 100.00 | 613,169,118 | 100.00 | 613,169,118 |

(*) The shares acquired by Kazancı Holding from the shares under the publicly traded item in 2012, 2013 and 2018 are presented in the publicly traded item shares in the table above. Together with the shares purchased by Kazancı Holding among the publicly traded shares, its shareholding portion in our partnership is 79.42%. As of 31 December 2020, these shares are 4,958,962 (31 December 2019: 4,958,962).

The details of the shares on a group basis as of 31 December 2020 are as follows:

| Group | 31 December 2020 | | 31 December 2019 | |
|----------------------------|------------------|--------------------|------------------|--------------------|
| | Share rate (%) | Amount | Share rate (%) | Amount |
| A Group (Registered share) | 47.93 | 293,896,220 | 47.93 | 293,896,220 |
| B Group (Bearer share) | 52.07 | 319,272,898 | 52.07 | 319,272,898 |
| Paid in Capital | 100.00 | 613,169,118 | 100.00 | 613,169,118 |

TL 131,158,000 of the bearer B group shares are traded on BIST.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

19 Share capital, reserves and other equity items (cont'd)

(a) Issued capital (cont'd)

Due to a loan agreement ("the Old Loan") amounting to USD 500 million between the ultimate partner of the Company, Kazancı Holding and Goldman Sachs International, China Development Bank, Türkiye Garanti Bankası A.Ş. ("Garanti Bankası") and Türkiye İş Bankası A.Ş. ("İş Bankası"), the Company has established a pledge as a collateral for loan agreement in favor of Türkiye Garanti Bankası A.Ş., which is the loan collateral representative, on the shares corresponding to 68.86% of the capital.

Under the leadership of Garanti Bank and İşbank, a new loan agreement with a total amount of USD 800 million ("the New Loan") was signed between the consortium consisting T.C. Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş., Türkiye Vakıflar Bankası T.A.O., Odea Bank A.Ş. and Türkiye Sınai Kalkınma Bankası A.Ş. and Kazancı Holding and Aksa Doğal Gaz Dağıtım A.Ş. on 2 August 2016. With this financing, the above-mentioned Old Loan was fully repaid and Aksa Energy shares owned by Kazancı Holding, which were pledged, has become free. In addition to these liberalized shares belonging to the Kazancı Holding, representing 61.98% capital shares of Aksa Energy which is owned by Kazancı Holding and is 9.74% shares of Kazancı Holding, was pledged to be a guarantee for the new loan, to the Guarantee Representative Türkiye İş Bankası A.Ş. by Kazancı Holding. In addition, Aksa Energy shares representing 16.62% of the capital that Kazancı Holding bought back has been pledged by Kazancı Holding to provide additional security for the new loan.

(b) Share premium

The difference between the nominal value of each share and the selling price is recognized as the share premium in equity. As of 31 December 2020, TL 96,523,266 of the total issue amounting to TL 247,403,635 (31 December 2019: TL 247,403,635) have occurred as a result of first public offering in 2012 and TL 150,880,369 have occurred as a result of allocated capital increase in 2012.

(c) Loss on remeasurement of defined benefit plans:

It consists of actuarial gains and losses recognized as other comprehensive income as a result of the adoption of TAS 19 (2011) standard. As of 31 December 2020, the Group's Loss on Remeasurement of Defined Benefit Plans are TL 145,139 (31 December 2019: TL 793,476).

(d) Hedging reserve:

The hedging reserve consists of the effective portion of the accumulated net change in the fair value of the cash flow hedging instrument related to the transaction subject to hedging, which has not yet been realized. As of 31 December 2020, the Group's hedging losses are TL 26,366,363 (31 December 2019: TL 13,622,807).

(e) Foreign currency translation differences:

Foreign currency translation differences consist of all foreign currency exchange differences arising from the conversion of foreign currency based financial statements to TL, which is the Company's functional currency. As of 31 December 2020, the Group's foreign currency translation differences are TL 520,339,505 (31 December 2019: TL 248,243,241).

(f) Valuation increase of property, plant and equipment:

Valuation increases of property, plant and equipment consist of revaluation differences in land, buildings, land improvements and plant, machinery and equipment. As of 31 December 2020, the Group's property, plant and equipment valuation increase is TL 2,196,123,264 (31 December 2019: TL 2,262,917,793).

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

19 Share capital, reserves and other equity items (cont'd)

(g) Restricted reserves appropriated from profit:

i) Legal reserves:

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's historical paid-in share capital. The second legal reserve is appropriated at the rate of 1/10 of all cash dividend distributions exceeding 5% of the company's capital in cases where profit distribution is made according to CMB regulations, and in cases where dividends are distributed according to legal records, it is appropriated at the rate of 1/11 per annum of all cash distributions in excess of 5% of the historical paid-in share capital. The legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted. As of 31 December 2020, the Group's total legal reserves are TL 68,742,954 (31 December 2019: TL 64,980,588).

ii) Dividend:

It has been decided that the profit distribution will be realized within the framework of the principles in the "Dividend Communiqué" Serial: II-19.1 of the CMB, the provisions in the articles of association of the partnerships and the profit distribution policies disclosed to the public by the companies. In addition, in the aforementioned Communiqué, companies that are obliged to prepare consolidated financial statements are required to calculate the net distributable profit amount, as long as it can be covered from the resources in their legal records, by taking into account the net profit for the period in their consolidated financial statements that they will prepare and publicly disclose in accordance with the Communiqué Serial: II-14.1.

In publicly held partnerships, dividends are distributed equally to all of the existing shares as of the date of distribution, regardless of their issue and acquisition dates.

(h) Non-controlling interest:

The parts of the net assets of the subsidiaries, which correspond to the shares not in the direct and/or indirect control of the parent company, are classified under the "Non-controlling interests" item under equity in the consolidated statement of financial position. As of 31 December 2020 and 2019, the amounts classified under the line item "Non-controlling interests" in the consolidated statement of financial position are positive TL 406,158,727 and positive TL 328,515,851, respectively.

In addition, the parts of the net assets of the subsidiaries, which correspond to the shares not in the direct and/or indirect control of the parent company, are classified under the "Non-controlling interests" item in the consolidated statement of profit or loss and other comprehensive income. As of the period ended 31 December 2020 and 2019, the profit and loss of non-controlling interests out of the total comprehensive income is TL 87,968,818 and TL 126,160,389, respectively, within the item "Non-controlling interests".

(i) Prior years' losses:

Accumulated profits/losses other than net profit for the period are offset in this item. Extraordinary reserves that are in the nature of accumulated profit/loss are also considered as accumulated profit and presented in this item. As of 31 December 2020, the Group's prior years' profit is TL 129,592,233 (31 December 2019: prior years' loss is TL 262,622,830).

