

**ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş.  
AND IT'S SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR  
ENDED DECEMBER 31, 2019 TOGETHER WITH INDEPENDENT  
AUDITORS' REPORT**

This report has been translated into English for informational purposes. In case of a discrepancy between the Turkish and the English versions of this report, the Turkish version shall prevail

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

**INDEPENDENT AUDITOR’S REPORT**

**To the General Assembly of Orge Enerji Elektrik Taahhüt A.Ş.,**

**A) Audit of the Consolidated Financial Statements**

**1) Opinion**

We have audited the accompanying consolidated financial statements of Orge Enerji Elektrik Taahhüt Anonim Şirketi (the “Company”) and its subsidiary (collectively referred to as the “Group”), which comprise the consolidated statement of financial position as at 31 December 2019 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 the notes to the consolidated financial statements and notes to the consolidated financial statements comprising a summary of significant accounting policies.

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

**2) Basis for Opinion**

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

**3) Key Audit Matters**

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

Key audit matters	How our audit addressed the key audit matter
<i>Recognition of Revenue from Construction Contracts to Consolidated Financial Statements</i>	
<p>Explanations on the Group's construction contracts are included in Note 14. Recognition of revenue and profit from a specific construction contract for the accounting period which the Group provides project commitment services depends on the determination the cost of each long-term construction contracts and the accurate evaluation of their costs. Revenue and cost calculations for long-term construction contracts can be complex therefore important considerations must be made while choosing the accounting basis for each case. According to considerations, taking revenue to the consolidated financial statements is an important issue for our audit. Because the Group's revenue and cost calculations for long-term construction contracts involve highly uncertain accounting estimates.</p>	<p>Within the scope of our audit work, the procedures we have taken to address the risk of material misstatement include the following:</p> <ul style="list-style-type: none"> <li>• Estimated cost for Group's construction contracts have been controlled with current versions of the contracts,</li> <li>• Group foreign exchange rate assessments of revenue and receivables related to Group's foreign currency construction contracts have been controlled,</li> <li>• Completion percentages calculated based on the Group's estimated costs have been controlled by examining the expenditure documents included in the relevant cost items,</li> <li>• The distribution of the items composing construction cost of the Group among expense accounts has been controlled.</li> </ul>

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

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

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

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

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

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error.

Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

**B) Other Responsibilities Arising From Regulatory Requirements**

- 1) The Auditor's Report on the Early Detection of Risk System and Committee prepared in accordance with the fourth paragraph of Article 398 of the Turkish Commercial Code ("TCC") numbered 6102 was submitted to the Board of Directors of the Company on 14 February 2020.
- 2) In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January — 31 December 2019 and financial statements are not in compliance with the code and provisions of the Group's articles of association in relation to financial reporting.
- 3) In accordance with subparagraph 4, Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The responsible auditor who conducted and finalized this independent audit is Cemal Öztürk.

AC İSTANBUL ULUSLARARASI BAĞIMSIZ DENETİM VE SMMM A.Ş.

**Cemal ÖZTÜRK, SMMM**  
**Responsible Auditor**

İstanbul, 14 February 2020

ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY  
 CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER  
 2019

(Amounts expressed in TL unless otherwise stated)

		Audited	
	Notes	Current Year <u>31.12.2019</u>	Prior Year <u>31.12.2018</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	34.494.610	19.556.583
Trade receivables		27.012.961	22.585.490
- Trade receivables from non-related parties	9	27.012.961	22.585.490
Other receivables		120.342	80.342
- Other receivables from related parties	10,38	40.000	-
- Other receivables from non-related parties	10	80.342	80.342
Receivables from Ongoing Construction Contracts		160.118.020	113.896.233
<i>Contractual Assets Arising from Ongoing Construction and Contracting Works</i>	14	<i>160.118.020</i>	<i>113.896.233</i>
Inventories	12	10.413.247	3.120.289
Expenses paid in Advance	13	3.954.043	3.393.070
Other Current Assets	27	1.836.032	147.675
<b>Non-Current Assets</b>		<b>57.325.069</b>	<b>46.647.064</b>
Other receivables		42.444	4.394
- Other receivables from non-related parties	10	42.444	4.394
Investment property	16	36.130.000	28.080.000
Tangible fixed assets	17	17.170.255	17.184.494
Right of Use Assets	19	323.070	-
Intangible fixed assets	18	56.601	61.769
Prepaid Expenses	13	-	221
Assets related to the current period tax	36	3.602.699	1.316.186
<b>Total Assets</b>		<b>295.274.324</b>	<b>209.426.746</b>

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

ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY  
 CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER  
 2019

(Amounts expressed in TL unless otherwise stated)

		Audited	
	Notes	Current Year 31.12.2019	Prior Year 31.12.2018
<b>LIABILITIES</b>			
<b>Short Term Liabilities</b>		<b>71.330.152</b>	<b>49.645.770</b>
Financial liabilities	8	28.708.331	1.137.308
Current installments of long-term financial liabilities	8	8.062.111	13.080.842
Trade payables		17.634.196	17.919.108
- Other trade payables	9	17.634.196	17.919.108
Employee Benefit Liabilities	26	2.293.317	1.965.103
Other payables		2.740.158	475.107
- Due to related parties	10,38	19.155	17.105
- Other trade payables	10	2.721.003	458.002
Deferred income		11.470.677	14.181.519
<i>Contract Liabilities Arising From Ongoing Construction and Contracting Works</i>	14	11.470.677	14.181.519
Tax provisions	36	-	657.556
Short term provisions		421.362	229.227
-Provisions for Employee Benefits	26	113.342	62.897
-Other provisions	25	308.020	166.330
<b>Long Term Liabilities</b>		<b>38.117.367</b>	<b>22.648.534</b>
Financial liabilities	8	8.033.180	4.001.088
Long term provisions		1.052.232	529.079
- Provisions for long term liabilities	26	1.052.232	529.079
Deferred tax liabilities	36	29.031.955	18.118.367
<b>Total Liabilities</b>		<b>109.447.519</b>	<b>72.294.304</b>
<b>Shareholders' Equity</b>		<b>185.826.805</b>	<b>137.132.442</b>
<b>Total Equity Attributable to Equity Holders of the Company</b>		<b>185.826.825</b>	<b>137.132.460</b>
Issued capital	28	50.000.000	50.000.000
Treasury Shares (-)		-	(2.870.458)
Share Premium (Discount)	28	1.310.410	457.651
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss		(210.444)	92.666
-Gain/loss arising from defined benefit plans	28	(210.444)	92.666
Restricted Reserves Appropriated From Profits	28	5.236.867	5.416.820
Prior Years' Profits or Losses	28	84.182.247	32.601.265
Current Period Net Profit Or Loss	37	45.307.745	51.434.516
<b>Non-Controlling Interests</b>	28	<b>(20)</b>	<b>(18)</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>295.274.324</b>	<b>209.426.746</b>