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

20 Revenue

Revenue for the years ended as at 1 January- 31 December is as follows:

| | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
|-------------------------|---------------------------------|---------------------------------|
| Domestic sales | 5,772,391,255 | 4,060,126,680 |
| Foreign sales | 1,458,155,280 | 1,518,468,101 |
| Net sales income | 7,230,546,535 | 5,578,594,781 |
| Cost of sales (-) | (6,032,956,098) | (4,563,137,567) |
| Total | 1,197,590,437 | 1,015,457,214 |

The details of the Group's sales revenue and gross profit are as follows:

| | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
|-------------------------|---------------------------------|---------------------------------|
| Revenue – Amount | | |
| Electricity | 7,222,478,926 | 5,574,585,776 |
| Other | 8,067,609 | 4,009,005 |
| Total | 7,230,546,535 | 5,578,594,781 |
| Gross profit | | |
| Electricity | 1,196,254,205 | 1,014,727,465 |
| Other | 1,336,232 | 729,749 |
| Total | 1,197,590,437 | 1,015,457,214 |

21 General administrative expenses, sales, marketing and distribution expenses

The details of the Group's general administrative expenses, sales, marketing and distribution expenses for the years ended as at 1 January- 31 December are as follows:

| | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
|--|---------------------------------|---------------------------------|
| General administrative expenses | 117,412,617 | 95,606,154 |
| Sales, marketing and distribution expenses | 9,622,641 | 1,521,304 |
| Total | 127,035,258 | 97,127,458 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

21 General administrative expenses, sales, marketing and distribution expenses (cont'd)

The details of administrative expenses, for the years ended on 1 January-31 December is as follows:

| | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
|---|---|---|
| Consultancy and legal expenses | 33,029,045 | 23,181,114 |
| Personnel expenses | 31,241,696 | 31,670,357 |
| Lawsuit provision expenses (Note 15) | 18,516,903 | 3,321,186 |
| Management support expenses | 13,383,886 | 11,762,139 |
| Travelling, vehicle and transportation expenses | 12,179,398 | 13,509,820 |
| Insurance expenses | 1,316,913 | 801,791 |
| Communication expenses | 454,986 | 368,255 |
| Electricity, gas and water expenses | 311,320 | 237,419 |
| Depreciation expenses | 159,616 | 126,381 |
| Representation expenses | 124,401 | 1,120,664 |
| Tax and duties | 93,269 | 400,782 |
| Other | 6,601,184 | 9,106,246 |
| Total | 117,412,617 | 95,606,154 |

The details of sales, marketing and distribution expenses, for the years ended on 31 December is as follows:

| | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
|-----------------------------|---|---|
| Advertising expenses | 7,500,000 | - |
| Freight and export expenses | 77,656 | 741,946 |
| Other | 2,044,985 | 779,358 |
| Total | 9,622,641 | 1,521,304 |

22 Other operating income and expenses

The details of income and expenses from main operations, for the years ended on 1 January-31 December is as follows:

| Other income from operating activities | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
|--|---|---|
| Foreign exchange gain related to commercial activities | 10,044,049 | 2,805,250 |
| Provisions no longer required | - | 34,364,092 |
| Insurance damage compensation | 1,209 | 10,737,544 |
| Other income(*) | 4,037,251 | 19,299,932 |
| Total | 14,082,509 | 67,206,818 |

(*) Amounting to TL 10,749,257 of other income between dates of 1 January - 31 December 2019 is the collection amount of the payment for the excess transportation fee paid to BOTAŞ for the previous years.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

22 Other operating income and expenses (cont'd)

Other expenses and losses from operating activities for the years ended as at 1 January - 31 December are as follows:

| Other expenses from operations | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
|---|---|---|
| Foreign exchange losses related to operations | 1,010,213 | 907,290 |
| Donations | 6,619,013 | 411,854 |
| Discount expenses regarding receivables | - | 142,649 |
| Commission expenses | 2,018,334 | 1,298,397 |
| Other (*) | 32,517,816 | 6,766,823 |
| Total | 42,165,376 | 9,527,013 |

(*) Balances included in other expenses consists of tax installments paid at power plants in foreign countries and other provision for impairment during the period.

23 Income from investing activities

The income from investment activities for the years ended as at 1 January - 31 December is as follows:

| Income from investment activities | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
|--|---|---|
| Gain on disposals of property, plant and equipment | 80,805 | 151,385 |
| Gain on disposal of subsidiaries (Note 30) | 75,599 | 482,017 |
| Total | 156,404 | 633,402 |

24 Expenses by nature

The expenses classified by its nature for the years ended as at 1 January - 31 December is as follows:

| Depreciation and amortization expenses | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
|---|---|---|
| Cost of sales | 465,438,748 | 484,889,717 |
| General administrative expenses | 159,616 | 579,793 |
| Total | 465,598,364 | 485,469,510 |

| Personnel expenses | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
|---------------------------------|---|---|
| Cost of sales | 81,788,751 | 87,387,103 |
| General administrative expenses | 31,241,696 | 31,670,357 |
| Total | 113,030,447 | 119,057,460 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

25 Financial income

Financial income for the years ended as at 1 January - 31 December are as follows:

| Finance income | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
|-------------------------------------|---|---|
| Interest income | 142,028,021 | 146,334,223 |
| Foreign exchange income (*) | 153,786,445 | 227,549,718 |
| Income from Derivative transactions | 61,047,637 | 24,525,985 |
| Total | 356,862,103 | 398,409,926 |

(*) Foreign exchange gains and losses are offset on company basis in subsidiaries of the consolidation.

26 Finance expenses

Financial expenses for the years ended as at 1 January - 31 December are as follows:

| Finance expenses | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
|---------------------------------------|---|---|
| Interest and discount expenses | 450,940,677 | 489,369,965 |
| Foreign exchange losses (*) | 162,591,215 | 235,723,207 |
| Expenses from derivative transactions | 44,208,855 | 42,128,991 |
| Other | 24,316,191 | 61,474,483 |
| Total | 682,056,938 | 828,696,646 |

(*) Foreign exchange gains and losses are offset on company basis in subsidiaries of the consolidation.

27 Taxation

Turkey

Corporate tax

In accordance with the tax laws, the corporate tax rate applied in Turkey to the legal tax base to be found by adding the non-deductible expenses to the commercial earnings of the companies and deducting the exemptions included in the tax laws is 22%. The corporate tax rate was increased from 20% to 22% for 2018, 2019 and 2020 within the scope of the "Law on Amendments to Some Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2018. Within the scope of the aforementioned law, deferred tax assets and liabilities in the consolidated financial statements dated 31 December 2020, it is calculated with a rate of 20% for the part of temporary differences that will have tax effect in 2021 and following years.

According to the Corporate Tax Law, if 75% of the revenues obtained from the sales of subsidiaries and property, plant and equipment owned for at least two years are recorded in equity accounts to be used in capital increase within five years from the date of sale, it becomes subject to tax exemption. The remaining 25% is subject to corporate tax. This rate has been revised as 50% for immovables, effective from 2018.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

27 Taxation (cont'd)

Turkey (cont'd)

Corporate tax (cont'd)

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings.

Income tax withholding

There is a withholding tax obligation on dividend distributions, and this withholding obligation is accrued in the period when the dividend payment is made. A business or a corporate taxpayer who earns revenue through permanent representative in Turkey and dividend payments to non-resident institutions other than those made in Turkey are subject to withholding at the rate of 15%. In the application of the withholding rates regarding the dividend distributions made to non-resident companies and real persons, the withholding rates included in the related Double Taxation Agreements are also taken into consideration. Allocation of prior years' profits to the capital is not considered as profit distribution, therefore it is not subject to withholding tax.

Transfer pricing regulations

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

Tax applications for foreign subsidiaries of the Group

Turkish Republic Of Northern Cyprus ("TRNC")

The applicable corporate tax rate in TRNC is 23.5% (31 December 2019: 23.5%).

Republic of Ghana

The applicable corporate tax rate in Republic of Ghana is 25% (31 December 2019: 25%).

Netherlands

Corporate income tax is levied at the rate of 20% (31 December 2019: 20%) on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the year 2018. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. There is an additional dividend tax of 5% computed only on the amounts of dividend distribution at the time of such payments.

Under the Dutch taxation system, tax losses can be carried forward to be offset against future taxable income for nine years. Tax losses can be carried back to offset profits up to one year. Entities must file their tax returns within six months following the close of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Republic of Mauritius

There is no corporate tax in Mauritius (31 December 2019: none).

Republic of Mali

The applicable corporate tax rate in Mali 25% (31 December 2019: 25%).

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

27 Taxation (cont'd)

Madagascar

The applicable corporate tax rate in Madagascar 20% (31 December 2019: 20%).

| | 31 December 2020 | 31 December 2019 |
|--------------------------|--------------------|--------------------|
| Corporate tax to be paid | 180,742,077 | 147,722,478 |
| Prepaid corporate tax | (35,188,904) | (18,890,373) |
| Total tax asset | 145,553,173 | 128,832,105 |

Since the taxes payable amounting to TL 374,187,961 as of 31 December 2020 (31 December 2019: TL 167,942,891) are related to the tax assets and liabilities of different subsidiaries within the scope of consolidation, it has not been netted off with the prepaid taxes amounting to TL 37,623,113 (31 December 2019: TL 39,110,786), which are assets related to current tax.

Deferred tax assets and liabilities

Deferred tax is calculated over the temporary differences between the carrying values of assets and liabilities in the financial statements and the values used in the tax base, except for the goodwill not subject to tax deduction and the differences in the first recorded assets and liabilities that are not subject to accounting and tax.

As of 31 December 2020 and 31 December 2019, items of deferred tax assets and deferred tax liabilities consist of the following:

| | 31 December 2020 Asset / (Liability) | 31 December 2019 Asset / (Liability) |
|--|---|---|
| The difference between carrying values of property, plant and equipment and intangible assets and tax base | (425,484,289) | (389,095,003) |
| Unused losses carried forward | 4,665,471 | 21,205,461 |
| Adjustments under TFRS 9 | 7,553,389 | 3,604,862 |
| Provision for impairment of inventory | 117,627 | 325,751 |
| Provision for employment termination benefit | 1,894,773 | 943,188 |
| Provision for unused vacation | 201,086 | 170,687 |
| Provision for legal cases | 1,515,708 | 357,193 |
| Derivative transactions | 4,020,007 | 2,864,107 |
| Adjustment related to interest discount for bank loans | (1,091,519) | (3,096,886) |
| Other | 3,393,584 | 1,594,529 |
| | (403,214,163) | (361,126,111) |
| Deferred tax assets | 185,220,021 | 155,505,193 |
| Deferred tax liability | (588,434,184) | (516,631,304) |
| Net deferred tax asset /(liability) | (403,214,163) | (361,126,111) |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

27 **Taxation (cont'd)**

The movement of deferred tax for the years 2020 and 2019 is as follows:

| | 1 January 2020 | Effects of currency translation | Recognized in profit or loss | Recognized in other comprehensive income | 31 December 2020 |
|---|----------------------|---------------------------------------|------------------------------------|---|----------------------|
| Total deferred tax asset/(liabilities) | (361,126,111) | (74,694,193) | 31,917,850 | 688,291 | (403,214,163) |

| | 1 January 2019 | Effects of currency translation | Recognized in profit or loss | Recognized in other comprehensive income | 31 December 2019 |
|---|---------------------|---------------------------------------|------------------------------------|---|----------------------|
| Total deferred tax asset/(liabilities) | (62,359,590) | 5,296,538 | 51,613,046 | (355,676,105) | (361,126,111) |

The reported income tax expense for the years ended 31 December are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

| | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
|--|------------------------------------|------------------------------------|
| | <u>Amount</u> | <u>Amount</u> |
| Profit before tax | 706,829,016 | 551,452,721 |
| Income tax rate | 22% | 22% |
| Tax at the domestic income tax rate | (155,502,384) | (121,319,599) |
| Non deductible expenses | (3,699,325) | (1,235,734) |
| Revenue that is exempt from taxation | 16,715,982 | 60,728,027 |
| Unnused tax losses not recognized as deferred tax assets previously and used in the current period | (44,701,784) | (46,327,056) |
| Effect of different tax rates in foreign jurisdictions | (21,194,100) | (15,821,737) |
| Temporary differences which no deferred tax asset is recognized | 96,604,616 | 37,496,565 |
| Tax rate change | (26,804,019) | - |
| Other, net | (10,243,213) | (9,629,898) |
| Tax income/(expense) | (148,824,227) | (96,109,432) |

28 **Earning per share**

Earnings per share calculations are made by dividing the net profit for the period in the statement of profit or loss given in this report by the weighted average number of shares issued.

| | 1 January - 31 December 2020 | 1 January - 31 December 2019 |
|---|---------------------------------|---------------------------------|
| Profit attributable to parent company | 470,035,971 | 329,182,900 |
| Weighted average number of published shares | 613,169,118 | 613,169,118 |
| Earnings per share of nominal value of TL 1 | 0.767 | 0.537 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

29 Financial instruments

Grup risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included in Note 30 and 31.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established an Early Detection of Risk Committee responsible for developing and monitoring the Group's risk management policies.

The risk management policies of the Group are determined in order to identify and analyze the risks to be encountered, to determine the appropriate risk limits and to establish their controls, and to observe the risks and the dependency of the risks to the limits. Risk management policies and systems are regularly reviewed to reflect changes in the Group's activities and market conditions. The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities through training and management standards and procedures.