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

ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 01.01 - 31.12.2019

	<u>Notes</u>	Current Year <u>31.12.2019</u>	Audited Prior Year <u>31.12.2018</u>
<b>Profit (Loss)</b>			
Sales Revenues (Net)	29	140.753.087	128.414.243
Cost Of Sales (-)	29	(80.420.584)	(76.711.054)
<b>Gross Profit</b>		<b>60.332.503</b>	<b>51.703.189</b>
General Administration Expenses	30	(6.356.022)	(7.226.707)
Income From Other Operations	32	6.194.939	12.182.570
Loss From Other Operations	32	(4.049.151)	(7.615.841)
<b>Gross Operating Profit</b>		<b>56.122.269</b>	<b>49.043.211</b>
Income From Investment Activities	33	3.903.691	14.491.211
Expenses From Investment Activities	33	(17.279)	-
<b>Operating Income Before Financial Income / (Expense)</b>		<b>60.008.681</b>	<b>63.534.422</b>
Financial Income	34	2.849.232	8.906.213
Financial Expense	34	(5.761.093)	(7.383.030)
<b>Continuing Activities Income Before Tax</b>		<b>57.096.820</b>	<b>65.057.605</b>
<b>Continuing Operations Tax Income / (Expense)</b>		<b>(11.789.077)</b>	<b>(13.623.092)</b>
- Current Tax Charge (-)	36	(790.268)	(3.821.101)
- Deferred Tax Credit / (Charge)	36	(10.998.809)	(9.801.991)
<b>Continuing Activities Net Income</b>		<b>45.307.743</b>	<b>51.434.513</b>
<b>Profit For The Year</b>		<b>45.307.743</b>	<b>51.434.513</b>
<b>Distribution of the Profit / (Loss) for the Year:</b>			
Non-controlling interests	28	(2)	(3)
Equity holders of the company	37	45.307.745	51.434.516
<b>Earnings Per Share</b>			
<b>Earnings Per Share From Continuing Activities</b>		<b>0,906</b>	<b>1,029</b>

ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED  
INCOME STATEMENT FOR THE PERIOD ENDED 01.01 - 31.12.2019

<b>PROFIT / LOSS FOR THE PERIOD</b>		<b>45.307.743</b>	<b>51.434.513</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss</b>		<b>(303.110)</b>	<b>20.420</b>
Gains (Losses) On Remeasurements Of Defined Benefit Plans	26	(378.887)	25.525
Taxes Relating To Remeasurements Of Defined Benefit Plans		75.777	(5.105)
Dönem Vergi (Gideri) Geliri		-	-
- Deferred Tax Credit / (Charge)	36	75.777	(5.105)
<b>Other Comprehensive Income (Loss)</b>		<b>(303.110)</b>	<b>20.420</b>
<b>Total Comprehensive Income (Loss)</b>		<b>45.004.633</b>	<b>51.454.933</b>
<b>Total Comprehensive Income Attributable to:</b>			
-Non-controlling interests	28	(2)	(3)
-Equity holders of the company		45.004.635	51.454.936

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



ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 01.01 - 31.12.2019

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

	Issued capital	Treasury Shares( )	Share Premium (Discount)	Defined Benefit Plans Remeasurement Gains / Losses	Revaluation and Measurement Gains / Losses	Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss	Legal Reserves	Restricted Reserves Appropriated From Profits	Prior Years' Profits or Losses		Current Period Net Profit Or Loss	Retained Earnings	Shareholders' Equity	Non-Controlling Interest	Total Equity	
									Prior Years' Profits or Losses							
<b>Audited</b>																
<b>PREVIOUS PERIOD</b>																
<b>Balances as of January 1, 2018 (opening)</b>	<b>20.000.000</b>	-	<b>457.651</b>	<b>72.246</b>	<b>72.246</b>	<b>72.246</b>	<b>828.774</b>	<b>828.774</b>	<b>35.762.225</b>	<b>31.427.086</b>	<b>67.189.311</b>	<b>88.547.982</b>		<b>(15)</b>	<b>88.547.967</b>	
Transfers	-	-	-	-	-	-	4.588.046	4.588.046	26.839.040	(31.427.086)	(4.588.046)	-	-	-	-	
Total Comprehensive Income	-	-	-	20.420	20.420	20.420	-	-	-	51.434.516	51.434.516	51.454.936	-	(3)	<b>51.454.933</b>	
Period Profit (Loss)	-	-	-	-	-	-	-	-	-	51.434.516	51.434.516	51.434.516	-	(3)	<b>51.434.513</b>	
Other Comprehensive Income (Loss)	-	-	-	20.420	20.420	20.420	-	-	-	-	-	20.420	-	-	<b>20.420</b>	
Capital Increase	30.000.000	-	-	-	-	-	-	-	(30.000.000)	-	(30.000.000)	-	-	-	-	
Increase (Decrease) Due to Repurchase Transactions of Shares	-	(2.870.458)	-	-	-	-	-	-	-	-	-	(2.870.458)	-	-	<b>(2.870.458)</b>	
<b>Balance as of December 31, 2018 (closing)</b>	<b>28</b>	<b>50.000.000</b>	<b>(2.870.458)</b>	<b>457.651</b>	<b>92.666</b>	<b>92.666</b>	<b>5.416.820</b>	<b>5.416.820</b>	<b>32.601.265</b>	<b>51.434.516</b>	<b>84.035.781</b>	<b>137.132.460</b>		<b>(18)</b>	<b>137.132.442</b>	
<b>CURRENT PERIOD</b>																
<b>Balances as of January 1, 2019 (opening)</b>	<b>28</b>	<b>50.000.000</b>	<b>(2.870.458)</b>	<b>457.651</b>	<b>92.666</b>	<b>92.666</b>	<b>5.416.820</b>	<b>5.416.820</b>	<b>32.601.265</b>	<b>51.434.516</b>	<b>84.035.781</b>	<b>137.132.460</b>		<b>(18)</b>	<b>137.132.442</b>	
Amendments to mandatory changes in accounting policies (Note 2)	-	-	-	-	-	-	-	-	(33.487)	-	(33.487)	(33.487)	-	-	<b>(33.487)</b>	
Transfers	-	-	-	-	-	-	(179.953)	(179.953)	51.614.469	(51.434.516)	179.953	-	-	-	-	
Total Comprehensive Income	-	-	-	(303.110)	(303.110)	(303.110)	-	-	-	45.307.745	45.307.745	45.004.635	-	(2)	<b>45.004.633</b>	
Period Profit (Loss)	-	-	-	-	-	-	-	-	-	45.307.745	45.307.745	45.307.745	-	(2)	<b>45.307.743</b>	
Other Comprehensive Income (Loss)	-	-	-	(303.110)	(303.110)	(303.110)	-	-	-	-	-	(303.110)	-	-	<b>(303.110)</b>	
Increase (Decrease) Due to Repurchase Transactions of Shares	-	2.870.458	852.759	-	-	-	-	-	-	-	-	3.723.217	-	-	<b>3.723.217</b>	
<b>Balance as of December 31, 2019 (closing)</b>	<b>28</b>	<b>50.000.000</b>	-	<b>1.310.410</b>	<b>(210.444)</b>	<b>(210.444)</b>	<b>5.236.867</b>	<b>5.236.867</b>	<b>84.182.247</b>	<b>45.307.745</b>	<b>129.489.992</b>	<b>185.826.825</b>		<b>(20)</b>	<b>185.826.805</b>	