Aksa Energy Audit Committee audits the management in terms of compliance with the risk management policies and procedures of the Group and provides support during the fulfillment of the risk management framework depending on the risks exposed by the Group. The internal audit department makes regular and specific evaluations of risk management policies and procedures and reports the results to the Audit Committee.

Credit risk

The Group closely monitors customer credit risks in order to eliminate possible risks that may arise in the collection of trade receivables. Certain credit control procedures, credit rating system and internal control policies are used in the management of credit risk. The Group management covers these risks by limiting the average risk for the counterparty in each agreement and by obtaining guarantees if necessary. Foreign customer credit risks are related to public institutions and organizations with low collection risk, and guarantees are received for these customer credit risks.

Credit risk is the risk of financial loss to the other party as a result of one of the parties in a mutual relationship not fulfilling its obligations regarding a financial instrument.

Holding financial instruments also bears the risk of failure of the counterparty to fulfill the requirements of the agreement. The collection risk of the Group mainly arises from its trade receivables. Trade receivables are evaluated by taking into account the Group's policies and procedures, and accordingly, they are presented as net in the consolidated statement of financial position after making provision for doubtful receivables.

A significant proportion of the Group's trade receivables are receivables from electric institutions in Turkey, and similarly, in foreign operations, there are trade receivables arising from agreements with the governments or ministries of those countries. The Group takes part in a sector with low collection risk.

The Group manages the liquidity risk by maintaining the continuation of sufficient funds by regularly monitoring the cash flows and matching the maturities of financial assets and liabilities.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

29 Financial instruments (cont'd)

Liquidity risk

Liquidity risk is the possibility of failure to meet its net funding liabilities. Occurrence of events that cause a decrease in fund resources such as deterioration in the markets or a decrease in credit score, cause liquidity risk. The Group management manages the liquidity risk by distributing the fund resources and keeping sufficient cash and similar resources to fulfill its current and possible liabilities.

The Group uses activity-based costing in costing its products and services, which helps to monitor cash flow needs and makes effective cash return on investments. The Group generally ensures that it has sufficient cash to cover financial and operational expenses, including the fulfillment of financial liabilities, excluding the potential impact of unreasonably foreseeable events such as natural disasters.

Market risk

Market risk is the changes that will occur in interest rates, exchange rates or the value of securities and other financial agreements and will affect the Group negatively. The main important risks for the Group are changes in currency and interest rates.

Foreign currency risk

Foreign currency risk arises from the Group's liabilities in USD and Euro and the changes in the value of Turkish Lira against USD and Euro.

The Group also has a foreign currency risk arising from its transactions. These risks arise from the Group's purchase and sale of goods and obtaining bank loans in a currency other than the functional currency.

The Group aims to balance the exchange rate risk against foreign currency through derivative instruments.

The basis of the sensitivity analysis made in order to measure the currency risk is to make the total currency statement throughout the Group. Total foreign currency position includes all short-term and long-term foreign currency-based purchase and sale contracts and all assets and liabilities.

The Group is exposed to foreign exchange risk due to various income and expense items in foreign currencies and foreign currency payables, receivables and financial borrowings arising from these.

Interest rate risk

Within the scope of fund management, sensitivity analysis is performed in measuring the interest risk of interest sensitive assets in the portfolio. By determining the average maturity and interest rate of interest-sensitive assets, the sensitivity to changes in market interest rates is calculated, and the interest risk arising from the securities portfolio created within the scope of fund management by monitoring the markets is managed within the framework of the decisions taken to move, increase or decrease the existing securities portfolio in accordance with market interest rates expectations.

Capital management

The main purpose of the capital management of the Company is to provide a strong capital ratio in order to continue the operations of the Company and to increase the value it provides to the Company partners.

The Company manages the capital structure and makes the necessary arrangements according to the market competition conditions, economic conjuncture and growth strategy. In order to strengthen and regulate the capital structure, shareholders can make direct cash payments according to their working capital needs.

During the period, there has been no change in the Group's perspective on capital management.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020
(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

30 Nature and level of risks arising from financial instruments

Credit risk

Carrying value of financial assets shows the maximum credit risk of the Group. The table below shows the details of the values exposed to maximum credit risk as of 31 December 2020 and 2019:

| | Receivables | | | | Deposits at banks |
|--|-------------------|---------------|-------------------|------------|-------------------|
| | Trade receivables | | Other receivables | | |
| | Related Parties | Other | Related Parties | Other | |
| 31 December 2020 | | | | | |
| Maximum credit risk exposed as of the reporting date (A+B+C+D+E) | 311,085,412 | 2,394,534,995 | 42,317,908 | 40,626,334 | 314,171,908 |
| A. Carrying amount of financial assets not overdue or not impaired | 311,085,412 | 2,262,308,256 | 42,317,908 | 10,725,835 | 314,171,908 |
| B. Carrying amount of financial assets with renegotiated conditions that are considered overdue or impaired if not rediscussed | - | - | - | - | - |
| C. Carrying amount of financial assets overdue but not impaired | - | 132,226,739 | - | 29,900,499 | - |
| D. Carrying amount of assets impaired | - | - | - | - | - |
| - Overdue (gross book value) | - | 29,945,027 | - | - | 2,601,210 |
| - Impairment (-) | - | (29,945,027) | - | - | (2,601,210) |
| E. Off balance sheet items with credit risk | - | - | - | - | - |

| | Receivables | | | | Deposits at banks |
|--|-------------------|---------------|-------------------|-------------|-------------------|
| | Trade receivables | | Other receivables | | |
| | Related Parties | Other | Related Parties | Other | |
| 31 December 2019 | | | | | |
| Maximum credit risk exposed as of the reporting date (A+B+C+D+E) | 209,200,606 | 1,723,674,034 | 3,775,899 | 146,915,801 | 121,503,123 |
| A. Carrying amount of financial assets not overdue or not impaired | 209,200,606 | 1,631,320,389 | 3,775,899 | 19,140,877 | 121,503,123 |
| B. Carrying amount of financial assets with renegotiated conditions that are considered overdue or impaired if not rediscussed | - | - | - | - | - |
| C. Carrying amount of financial assets overdue but not impaired | - | 92,353,645 | - | 127,774,924 | - |
| D. Carrying amount of assets impaired | - | - | - | - | - |
| - Overdue (gross book value) | - | 16,569,801 | - | - | 159,330 |
| - Impairment (-) | - | (16,569,801) | - | - | (159,330) |
| E. Off balance sheet items with credit risk | - | - | - | - | - |

(*) Deposits and guarantees are not included in other receivables.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

30 Nature and level of risks arising from financial instruments (cont'd)

Liquidity risk

The maturities of the financial liabilities determined according to the payment schedule of the Group, including the estimated interest payments as of 31 December 2020 and 31 December 2019, are as follows:

| 31 December 2020 | Carrying amount | Contractual cash flows (=I+II+III+IV+V) | 3 months or less (I) | 3-12 months (II) | 1-5 years (III) | More than 5 years (IV) |
|---|----------------------|--|-------------------------|----------------------|----------------------|---------------------------|
| Non-derivative financial liabilities | 2,946,323,862 | 3,344,840,719 | 906,937,468 | 1,256,145,219 | 1,013,490,890 | 168,267,142 |
| Financial liabilities | 2,855,940,292 | 3,148,493,581 | 894,517,628 | 1,248,373,609 | 1,005,602,344 | - |
| Other financial liabilities | 11,181,406 | 11,507,886 | 11,507,886 | - | - | - |
| Leases | 79,202,164 | 184,839,252 | 911,954 | 7,771,610 | 7,888,546 | 168,267,142 |
| Derivative financial assets, net | 58,567,229 | (46,112,095) | (2,906,230) | (40,112,971) | (3,092,894) | - |
| Cash inflow | - | 404,640,345 | 62,780,700 | 323,849,645 | 18,010,000 | - |
| Cash outflow | - | (450,752,440) | (65,686,930) | (363,962,616) | (21,102,894) | - |

| Expected maturity | Carrying amount | Total expected cash flows (=I+II+III+IV+v) | 3 months or less (I) | 3-12 months (II) | 1-5 years (III) | More than 5 years (IV) |
|---|--------------------|---|-------------------------|---------------------|--------------------|---------------------------|
| Non-derivative financial liabilities | 858,482,345 | 858,482,345 | 815,662,762 | 18,351,250 | 24,468,333 | - |
| Trade payables to related parties | 35,657,639 | 35,657,639 | 35,657,639 | - | - | - |
| Trade payables to third parties | 767,165,582 | 767,165,582 | 767,165,582 | - | - | - |
| Other payables to third parties | 55,659,124 | 55,659,124 | 12,839,541 | 18,351,250 | 24,468,333 | - |

| 31 December 2019 | Carrying amount | Contractual cash flows (=I+II+III+IV+V) | 3 months or less (I) | 3-12 months (II) | 1-5 years (III) | More than 5 years (IV) |
|---|----------------------|--|-------------------------|----------------------|----------------------|---------------------------|
| Non-derivative financial liabilities | 3,263,455,979 | 3,875,746,836 | 1,027,682,725 | 1,276,275,552 | 1,339,589,358 | 232,199,201 |
| Financial liabilities | 3,126,079,181 | 3,604,119,633 | 990,024,202 | 1,211,251,610 | 1,324,425,223 | 78,418,598 |
| Other financial liabilities | 88,041,876 | 99,635,293 | 37,510,916 | 50,581,902 | 11,542,475 | - |
| Leases | 49,334,922 | 171,991,910 | 147,607 | 14,442,040 | 3,621,660 | 153,780,603 |
| Derivative financial assets, net | 29,254,785 | 6,772,317 | 1,315,083 | 5,457,234 | - | - |
| Cash inflow | - | 234,193,205 | 117,010,980 | 117,182,225 | - | - |
| Cash outflow | - | (227,420,888) | (115,695,897) | (111,724,991) | - | - |

| Expected maturity | Carrying amount | Total expected cash flows (=I+II+III+IV+v) | 3 months or less (I) | 3-12 months (II) | 1-5 years (III) | More than 5 years (IV) |
|---|--------------------|---|-------------------------|---------------------|--------------------|---------------------------|
| Non-derivative financial liabilities | 715,451,326 | 715,451,326 | 660,999,493 | 14,850,500 | 39,601,333 | - |
| Trade payables to related parties | 17,177,126 | 17,177,126 | 17,177,126 | - | - | - |
| Trade payables to third parties | 621,972,354 | 621,972,354 | 621,972,354 | - | - | - |
| Other payables to related parties | 272,784 | 272,784 | 272,784 | - | - | - |
| Other payables to third parties | 76,029,062 | 76,029,062 | 21,577,229 | 14,850,500 | 39,601,333 | - |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

30 Nature and level of risks arising from financial instruments (cont'd)

Market risk

Foreign currency risk

As of 31 December 2020, the Group's foreign currency position arises from foreign currency-based assets and liabilities stated in the table below. The currency risk table shows the **foreign currency position of companies whose functional currency is TL, since the reporting currency is TL. Companies whose functional currency is foreign currency stated in section 2 article 1.d. are not presented in the foreign currency risk table.**

| FOREIGN CURRENCY POSITION | | | | | |
|---|----------------------|---------------------|-------------------|-----------------|--------------------|
| | 31 December 2020 | | | | |
| | TL Equivalent | USD | EURO | GBP | CHF |
| 1. Trade receivables | 698,720,628 | 28,959,849 | 53,838,232 | - | 141,409 |
| 2a. Monetary financial assets (including cash, bank accounts) | 449,141,840 | 45,750,892 | 12,575,529 | 2,847 | - |
| 2b. Non-monetary financial assets | 6,984,002 | 535,484 | 338,956 | - | - |
| 3. Other | 29,900,499 | 4,073,360 | - | - | - |
| 4. Current assets (1+2+3) | 1,184,746,969 | 79,319,585 | 66,752,717 | 2,847 | 141,409 |
| 5. Trade receivables | - | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - | - |
| 6b. Non-monetary financial assets | - | - | - | - | - |
| 7. Other | - | - | - | - | - |
| 8. Non-current assets (5+6+7) | - | - | - | - | - |
| 9. Total assets (4+8) | 1,184,746,969 | 79,319,585 | 66,752,717 | 2,847 | 141,409 |
| 10. Trade payables | 125,926,783 | 6,334,067 | 7,242,247 | 70,114 | 1,629,257 |
| 11. Financial liabilities | 597,056,489 | 79,550,327 | 1,456,201 | - | - |
| 12a. Other monetary liabilities | 10,046,675 | 1,307,306 | 50,000 | - | - |
| 12b. Other non-monetary liabilities | 1,062,383 | 62,289 | 67,180 | - | - |
| 13. Short-term liabilities (10+11+12) | 734,092,330 | 87,253,989 | 8,815,628 | 70,114 | 1,629,257 |
| 14. Trade payables | - | - | - | - | - |
| 15. Financial liabilities | 327,118,073 | 44,563,459 | - | - | - |
| 16a. Other monetary liabilities | - | - | - | - | - |
| 16b. Other non-monetary liabilities | 4,240,914 | 561,363 | 13,347 | - | - |
| 17. Long-term liabilities (14+15+16) | 331,358,987 | 45,124,822 | 13,347 | - | - |
| 18. Total liabilities (13+17) | 1,065,451,317 | 132,378,811 | 8,828,975 | 70,114 | 1,629,257 |
| 19. Off balance sheet derivative items' net asset/(liability) position (19a-19b) | (58,700,136) | (7,996,749) | - | - | - |
| 20. Net foreign currency asset/(liability) position (9-18+19) | 60,595,516 | (61,055,975) | 57,923,742 | (67,267) | (1,487,848) |
| 21. Net foreign currency asset / (liability) position of monetary items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a) | 87,714,448 | (57,044,418) | 57,665,313 | (67,267) | (1,487,848) |
| 22. Fair value of derivative instruments used in foreign currency hedge | (58,700,136) | (7,996,749) | - | - | - |
| 23. Hedged portion of foreign currency assets | - | - | - | - | - |
| 24. Hedged portion of foreign currency liabilities | 417,249,472 | 56,842,105 | - | - | - |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