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

**ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY**  
**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED STATEMENT**  
**OF CASH FLOWS FOR THE PERIOD ENDED 01.01 - 31.12.2019**  
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	<u>Notes</u>	<b>Audited</b>	
		<b>Current Year</b> <b>01.01.-31.12.2019</b>	<b>Prior Year</b> <b>01.01.-31.12.2018</b>
<b>A. CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		<b>(8.167.173)</b>	<b>(13.622.603)</b>
Profit (Loss)		45.307.743	51.434.513
<b>Adjustments to Reconcile Net Profit/(Loss)</b>		<b>9.824.345</b>	<b>(2.766.176)</b>
Adjustments for depreciation and amortisation expense	17,18,19	1.516.010	810.162
Adjustments for provisions		144.266	172.956
- Adjustments for (Reversal of) Provisions Related with Employee Benefits		144.266	172.956
Adjustments for Interest (Income) Expenses		(84.118)	(190.766)
Deferred Financing Expense Due to Futures		338.728	279.068
Unearned Financing Income Resulted From Forward Sales		(422.846)	(469.834)
Adjustments for fair value (gains) losses		(2.665.401)	(13.330.623)
Adjustments for Tax (Income) Expenses		10.913.588	9.807.096
Adjustments for Losses (Gains) Resulted from Disposal of Fixed Assets		-	(35.001)
<b>Changes in Working Capital</b>		<b>(62.641.705)</b>	<b>(57.824.626)</b>
Adjustments for decrease (increase) in trade accounts receivable	9	(4.766.199)	(6.655.769)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations	10,38	(78.050)	(14.360)
Adjustments for Stage of Completion of Construction or Service Contracts in Progress	14	(48.932.629)	(63.008.122)
Adjustments for decrease (increase) in inventories	12	(7.292.958)	(826.563)
Decrease (Increase) in Prepaid Expenses	13	(560.752)	(637.196)
Adjustments for increase (decrease) in trade accounts payable	9	137.934	8.057.532
Increase (Decrease) in Employee Benefit Liabilities	26	598.702	487.267
Adjustments for increase (decrease) in other operating payables	10,38	2.265.051	(2.061.762)
Other Increase / Decrease in Working Capital		(4.012.804)	6.834.347
<b>Cash Flows from Operating Activities</b>		<b>(7.509.617)</b>	<b>(9.156.289)</b>
Income taxes paid		(657.556)	(4.466.314)
<b>B. CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		<b>(6.026.572)</b>	<b>(8.379.383)</b>
Proceeds from sales of property, plant, equipment and intangible assets	17,18	77.095	54.151
Purchase of Property, Plant, Equipment and Intangible Assets	17,18	(985.224)	(5.809.157)
Cash Inflows from Acquisition of Investment Property		2.107.663	
Cash Outflows from Acquisition of Investment Property	16	(7.226.106)	(2.624.377)
<b>C. CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		<b>29.131.772</b>	<b>10.210.860</b>
Payments to Acquire Entity's Shares or Other Equity Instruments	28	2.870.458	(2.870.458)
Proceeds from borrowings	8	26.584.384	13.081.318
Cash Outflows Related to Debt Payments Arising from Lease Agreements	19	(323.070)	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES (A+B+C)</b>		<b>14.938.027</b>	<b>(11.791.126)</b>
<b>D. EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>		<b>14.938.027</b>	<b>(11.791.126)</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>6</b>	<b>19.556.583</b>	<b>31.347.709</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)</b>	<b>6</b>	<b>34.494.610</b>	<b>19.556.583</b>

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

# ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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

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# ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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

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### 1. GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

Orge Enerji Elektrik Taahhüt A.Ş. (“Company”) was established in 1998.

The main activity of the Company and its subsidiary (Group) is to undertake electricity contracting works of residential and business construction works.

The company was established as the name of Orge Enerji Sistemleri İnşaat Metal Ticaret ve Taahhüt A.Ş., trade name was changed and registered to Orge Enerji Elektrik Taahhüt A.Ş. at 30.06.2010.

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been quoted on the Borsa Istanbul (“BIST”) since 15.02.2012.

The Group’s head office is located at Kozyatağı Mahallesi Değirmen Sokak Nida Kule No: 18 Kat: A 34742 Kadıköy, İstanbul and there is no any branch offices.

As of 31 December 2019 average number of personnel is 562 (31 December 2018: 472). As the date of balance sheet, there are no employees in the subsidiary. The group also employs personnel through subcontractors. The average number of subcontracted personnel employed as of 31 December 2019 is 3. (31 December 2018: 18)

As of 31 December 2019, the share capital of the company is TL 50.000.000 (December 31, 2018: TL 50.000.000), the publicly listed shares are 46.18% of the total shares. Gündüz Family members are main shareholders of the company and has control in the management (Note 28).

The Company prepares consolidated financial statements since 31.03.2015.

The subsidiary is consolidated to financial statements by using fully consolidation method.

<b><u>Subsidiary</u></b>	<b><u>Nature of Business</u></b>	<b><u>Proportion of Effective Interest (%)</u></b>	<b><u>Country of Incorporation</u></b>
And İnşaat Ticaret A.Ş.	Construction Equipment	99,96	Turkey

The Group does not have any subsidiaries traded on the stock exchange.

## ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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

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## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

### A. Basis of Presentation

#### **Basis of Presentation of Consolidated Financial Statements**

The Group registered in Turkey maintains their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and Tax Legislation.

The financial statements of the Group have been prepared in accordance with the Turkish Financial Reporting Standards, (“TFRS”) and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) in line with the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board of Turkey (“CMB”) on June 13, 2013 which is published on Official Gazette numbered 28676. The financial statements are presented in accordance with “Announcement regarding with TAS Taxonomy” which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

The functional currency of the Group is determined as Turkish Lira (“TL”). Group kept books of account in TL in accordance with the Turkish Commercial Code, Turkish Commercial Code and the Uniform Chart of Accounts issued by the Ministry of Finance.

According to TFRS, the preparation of consolidated financial statements requires estimates and assumptions regarding the amounts for the assets and liabilities at the balance sheet date, explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. Although these estimates and assumptions are based on the best information held by the Group management, actual results may differ from these. The accounting policies used in the preparation of these consolidated financial statements as of December 31, 2018 are consistent with those used in the preparation of previous year’s financial statements.

The consolidated financial statements are prepared on historical cost basis, except for the financial instruments and investment properties carried at fair value.

There are no seasonal and periodic changes that will significantly affect the Group's operations.

#### **Financial Reporting in Hyperinflationary Economies**

Accordingly, TAS 29, “Financial Reporting in Hyperinflationary Economies” has not been applied in the financial statements for the accounting year commencing from January 1, 2005.

## ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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

#### 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

##### A. Basis of Presentation (cont’d)

##### Comparative information and restatement of prior year financial statements

Consolidated financial statements of the Group have been prepared comparatively with the prior year in order to give accurate trend analysis regarding financial position and performance. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassified and significant changes are disclosed where necessary.

##### **Transition to IFRS 9 “Financial instruments”**

Group has applied TFRS 9 “Financial instruments”, which has replaced TMS 39 on the transition date, 1 January 2018. The amendments include the classification and measurement of financial assets and liabilities and the expected credit risk model which will replace incurred credit risk model. Effect of transition is accounted based on the simplified approach.

In accordance with this method, Group recorded the cumulative effect related to the transition of IFRS 9 in retained earnings on the first application date. Therefore, prior year financial statements are not restated and these financial statements are presented in accordance with IAS 39.

	December 31, 2018 Revised	TFRS 9 Effect	January 1, 2019 Reported
<b>Consolidated statement of financial position</b>			
Short- term trade receivables (net)	22.585.490	(42.927)	22.542.563
Deferred tax assets	227.730	9.444	237.174
<b>Previous year profits as of January 1</b>			<b>2019</b>
<b>Previously reported</b>			32.601.265
Effect of amendments to TFRS 9 standard			(33.487)
<b>Revised</b>			<b>32.567.778</b>

##### Going Concern

The financial statements of the Company are prepared on the basis of a going concern assumption.

##### Offsetting

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
31 DECEMBER 2019**

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

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**A. Basis of Presentation (cont'd)**

**New and revised standards and comments**

The accounting policies used in the preparation of the financial statements for the period ended as of 31 December 2019 have been applied consistently with those used in the previous year except for the new and changed TFRS standards and TFRYK comments as of 1 January 2019 summarized below. The effects of these standards and interpretations on the Group's financial status and performance are explained in the related paragraphs.

**i) New standard, changes and comments effective from January 1, 2019  
TFRS 16 Leasing Transactions**

The POA issued TFRS 16 "Leasing Transactions" standard in April 2018. The new standard eliminates the distinction between operational leases and financial leases, requiring many leases for the tenant status company to be included in the balance sheet under a single model. Accounting for companies with lessor status has not changed to a great extent and the difference between operating lease and financial leasing continues. It will replace the comments on TFRS 16, TAS 17 and TAS 17, and is valid for annual periods beginning on or after January 1, 2019.

Tenants have the exception of not applying this standard to short-term leases (leases with a rental period of 12 months and less) or to leases where the underlying asset is of low value (eg personal computers, some office equipment, etc.). On the date that the lease actually starts, the tenant measures the lease obligation at the present value of the lease payments that were not paid at that time (the lease obligation) and subordinates the lease for the duration of the lease, by recording the relevant right of use as of the same date. Rent payments are discounted using this rate if the implicit interest rate in the lease can be easily determined. If the tenant cannot easily determine this rate, the tenant uses the alternative borrowing interest rate. The tenant must record the interest expense on the lease obligation and the depreciation expense of the right to use asset separately.

The tenant re-measures the lease obligation if certain events occur (for example, changes in lease duration, forward lease payments due to changes in a particular index or rate, etc.). In this case, the tenant records the reassignment effect of the lease obligation as a correction on the right to use.

The effects of this change on the financial position and performance of the Group are explained in section 2C.

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

In December 2017, POA issued its amendments to TAS 28 Investments in Associates and Joint Ventures. These changes clarify for companies that apply TFRS 9 Financing Tools for long-term investments in the subsidiary or joint venture, which is part of the net investment in the subsidiary or joint venture.

TFRS 9 Financial Instruments does not include investments in subsidiaries and joint ventures accounted for in accordance with IAS 28 Investments in Associates and Joint Ventures. With this amendment, the POA clarifies that TFRS 9 excludes investments that are accounted only by the company's equity method. The entity applies TFRS 9 to other investments in its subsidiaries and business partnerships, including long-term investments that are not part of the net investment in its subsidiaries and joint ventures, which it does not recognize according to the equity method.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
31 DECEMBER 2019**

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

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**A. Basis of Presentation (cont'd)**

**New and revised standards and comments (cont'd)**

**TFRYK 23 Uncertainties Regarding Income Tax Applications**

The comment clarifies how the accounting and measurement requirements in "IAS 12 Income Taxes" will be applied if there are uncertainties regarding income tax treatments.

If there is uncertainty about income tax treatments, the interpretation is:

- (a) whether the entity evaluates uncertain tax treatments separately;
- (b) the entity's assumptions about tax treatment by tax authorities;
- (c) how the entity determines its taxable profit (tax loss), tax base, unused tax losses, unused tax deductions and tax rates; and
- (d) addresses how the business evaluates changes in information and conditions.

The interpretation is applied for annual accounting periods starting on January 1, 2019 and after. This comment did not have an impact on the financial position or performance of the Group.

**Annual improvements 2015-2017**

Effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

- IFRS 3, 'Business combinations'; – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements'; – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes'; – a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs'; – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

-Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'; effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
31 DECEMBER 2019**

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

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont’d)**

**A. Basis of Presentation (cont’d)**

**New and revised standards and comments (cont’d)**

**Amendment, Curtailment or Settlement of the Plan (TAS 19 Amendments)**

In January 2019, POA published the “Amendments, Curtailment or Settlement” to TAS 19 changes. These amendments require an entity to:

- Use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- Recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The Company is in the process of assessing the impact of the standard on its financial position and performance.

The amendment is applied for annual periods beginning on or after January 1, 2019.

**Negative Indemnity Early Payment Features (TFRS 9 Changes)**

TFRS 9 issued minor changes in Financial Instruments so that some early payable financial assets can be measured at amortized cost.

The entity applying TFRS 9 measures the early payable financial asset as the fair value change reflected as profit or loss. In case certain conditions are met by applying the changes, businesses can measure early repayable financial assets with negative compensation at their amortized cost.

The amendment is applied for annual periods beginning on or after January 1, 2019. The amendments will not have an impact on the financial position or performance of the Group.

**ii) Standards published as of 31 December 2019 but not enforced and not implemented early**

The new standards, comments and amendments that have been published as of the date of approval of the financial statements but have not yet entered into force for the current reporting period and have not started to be applied early by the Company are as follows. Unless otherwise specified, the company will make the necessary changes that will affect the financial statements and footnotes after the new standards and interpretations become effective.

**TFRS 10 and TAS 28: Asset Sales or Contributions of the Investor Enterprise to the Associate or Joint Venture – Amendment**

The POA postponed the validity date of the amendments made in TFRS 10 and TAS 28 in December 2017 indefinitely, depending on the ongoing research project outputs related to the equity method. However, it still allows early implementation. The company will evaluate the effects of these changes after the said standards become final.

**TFRS 17 - New Insurance Contracts Standard**

In February 2019, POA issued TFRS 17, a comprehensive new accounting standard for insurance contracts that covers accounting and measurement, presentation and disclosure. TFRS 17 brings a model that provides both measurement of liabilities arising from insurance contracts with current balance sheet values and accounting for profit during the period when services are provided. TFRS 17 will be applied for annual accounting periods beginning on or after January 1, 2021. Early application is allowed. It does not apply to the Standard Group and will not have an impact on the financial position or performance of the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
31 DECEMBER 2019**

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

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont’d)**

**A. Basis of Presentation (cont’d)**

**New and revised standards and comments (cont’d)**

**Identification of the business (IFRS 3 Changes)**

In May 2019, POA published amendments regarding the definition of business in IFRS 3 'Business Combinations'. The purpose of this change helps to determine whether an entity will be accounted for as a business combination or as an asset acquisition.

The changes are as follows:

- Clarification of minimum requirements for the enterprise;
- Elimination of the assessment of market participants in completing the missing items;
- Add implementation guide to help businesses assess whether the acquisition process is important;
- To limit the definitions of the business and outputs; and

To publish an optional fair value concentration test.