30 Nature and level of risks arising from financial instruments (cont'd)

Market risk (cont'd)

Foreign currency risk (cont'd)

As of 31 December 2019, the Group's foreign currency position arises from foreign currency-based assets and liabilities stated in the table below. The currency risk table shows the **foreign currency position of companies whose functional currency is TL, since the reporting currency is TL. Companies whose functional currency is foreign currency stated in section 2 article 1.d. are not presented in the foreign currency risk table.**

| FOREIGN CURRENCY POSITION | | | | | |
|---|----------------------|----------------------|-------------------|-----------------|------------------|
| | 31 December 2019 | | | | |
| | TL Equivalent | USD | EUR | GBP | CHF |
| 1. Trade receivables | 598,879,062 | 82,063,750 | 16,750,966 | - | - |
| 2a. Monetary financial assets (including cash, bank accounts) | 66,503,464 | 7,146,484 | 3,613,266 | 2,769 | - |
| 2b. Non-monetary financial assets | 15,820,757 | 582,530 | 1,858,541 | - | - |
| 3. Other | 127,774,927 | 21,510,206 | - | - | - |
| 4. Current assets (1+2+3) | 808,978,210 | 111,302,970 | 22,222,773 | 2,769 | - |
| 5. Trade receivables | - | - | - | - | - |
| 6a. Monetary financial assets | - | - | - | - | - |
| 6b. Non-monetary financial assets | - | - | - | - | - |
| 7. Other | - | - | - | - | - |
| 8. Non-current assets (5+6+7) | - | - | - | - | - |
| 9. Total assets (4+8) | 808,978,210 | 111,302,970 | 22,222,773 | 2,769 | - |
| 10. Trade payables | 255,209,373 | 38,398,388 | 3,733,611 | 70,114 | 285,445 |
| 11. Financial liabilities | 409,050,724 | 64,068,658 | 4,280,829 | - | - |
| 12a. Other monetary liabilities | 5,084,690 | 800,000 | 50,000 | - | - |
| 12b. Other non-monetary liabilities | - | - | - | - | - |
| 13. Short-term liabilities (10+11+12) | 669,344,787 | 103,267,046 | 8,064,440 | 70,114 | 285,445 |
| 14. Trade payables | - | - | - | - | - |
| 15. Financial liabilities | 664,951,375 | 110,354,728 | 1,416,747 | - | - |
| 16a. Other monetary liabilities | - | - | - | - | - |
| 16b. Other non-monetary liabilities | - | - | - | - | - |
| 17. Long-term liabilities (14+15+16) | 664,951,375 | 110,354,728 | 1,416,747 | - | - |
| 18. Total liabilities (13+17) | 1,334,296,162 | 213,621,774 | 9,481,187 | 70,114 | 285,445 |
| 19. Off balance sheet derivative items' net asset/(liability) position (19a- 19b) | (17,027,993) | (2,866,569) | - | - | - |
| 20. Net foreign currency asset/ (liability) position (9- 18+19) | (542,345,945) | (105,185,373) | 12,741,586 | (67,345) | (285,445) |
| 21. Net foreign currency asset / (liability) position of monetary items (IFRS 7,B23) (=1+2a+5+6a-10-11-12a-14- 15-16a) | (668,913,636) | (124,411,540) | 10,883,045 | (67,345) | (285,445) |
| 22. Fair value of derivative instruments used in foreign currency hedge | (29,254,785) | (4,936,775) | 10,622 | - | - |
| 23. Hedged portion of foreign currency assets | - | - | - | - | - |
| 24. Hedged portion of foreign currency liabilities | 450,204,639 | 75,789,475 | - | - | - |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

30 Nature and level of risks arising from financial instruments (cont'd)

Market risk (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis

The Group's currency risk generally consists of changes in the value of TL against Euro and USD.

The basis of the sensitivity analysis made to measure the currency risk is to make the total currency statement throughout the entity. Total foreign currency position includes all short-term and long-term purchase contracts and all assets and liabilities based on foreign currency. The analysis does not include net foreign currency investments.

The Group realizes its medium and long-term loans in the currency of the project revenues it generates. For short-term loans, borrowings are made in TL, Euro and USD balanced under the pool/portfolio model.

| Statement of Foreign Currency Sensitivity Analysis | | | | |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| 31 December 2020 | | | | |
| | Profit/Loss | | Equity | |
| | The appreciation of foreign currency | The depreciation of foreign currency | The appreciation of foreign currency | The depreciation of foreign currency |
| 10% appreciation / depreciation of TL against the USD | | | | |
| 1 - USD net asset / liability | (41,873,455) | 41,873,455 | (41,873,455) | 41,873,455 |
| 2- Portion secured from USD risk (-) | 41,724,947 | (41,724,947) | 41,724,947 | (41,724,947) |
| 3- USD net effect (1 +2) | (148,508) | 148,508 | (148,508) | 148,508 |
| 10% appreciation / depreciation of TL against EUR | | | | |
| 4 - Euro net asset / liability | 51,944,337 | (51,944,337) | 51,944,337 | (51,944,337) |
| 5 - Portion secured from Euro risk (-) | - | - | - | - |
| 6 - Euro net effect (4+5) | 51,944,337 | (51,944,337) | 51,944,337 | (51,944,337) |
| 10% appreciation / depreciation of TL against other currencies | | | | |
| 7- Other foreign currency net asset/liability | (1,299,437) | 1,299,437 | (1,299,437) | 1,299,437 |
| 8- Portion secured from other currency risk (-) | - | - | - | - |
| 9- Other currency net effect (7+8) | (1,299,437) | 1,299,437 | (1,299,437) | 1,299,437 |
| Total (3+6+9) | 50,496,392 | (50,496,392) | 50,496,392 | (50,496,392) |
| Statement of Foreign Currency Sensitivity Analysis | | | | |
| 31 December 2019 | | | | |
| | Profit/Loss | | Equity | |
| | The appreciation of foreign currency | The depreciation of foreign currency | The appreciation of foreign currency | The depreciation of foreign currency |
| 10% appreciation / depreciation of TL against the USD | | | | |
| 1 - USD net asset / liability | (73,902,943) | 73,902,943 | (73,902,943) | 73,902,943 |
| 2- Portion secured from USD risk (-) | 45,020,464 | (45,020,464) | 45,020,464 | (45,020,464) |
| 3- USD net effect (1 +2) | (28,882,479) | 28,882,479 | (28,882,479) | 28,882,479 |
| 10% appreciation / depreciation of TL against EUR | | | | |
| 4 - Euro net asset / liability | 7,237,878 | (7,237,878) | 7,237,878 | (7,237,878) |
| 5 - Portion secured from Euro risk (-) | - | - | - | - |
| 6 - Euro net effect (4+5) | 7,237,878 | (7,237,878) | 7,237,878 | (7,237,878) |
| 10% appreciation / depreciation of TL against other currencies | | | | |
| 7- Other foreign currency net asset/liability | (226,298) | 226,298 | (226,298) | 226,298 |
| 8- Portion secured from other currency risk (-) | - | - | - | - |
| 9- Other currency net effect (7+8) | (226,298) | 226,298 | (226,298) | 226,298 |
| Total (3+6+9) | (21,870,899) | 21,870,899 | (21,870,899) | 21,870,899 |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