The amendment will be applied for annual periods beginning on or after January 1, 2020. Early application is allowed. The Group is evaluating the effects of the change on its financial position and performance.

**Definition of Materiality (IAS 1 and IAS 8 Changes)**

In June 2019, the POA made amendments to the “Presentation of IAS 1 Financial Statements” and “IAS 8 Accounting Policies, Changes and Errors in Accounting Estimates”. The purpose of these changes is to harmonize the definition of “materiality” between standards and clarify certain parts of the definition. According to the new definition, information is important if it can be assumed that financial statements may affect the decisions made by primary users based on these statements if the information is stored, inaccurate or not provided. The changes explain that the importance of the information will depend on the nature, size, or both. Companies are obliged to evaluate the materiality of the impact on the financial statements when information is used alone or in combination with other information.

The amendment will be applied for annual periods beginning on or after January 1, 2020. Early application is allowed. The Group is evaluating the effects of the change on its financial position and performance.

**Changes in IFRS 9, IAS 39 and IFRS 7 - Indicator Interest Rate Reform**

Facilitating implementations were provided in IFRS 9 and IAS 39 regarding indicator interest rate reform in the annual reporting periods starting on or after 1 January 2020. These applications are related to hedge accounting and are briefly

- The provision regarding the high probability of transactions,
- Forward-looking evaluations,
- retrospective evaluations and
- They are separately identifiable risk components.

The exemptions applied to the amendment to IFRS 9 and IAS 39 are intended to be disclosed in the financial statements in accordance with the regulation in IFRS 7.

## ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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

#### 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont’d)

##### A. Basis of Presentation (cont’d)

##### New and revised standards and comments (cont’d)

##### iii) New and revised standards and interpretations published by the International Accounting Standards Authority (“IASB”) as of 31 December 2019 but not published by the POA:

On January 23, 2020, IASB made amendments to the “Presentation of IAS 1 Financial Statements” standard. These amendments, which are effective for annual reporting periods beginning on or after 1 January 2022, provide explanations to the criteria for the long and short term classification of liabilities. The changes should be applied retrospectively in accordance with IAS 8 “Accounting Policies, Changes and Errors in Accounting Estimates”. Early application is allowed. The effects of this change on the financial position and performance of the Group are evaluated.

##### Consolidation principles

##### Subsidiaries

Subsidiaries are companies over which the parent company controls the financial and operating policies for the benefit of the parent company, either through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or although not having the power to exercise more than 50% of the voting rights, otherwise having the power to exercise control over the financial and operating policies. Subsidiary that shown in Note 1 is consolidated to the financial statements by using fully consolidation method.

##### Subsidiary: And İnşaat Ticaret A.Ş.

The Company acquired the 98% of the shares representing the capital of And İnşaat Ticaret A.Ş. (Subsidiary Company) in 2010. In consequence of the capital increase dated 03.03.2014, the acquisition rate increased from 98% to 99.96%. Because of the 99.96% of its shares on subsidiary, parent company has the 99.96% of voting rights in the general assemblies of the aforementioned subsidiary company.

The main activity of And İnşaat Ticaret A.Ş. is to make, to carry out, to provide and to establish surveying, feasibility, plan, project, construction, facility, installation, decoration, public services opening works for all industrial and public services and all infrastructure services, including mainly residences and offices, construction, industrial buildings, factories, tourist facilities, social buildings, educational facilities, trade centers on its own behalf as contracting services, or on behalf of another private or legal person and state and public economic enterprises.

Subsidiary is located at Kozyatağı Mahallesi Değirmen Sokak Nida Kule No: 18 Kat A 34742 Kadıköy, İstanbul. Subsidiary has no operations as of the balance sheet date.

As of 31 December 2018, effective interests of parent company and subsidiary.

<u>Subsidiary</u>	<u>Capital</u>	<u>Capital of Acquired (TL)</u>	<u>Effective Interest (%)</u>
And İnşaat Ticaret A.Ş.	250.000	249.900	99,96

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
31 DECEMBER 2019**

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

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**A. Basis of Presentation (cont'd)**

**Basis of consolidation**

The portion of the net profit or loss from the consolidated subsidiary which corresponds to the shares out of the subsidiary subject to the consolidation method is presented in the net console as the "Non-controlling interest" account group.

All intra-group transactions and balances including intra-group unrealized profits and losses are eliminated.

- The paid-up capital of the consolidated financial statements is the Company's paid-up capital; there is no paid-up capital of the subsidiary.

- Non-controlling interest in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. Non-controlling interest consists of the amount of those interests at the date of the original acquisition and the minority's share of changes in equity since the date of the acquisition.

The accounting policies of the subsidiary have been adjusted when necessary to align them with the policies adopted by the Group.

**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**B. Changes in accounting policy**

**- TFRS 16 Leases**

The Group applied TFRS 16 on January 1, 2019, the first application date. As a result, the Group has changed its accounting policy for lease agreements as follows.

Since the Group made use of all facilitating provisions in the first pass, it has applied a partial retrospective approach, resulting in the existence of the right to use and lease debt equal. Accordingly, the comparative information presented in the scope of TAS 17 and related comments for 2018 has not been rearranged. Details of changes in accounting policies are described below.

**Identification of the lease**

Previously, the Group has determined at the beginning of the contract whether a contract includes a lease in accordance with TFRS Comment 4 "Determining Whether an Agreement Contains a Lease". In accordance with TFRS 16, the Group evaluates whether a contract is a lease based on a lease definition. According to TFRS 16, a contract is a lease contract if it has the right to be checked for a period of time in relation to the use of a particular asset.

In the transition to TFRS 16, the Group chose to apply without reassessing whether or not it meets the definition of rental by using the facilitating application of the contracts, which were formerly known as leasing, regarding the classification of the transactions as leasing. Therefore, it applied TFRS 16 only to contracts previously described as lease contracts. According to TAS 17 and TFRS Comment 4, it is not reassessed whether contracts that do not include a lease include a lease. For this reason, the definition of leasing under TFRS 16 has been applied only to contracts concluded or amended on or after 1 January 2019.

**As a Lessee**

The group rents offices, warehouses and vehicles.

As a lessee, the Group has now classified its operating rights and lease liabilities for most of its leases, in accordance with TFRS 16, although the Group has previously been classified as an operating or financial lease based on an assessment of whether the lease has been transferred to the full range of risks and benefits arising from ownership of the asset. In other words, these leases are presented in the statement of financial position.

## ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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

#### 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### B. Changes in accounting policy (cont'd)

The Group has presented the leases within the right to use assets. The carrying values of the right of use assets are as follows.

	<b>Right of Use Assets</b>	
	<b>Building and Vehicles</b>	<b>Total</b>
Balance as of January 1, 2019	911.544	911.544
Balance as of December 31, 2019	323.070	323.070

The Group has reflected a right of use and a lease obligation in its financial statements at the date when the lease actually started. The right to use asset is initially calculated at cost and subsequently accumulated depreciation and impairment losses are deducted and adjusted for remeasurement of the lease obligation.