30 Nature and level of risks arising from financial instruments (cont'd)

Market risk (cont'd)

Interest rate risk

Profile

The interest structure of the Group's financial items with an interest component at the reporting date is as follows:

| Interest rate position | | | |
|---|--|-------------------------|-------------------------|
| | | 31 December 2020 | 31 December 2019 |
| Fixed rate financial instruments | | | |
| Financial assets | | 274,335,539 | 78,415,120 |
| Financial liabilities (Note 8) | | 1,995,602,611 | 2,198,511,832 |
| Financial lease (Note 8) | | 79,202,164 | 88,041,876 |
| Other financial liabilities (Note 8) | | 11,181,406 | 49,334,922 |
| Variable rate instruments | | | |
| Financial liabilities | | 860,337,684 | 927,481,808 |

Fair value risk of financial instruments with fixed interest:

The Group does not have financial assets and liabilities with fixed interest fair value difference reflected on profit or loss and hedging derivatives (interest rate swaps) registered under the accounting model for hedging purposes of fair value risk. Therefore, as of the reporting period, changes in interest rates will not affect profit or loss.

Cash flow sensitivity analysis for financial instruments with floating interest:

Change of increase / decrease in equity, profit and loss before tax in the 100 basis point is presented below as of 31 December 2020. This analysis assumes that all other variables, especially foreign exchange rates, remain constant. This analysis was conducted in the same way as of 31 December 2019.

| | Profit or loss | | Equity | |
|------------------------------------|-----------------------|--------------------|--------------------|--------------------|
| | 1% increase | 1% decrease | 1% increase | 1% decrease |
| 31 December 2020 | | | | |
| Variable rate instruments | (15,298,564) | 14,399,296 | (15,298,564) | 14,399,296 |
| Cash flow sensitivity (net) | (899,268) | | (899,268) | |
| 31 December 2019 | | | | |
| Variable rate instruments | (18,778,906) | 18,049,918 | (18,778,906) | 18,049,918 |
| Cash flow sensitivity (net) | (728,988) | | (728,988) | |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

30 Nature and level of risks arising from financial instruments (cont'd)

Market risk (cont'd)

Interest rate risk (cont'd)

Capital risk management

While managing the capital, the Group's goals are to maintain the Group's continuity of activity in order to maintain the most appropriate capital structure in order to provide return to its partners, benefit to other shareholders and to reduce the cost of capital.

The Group monitors capital using the net financial debt/equity ratio. Net financial debt is calculated by deducting cash and cash equivalents from the total financial debt amount.

Net debt/invested capital ratios as of 31 December 2020 and 2019 are as follows:

| | 31 December 2020 | 31 December 2019 |
|--|----------------------|----------------------|
| Total financial liabilities | 2,946,323,862 | 3,263,455,979 |
| Less: cash and cash equivalents | (314,170,588) | (121,471,803) |
| Net financial debt | 2,632,153,274 | 3,141,984,176 |
| Total equity | 4,635,925,341 | 3,818,960,965 |
| Gearing ratio (net financial debt / equity ratio) | 57% | 82% |

31 Financial instruments (fair value disclosures and explanations on hedge accounting)

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts as of 31 December 2020 and 2019 shown in the statement of financial position, are as follows:

| | | 31 December 2020 | | 31 December 2019 | |
|------------------------------|------|------------------|----------------------|------------------|----------------------|
| | Note | Carrying value | Amortized Cost (***) | Carrying value | Amortized Cost (***) |
| Financial assets | | | | | |
| Cash and cash equivalent | 6 | 314,171,908 | 314,171,908 | 121,503,123 | 121,503,123 |
| Financial Investments | 7 | 412,408 | 412,408 | 412,408 | 412,408 |
| Trade Receivables | 5 | 2,705,620,407 | 2,705,620,407 | 1,932,874,640 | 1,932,874,640 |
| Other Receivables (*) | 9 | 74,508,139 | 74,508,139 | 135,363,852 | 135,363,852 |
| Derivative Instruments | 7 | 2,148,922 | 2,148,922 | 4,387,466 | 4,387,466 |
| Financial Liabilities | | | | | |
| Borrowings | 8 | 2,855,940,292 | 2,855,940,292 | 3,126,079,181 | 3,126,079,181 |
| Financial lease | 8 | 79,202,164 | 79,202,164 | 49,334,922 | 49,334,922 |
| Trade payables | 5 | 779,913,222 | 779,913,222 | 599,548,139 | 599,548,139 |
| Other financial liabilities | 8 | 11,181,406 | 11,181,406 | 88,041,876 | 88,041,876 |
| Derivative Instruments | 6 | 60,716,151 | 60,716,151 | 33,642,251 | 33,642,251 |
| Other payables (**) | 9 | 243,081,996 | 243,081,996 | 42,447,481 | 42,447,481 |

(*) Items such as deposits and guarantees given and receivables from the tax office are not included in other receivables.

(**) Items such as taxes and funds payable and deposits and guarantees received are not included in other payables.

(***) The Group Management believes that the carrying values of its financial instruments reflect fair values. Derivative instruments are shown at their fair values.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

31 Financial instruments (fair value disclosures and explanation on hedge accounting) (cont'd)

Fair value (Cont'd)

Fair value refers to the price of a financial instrument subject to purchase and sale between willing parties in a current transaction, except in cases such as a forced sale or liquidation. Quoted market price, if any, is the value that best reflects the fair value of a financial instrument.

Foreign currency based financial receivables and payables are evaluated at the exchange rates valid on the date of the financial statement.

The following methods and assumptions have been used in estimating the fair values of the Group's financial instruments:

Financial Assets - The fair values of some financial assets include their cost values, cash and cash equivalents in the financial statements, interest accruals on them and other short-term financial assets, and due to their short-term nature, their fair values are considered to approximate their carrying values. The values of trade receivables carried, after deducting the provision for doubtful receivables, is considered to approximate their fair values.

Financial Liabilities - Due to the short-term nature of trade payables and other monetary liabilities, it is considered that their fair values approximate their carrying values. Fixed interest bank loans are expressed with discounted cost and transaction costs are added to the initial carrying values of the loans. Since the interest rates on variable rate loans are updated taking into account the changing market conditions, it is considered that the fair values of the loans represent the value they carry. Due to the short-term nature of trade payables, it is predicted that their fair values approximate their carrying values.

The Group classifies fair value measurements according to the source of the inputs of each financial instrument class, using a three-level hierarchy as follows:

Level 1: Valuation techniques using market prices traded in the active market

Level 2: Other valuation techniques involving direct or indirect observable input

Level 3: Valuation techniques that do not contain observable market inputs

Financial instruments at fair value

The table below presents the financial instruments measured with their fair value according to their fair value levels and their values in the statement of financial position.

| 31 December 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|---------------------|----------------|---------------------|
| Financial assets measured at fair value: | | | | |
| Risk management and held for trading derivative financial assets | - | 2,148,922 | - | 2,148,922 |
| | - | 2,148,922 | - | 2,148,922 |
| Financial liabilities measured at fair value: | | | | |
| Risk management and held for trading derivative financial liabilities | - | (60,716,151) | - | (60,716,151) |
| | - | (60,716,151) | - | (60,716,151) |
| 31 December 2019 | Level 1 | Level 2 | Level 3 | Total |
| Financial assets measured at fair value: | | | | |
| Risk management and held for trading derivative financial assets | - | 4,387,466 | - | 4,387,466 |
| | - | 4,387,466 | - | 4,387,466 |
| Financial liabilities measured at fair value: | | | | |
| Risk management and held for trading derivative financial liabilities | - | (33,642,251) | - | (33,642,251) |
| | - | (33,642,251) | - | (33,642,251) |

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

32 Notes to the statement of cash flows

Changes in the Group's obligations resulting from financing activities between 1 January – 31 December 2020 and 1 January 2019 – 31 December 2019 are as follows:

| | 1 January 2020 | Cash inflows | Cash outflows | Other non- cash movements | 31 December 2020 |
|------------------------------------|----------------------|---------------|-----------------|---------------------------------|----------------------|
| Financial borrowings | 3,263,455,979 | 2,875,827,846 | (3,338,140,038) | 145,180,075 | 2,946,323,862 |
| Total financial liabilities | 3,263,455,979 | 2,875,827,846 | (3,338,140,038) | 145,180,075 | 2,946,323,862 |

| | 1 January 2019 | Cash inflows | Cash outflows | Other non- cash movements | 31 December 2019 |
|------------------------------------|----------------------|---------------|-----------------|---------------------------------|----------------------|
| Financial borrowings | 3,745,498,591 | 3,070,561,746 | (3,303,602,341) | (249,002,017) | 3,263,455,979 |
| Total financial liabilities | 3,745,498,591 | 3,070,561,746 | (3,303,602,341) | (249,002,017) | 3,263,455,979 |

It represents the change in cash amounts related to the lines "Cash Inflows from Borrowing" and "Cash Outflows from Debt Payments" within the financing activities in the statement of cash flow.

33 Events after the reporting period

- According to our Company's Material Event Disclosure dated 12 May 2020, an agreement was signed with National Electric Grid of Uzbekistan for the construction of a 240 MW natural gas combined cycle (CCGT) power plant in Tashkent, the capital of Uzbekistan, and sale of the energy generated in the plant based on a guaranteed capacity payment for a duration of 25 years.

On 20 January 2021, above mentioned agreement has been amended with 230 MW capacity expansion and additionally, another agreement has been signed regarding construction of 270 MW CCGT in Bukhara. Accordingly:

- On top of 240 MW CCGT power plant, 230 MW CCGT power plant will be constructed in the same location in Tashkent. The amended agreement involves sale of the energy generated in these power plants based on a guaranteed capacity payment for a duration of 25 years.
- Additionally, in Bukhara which is located in southwest of Tashkent, 270 MW CCGT power plant will be constructed. This additional agreement involves sale of the energy generated in Bukhara power plant based on a guaranteed capacity payment for a duration of 25 years.

470 MW CCGT power plants in Tashkent and 270 MW CCGT power plant in Bukhara are expected to start commercial operations within the fourth quarter of 2021. Our Company's total installed capacity in Uzbekistan will reach 740 MW with the completion of these investments. The necessary power plant equipment are planned to be supplied from existing power plants owned by Aksa Energy. Therefore, capital expenditures will be optimized while economic value will be added.

- On 21 January 2021, Aksa Enerji Üretim A.Ş.'s 100% subsidiary Aksa Energy Company Congo has signed a concession agreement with Republic of Congo about obtaining operating rights of a 50 MW natural gas power plant in the city of Pointe-Noire. Accordingly, Aksa Energy Company Congo will increase the existing installed capacity to 100 MW with additional investment. Natural gas is expected to be supplied from Congo's local gas reserves. Electricity generated is expected to be exported to Democratic Republic of Congo via existing transmission lines.

AKSA ENERJİ ÜRETİM A.Ş. AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2020

(Amounts expressed in Turkish Lira (TL) unless otherwise stated.)

33 Events after the reporting period (cont'd)

- As of 24 January 2021, Up to 150 MW capacity over the Turkey-Iraq power transmission line electrical energy export operations has started to Iraq. Thus, the number of countries where Aksa Energy operates has reached to six.
- As stated in the Material Event Disclosures dated 17 November 2020 and 31 December 2020 published by our Company, The current contract with Energie Du Mali S.A. ("EDM") for Aksa Enerji Üretim A.Ş.'s 40 MW Fuel Oil Power Plant in Mali, which has expired, was extended until 31 January 2021 to determine the terms of the new contract.

In accordance with the agreements signed between EDM and Aksa Enerji Üretim A.Ş. and its 100% subsidiary Aksa Mali SA on 27 January 2021:

- i) Power generated by 30 MW out of 40 MW installed capacity in the Power Plant will be purchased by EDM for 3 years based on a guaranteed Euro denominated price
- ii) On top of existing power plant, Aksa Enerji Üretim A.Ş. will initiate a power plant with an installed capacity of 20 MW within the second quarter of 2021. Power generated by 20 MW installed capacity will also be purchased by EDM for 3 years based on a guaranteed Euro denominated price

Aksa Enerji Üretim A.Ş. has achieved both maturity and capacity extension from 30 MW to 50 MW via new agreement and strengthened its position in Africa in parallel with its globalization strategy.