The lease obligation is measured at the present value of the lease payments that were not paid at that date, at the time the lease actually started. Lease payments are discounted by using the Group's alternative borrowing interest rate, if the interest rate implicit in the lease can be easily determined. In general, the Group used the alternative borrowing interest rate as its discount rate.

Lease debt later increases with the interest cost in the lease debt and decreases with the lease payment made. In case there is a change in these payments as a result of an index or rate used in determining the future lease payments, and in the event that there is a change in the amounts expected to be paid within the scope of the residual value commitment, the Group evaluates the renewal, termination and cancellation options.

##### Transition

During the transition, the lease debts were measured at the present value of the lease payments that were not paid at that time, and the Company was discounted using alternative borrowing interest rates as of January 1, 2019. The right of use assets are accounted for at an amount equal to the lease obligation which is reflected in the statement of financial condition before the first application date, has been pre-paid or corrected according to the amount of all lease payments accrued.

The Group used the following facilitating practices when applying TFRS 16 for leases previously classified as operating leases under TAS 17.

- Applied a single discount rate to a rental portfolio with similar characteristics.
- As of January 1, 2019, the lease has a short term lease exemption to account for the right of use assets and liabilities for leases with less than 12 months of lease termination.
- When measuring the existence right of use at the first application date, initial direct costs are not included.
- For contracts that include options to extend or terminate rentals, the Group has used past experience in determining the rental period.

For leases classified as financial leasing pursuant to TAS 17, the book value of the right to use asset and lease obligation on 1 January 2019 is determined based on the leased asset in accordance with TAS 17 and the carrying amount of the lease obligation just before TFRS 16 is put into practice.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
31 DECEMBER 2019**

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

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**C. Changes in Accounting Estimates and Errors**

Effect of changes in accounting estimates, if it is only related to one period, is recognized in the period that the change is made, if it is related with the future periods, is recognized in the current period and also in future periods, prospectively. There is no significant change in accounting estimates of the Group during the current period. When the presentation or classification of financial statements is changed, prior period's financial statements are also reclassified in line with the related changes in order to sustain consistency and all significant changes are explained.

**D. Summary of Significant Accounting Policies**

**Revenue and Income**

Revenue are measured on fair value of amount will be or have been charged. Estimated customer returns, rebates and provisions are deducted from the amount.

Sale of goods;

Proceeds from the sale of goods, is recognized when all the following conditions are met:

- Group all the significant risks and rewards of ownership are transferred to the buyer
- The Group's and the continuing managerial involvement usually associated with ownership and effective control over the goods sold are the lack of
- The amount of revenue can be measured reliably
- The economic benefits associated with the transaction will flow to the entity being possible, and transaction costs incurred or to be incurred in a reliable way of measuring.

Rendering of services;

Revenue is recognized by reference to the stage of completion.

**Construction contract activities**

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs.

Revenue arising from cost plus fee contracts is recognized on the basis of costs incurred plus a percentage of the contract fee earned during the year.

Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs and depreciation costs.

Selling, general and administrative expenses are charged to the consolidated statement of profit or loss as incurred. Provisions for estimated losses on uncompleted contracts are made in full, in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined. Profit incentives are included in revenues when their realization is reasonably assured.

**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**D. Summary of Significant Accounting Policies (cont'd)**

**Interest income**

Interest income and expenses are recognized in the consolidated statement of profit or loss on an accrual basis taking into account the effective yield on the asset.

**Inventories:**

Inventories are valued according to cost or new realizable values whichever is lower. Costs which include fixed or variable general production expenses are valued according to method which is suitable with the inventories' belonged class and weighted average method. Net realizable value is achieved by deducting approximate completion cost and total costs for selling from sales value of trade activity.

Group uses 'First in First out' method to calculate cost of inventories.

**Tangible Assets**

Physical assets which is held and estimated to be used more than a period of time by the Group, for the purpose of producing goods and services or for administrative purposes are expressed with their cost values within the scope of cost model.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the consolidated statements of profit or loss during the financial period in which they are incurred. The costs of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Leasehold improvements consist of expenditures made to rented property. Leasehold improvements are amortised during the lease term in case the useful life is longer than the lease term. Furthermore leasehold improvements are amortised over their useful lives in case the useful life is shorter than the lease term.

As the similar depreciation method used for other fixed assets, depreciation of such assets begins when they are available for use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. Expected useful life, residual value and depreciation method are reviewed each year for the possible effects of changes in estimates, and they are recognized prospectively if there are any changes in estimates. (Note 16).

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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#### 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### D. Summary of Significant Accounting Policies (cont'd)

###### *Cost Method*

Tangible fixed assets reported at cost less accumulated depreciation and accumulated impairment losses, on the same basis.

Rental or administrative purposes, or for purposes not yet determined the course of construction assets are carried at cost less any recognized impairment loss. The cost of legal fees are also included. Such assets, the depreciation method used for other fixed assets, as well as when they are ready for use are depreciated. Land and construction in progress, except for the cost of tangible fixed assets to their estimated useful lives are amortized using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year for the possible effects of changes in estimates if a change in estimate being accounted for on a prospective basis.

Disposal of tangible fixed assets of the asset, or a gain or loss arising on the difference between the sales proceeds and the carrying amount of the asset is included in the income statement is determined.

##### **Intangible Assets**

###### *Intangible Assets Acquired*

Intangible assets acquired separately are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Estimated useful life and amortization method are reviewed at the end of each year and the effect of any change in the estimate is accounted for on a prospective basis.

###### *Computer Software*

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

###### *Derecognition of intangible assets*

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the differences between the net disposal proceeds and the carrying amount of the asset. The difference is recognized in the statement of profit or loss when the asset is derecognized.

##### **Investment Properties**

Investment property comprises the properties held in order to acquire lease and/or value increment earning and is indicated with the cost value and other transaction costs involved. Investment properties are accounted for using the fair value model at the financial statements.

In case investment property is sold or becomes useless and is determined that it would not provide any economic benefit in the future it may be derecognized. Profit/Loss resulted from the end of usage period or sale of any investment property is included in the income statement in the period is generated.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**D. Summary of Significant Accounting Policies (cont'd)**

*Fair Value Method*

Group operations after the initial recognition, the fair value method chosen and the fair value of investment property was measured by the method (Note 15).

The fair value of investment property gain or loss arising from the change in profit or loss in the period they occur are included.

Transfers, there is a change in use of the investment property is made. Fair value based on the monitored investment property, the owner, used by real estate class made a transfer, the transfer made after accounting treatment deemed cost at the aforementioned property's use shape change at the dates the fair value is. The owner used by a property's fair value basis to display an investment property if it converts , business , change in use occurred up to the date "Tangible Assets" in the accounting policy applies .

Real estate is located in the Group's own use of tangible fixed assets have been reclassified.

**Right of use asset**

At the commencement date, the Group shall measure the right-of-use asset at cost. The cost of the right-of-use asset shall comprise:

- a) The amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received;
- c) Any initial direct costs incurred by the Group
- d) An estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

To apply a cost model, the Group shall measure the right-of-use asset at cost:

- a) Less any accumulated depreciation and any accumulated impairment losses and
- b) Adjusted for any remeasurement of the lease liability

The Group shall apply the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating the right-of-use asset.

The Group shall apply TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

**Lease liability**

At the commencement date, the Group shall measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined incremental borrowing interest rate shall be used for discounting.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
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*(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)*

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**D. Summary of Significant Accounting Policies (cont'd)**

**Lease liability (cont'd)**

- a) Fixed payments, less any lease incentives receivable;
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or Rate as at the commencement date
- c) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company shall measure the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability;
- b) Reducing the carrying amount to reflect the lease payments made; and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

**Impairment of Assets**

Assets that have an indefinite useful life are not subject to amortization of goodwill. These assets are tested for impairment annually. The carrying value of assets subject to amortization may not be recoverable in the event of a situation or events are reviewed for impairment. If the carrying amount exceeds the recoverable amount of the asset is recognized for the impairment. The recoverable amount is fair value less costs to sell or value in use is the one obtained. For purposes of assessing impairment, assets are grouped at the lowest level of identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting.

**Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, one that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset in the period in which the asset is prepared for its intended use or sale. Borrowing costs that are not in this scope are recognized directly in the income statement. Borrowing costs are recognized directly in the income statement.

**Related Parties**

Related parties of the Group's shareholding, contractual rights, the opposite side of the family relationship or otherwise, directly or indirectly, control or significantly influence the team includes a. The accompanying consolidated financial statements of the Group companies are owned by shareholders and the shareholders of which are known to be associated with key management personnel and other companies are defined as related parties

Presence of one of the following criteria, are considered related party to the Group:

i) Use directly, or indirectly through one or more intermediaries:

- Controls the Group, or is controlled by the Group
- Is under common control with the Group (parent, subsidiaries and fellow subsidiaries, including the same);
- Has an interest in the Group that gives it significant influence over, or has joint control over the Group;

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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#### 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

##### D. Summary of Significant Accounting Policies (cont'd)

###### Related Parties (cont'd)

ii) the party is an associate of the Group;

iii) the party is a joint venture of the Group is a venturer;

iv) the party is a member of the key management personnel of the Group or its parent;

v) the (i) or (iv) above, any individual is a close family member. vi) the entity that is controlled, jointly controlled or significantly influenced by, or (iv) or

(v) directly or indirectly, any individual referred to in Articles important to have an entity that is entitled to vote, or vii) the party is an entity that is a related party of the company or for the benefit of employees of the entity must have plans.

Related party transactions between related parties, resources, services or obligations, regardless of whether a price is charged to transfer.

###### Financial Assets

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

“Financial assets carried at amortized cost”, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. The Group’s financial assets carried at amortized cost comprise “trade receivables” and “cash and cash equivalents” in the statement of financial position. The aforementioned assets are initially measured at fair values and measured at amortized cost using the effective interest rate method in subsequent reporting. Gains and losses resulting from the valuation of non-derivative financial assets measured at amortized cost are recognized in the income statement.

“Financial assets carried at fair value through profit or loss”, they consist of financial assets that are measured at amortized cost and whose fair value changes are reflected in other comprehensive income. Gains and losses arising from the valuation of such assets are recognized in the income statement.

“Financial assets carried at fair value through other comprehensive income”, are the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Gains or losses on the related financial assets are recognized in other comprehensive income, except for impairment losses or gains or losses. If the assets whose fair value difference is recognised under consolidated other comprehensive income statement are sold, valuation differences classified under consolidated other comprehensive income statement are classified under “Retained Earnings/(Losses)”.

At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument. If an entity makes the election, it shall recognise in profit or loss dividends from that investment.

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**D. Summary of Significant Accounting Policies (cont'd)**

**Impairment of financial assets**

Financial assets at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets measured at amortised cost is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

**Impairment of financial assets**

- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; and
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

**Cash and cash equivalents**

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

**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**D. Summary of Significant Accounting Policies (cont'd)**

**Financial liabilities**

Financial liabilities and equity instruments issued by the Group is classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The accounting policies adopted for specific financial liabilities and equity instruments are set out below financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

*Financial liabilities at fair value through profit and loss*

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability

**Financial liabilities**

*Other financial liabilities*

Other financial liabilities, including financial liabilities, are initially accounted for at fair value net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on an effective yield basis.

The effective interest method calculates the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

*Trade Payables*

Trade payables are payments to be made arising from the purchase of goods and services from suppliers within the ordinary course of business. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. (Note 9)

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**2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

**D. Summary of Significant Accounting Policies (cont'd)**

**Effects of Changes in Foreign Exchange**

The individual financial statements of each Group entity operates in the currency of the primary economic environment (functional currency) are presented. Each company's financial condition and results of operations of the Company, which is the functional currency and the presentation currency for the consolidated financial statements are expressed in TL.

During the preparation of the financial statements of the individual entities, denominated in foreign currencies (currencies other than TL) from the transactions, foreign exchange rates prevailing at the transaction date are recorded at. In the balance sheet foreign currency denominated monetary assets and liabilities using the exchange rates prevailing at the balance sheet date are translated into TL. Followed by the fair value of nonmonetary items denominated in foreign currencies which are those recorded at fair value as determined by rates prevailing on the date are retranslated. Measured in terms of historical cost in a foreign currency non-monetary items, are not retranslated.

Exchange differences, except as specified below, are recognized in profit or loss in the period in which they occur:

- Assets under construction for future productive use, which are associated with and on foreign currency borrowings are regarded as an adjustment to interest costs and the cost of such assets are included in the exchange rate differences,
- Risks arising from foreign currency (providing financial protection against risks related to the accounting policies described below) to provide financial protection against exchange differences arising from the operation,

In overseas activities of the net investment, forming part accounted in translation reserves and net investment in sales profit or loss associated with the unpaid intention or unlikely overseas operations arising from the monetary receivables and payables arising from exchange rate differences.

**Earnings per share**

Earnings per share presented in the consolidated statements of profit or loss are determined by dividing consolidated net income attributable to that class of shares by the weighted average number of such shares outstanding during the year concerned.

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

Shareholders have equal rights on the shares and there is no preferred share (Note 34).

**Events after the Reporting Period**

Events after the reporting period, the balance date and the date of approval of the financial statements to be published, in favor or against the Group refers to events that occur. According to perform smoothing, two types of situations can be identified:

- Events that require adjustment after the reporting period, the balance sheet date of the relevant facts showing there is evidence that the conditions of the situation,
- Related events that occur after the reporting period showing improvements (non-adjusting events after the reporting period)

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### D. Summary of Significant Accounting Policies (cont'd)

#### Events after the Reporting Period (cont'd)

The accompanying financial statements of the Group in the reporting period, adjusting subsequent events have been registered and non-adjusting events after the reporting period are shown in the notes (Note 37).

#### Provisions, Contingent Liabilities and Contingent Assets

##### *Provisions*

There is a present legal or constructive obligation as a result of past events, and resources embodying economic benefits to settle the obligation and it is probable that they kept the company is expected to have a safe manner in the event of liability should be recognized in the consolidated financial statements. The provisions of the expenditure required to settle the obligation at the balance sheet date, with the most realistic estimates calculated by the Company's management and are discounted to present value where the effect is material.

##### *Contingent Liabilities*

Obligations under this group, within the control of the entity arising from past events, and the presence of one or more uncertain future events on the realization of the non-existence will be confirmed as the assessed liabilities. Contingent liabilities are not included in the consolidated financial statements. Because, to settle the obligation, have the possibility of an outflow of resources embodying economic benefits or the amount of obligation cannot be measured with sufficient reliability. Too far from the entity of resources embodying economic benefits likely to come out, unless the notes to the consolidated financial statements show that conditional obligations (Note 19).

##### *Contingent Assets*

The Group within the control of the entity arising from past events, and the presence of one or more uncertain events, which will be confirmed by the realization of assets, is considered as a contingent asset. If an inflow of resources embodying economic benefits is not certain contingent assets described in the notes to the consolidated financial statements.

All of the economic benefits required to settle a provision are expected to be part of the cases, which shall be collected by third parties, it is virtually certain that reimbursement will be received and the amount of the event can be measured reliably, are recognized and reported as an asset.

#### Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions (Note 22).

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets, or alternatively netted off with the cost of related asset.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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## 2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

### D. Summary of Significant Accounting Policies (cont'd)

#### **Current and Deferred Income Tax**

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity (Note 33).

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries of the Company operate.

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

The principal temporary differences arise from the carrying values of property, plant and equipment and available for-sale-investments and their historical costs, various provisions and unused tax allowances and exemptions.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

#### **Employment Termination Benefits**

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise (Note 20).

#### **Reporting of Cash Flows**

The Group's net assets, financial structure, and the ability to affect the amounts and timing of cash flows, financial statement users to provide information about the cash flow statement holds. Cash flow statement, cash flows from operating, investing and financing activities are classified. Cash flows from operating activities, cash flows from operating activities of the Group. From investing activities Cash flows from investing activities (fixed asset investments and financial investments) and the cash flows. Cash flows related to financing activities, the resources used in financing activities of the Group and repayments. Cash and cash equivalents include cash, bank deposits and investments that are readily convertible into cash at short-term, highly liquid investments with original maturities of three months or less.

#### **Capital and Dividends**

Ordinary shares are classified as owner's equity. Dividends books after deducted from accumulated profit



## **ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY**

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

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#### **2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (cont'd)**

##### **E. Significant Accounting Estimates**

The preparation of consolidated financial statements requires management to affect the reported amounts of assets and liabilities in the balance sheet at the date of the possible liabilities and commitments and the amounts of revenue and expenses during the reporting period required to make certain assumptions and estimates. These estimates and assumptions are based on management's best knowledge of current events and transactions despite the actual results may vary. Estimates are revised regularly and any necessary corrections are made and are reflected in the income statement in the periods. Critical judgments in applying the Group's accounting policies Summary of Significant Accounting Policies in the process of applying the accounting policies specified in management, with a significant impact on the amounts recognized in the financial statements (other than the estimates discussed below) made the following comments:

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

Estimates have been used within the scope of IAS 15 "Construction Contracts" when the total cost of the project and project profitability are determined.

- a) A deferred tax asset is recognized only to the extent that it is probable that a tax benefit will be realized in the future. If it is probable that a tax benefit will be realized, a deferred tax asset is recognized on unused tax losses, unused tax credits and other deductible temporary differences. As at 31 December 2018 with the expectation to recover certain part of its tax losses carried forward, the Group has recognized deferred tax assets on statutory tax losses available for offsetting with future statutory taxable profits.
- b) Severance pay provision calculates under actuarial estimations (discount rate, future salary increases and employee leave rate)
- c) Doubtful receivable provisions reflects future loss of possible uncollectible receivable amounts as at balance sheet date. While the determination impairment of receivables, past performance of third party receivables, market credibility's and performances from balance sheet date until the confirmation of financial statements taking into consideration.
- d) Inventory impairment calculates by using list price after discounts. Sales price imponderable inventories evaluated by determining of waiting time of inventories, physical conditions and technical staff opinion. Provision made if net realizable value under the cost value.
- e) While the determination provision for lawsuits, Group's legal advisors and Group Management's opinions regarding possibility of lose lawsuits and liabilities in case of lose took into consodiration. Group Management determines lawsuit provision according to best estimations.

#### **3. BUSINESS COMBINATIONS**

None. (31.12.2018: None).

#### **4. INTEREST IN OTHER ENTITIES**

None. (31.12.2018: None).

## ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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#### 5. SEGMENT REPORTING

Financial performances are not followed separately by the Financial Management. Hence, the Group is not reporting according to the departments of activity.

#### 6. CASH AND CASH EQUIVALENTS

	<u>31.12.2019</u>	<u>31.12.2018</u>
Cash in hand	12.444	20.054
Cash at banks		
- Demand deposits	5.916.350	857.063
- Time deposits (with maturities of three months or less)	28.565.816	18.679.466
Total	<u>34.494.610</u>	<u>19.556.583</u>

The maturity breakdown deposits are as of December 31, 2019 and December 31, 2018 as follows;

As of 31.12.2019 and 31.12.2018, the time deposit details are as follows:

<u>Currency type</u>	<u>Interest Rate</u>		<u>31.12.2019</u>	<u>Interest Rate</u>		<u>31.12.2018</u>
	<u>(%)</u>	<u>Maturity Date</u>		<u>(%)</u>	<u>Maturity Date</u>	
TL	2,65-11,00	02.01.2020	13.464.359	22,96	08.01.2019	2.831.192
USD	1,75-2,40	17.01.2020	9.235.139	4,7	16.01.2019	9.813.111
EUR	0,30-0,67	13.01.2020	5.866.318	2,41	22.01.2019	6.035.163
Total			<u>28.565.816</u>			<u>18.679.466</u>

As of December 31, 2019 there is no blockage on deposits (31.12.2018: None).

Foreign currency distribution of deposit accounts is as follows:

	<u>31.12.2019</u>	<u>31.12.2018</u>
TL	16.579.338	3.657.531
USD	9.247.521	9.832.234
EURO	8.655.307	6.046.764
Total	<u>34.482.166</u>	<u>19.536.529</u>

Cash and cash equivalents in cash flow statement as of December 31, 2019 and December 31, 2018 as follows:

	<u>31.12.2019</u>	<u>31.12.2018</u>
Cash and Cash Equivalents	34.494.610	19.556.583
Interest accrual (-)	(17.686)	(64.472)
Total	<u>34.476.924</u>	<u>19.492.111</u>

#### 7. FINANCIAL INVESTMENTS

None. (31.12.2018: None).

**ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY**

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**8. FINANCIAL LIABILITIES**

	<u>31.12.2019</u>	<u>31.12.2018</u>
a) Bank Loans	43.565.893	17.081.930
b) Liabilities from Operating Leases	325.273	-
c) Credit Cards	912.456	1.137.308
Total	<u>44.803.622</u>	<u>18.219.238</u>

a) Banka Kredileri:

31.12.2019

<u>Currency</u>	<u>Effective Interest Rate (%)</u>	<u>Short-term</u>		<u>Long-term</u>
		<u>Short-term</u>	<u>portion of long-term loans</u>	
TL	10,9 -26,00	27.684.678	8.062.111	7.819.104
Total		<u>27.684.678</u>	<u>8.062.111</u>	<u>7.819.104</u>

31.12.2018

<u>Currency</u>	<u>Effective Interest Rate (%)</u>	<u>Short-term</u>		<u>Long-term</u>
		<u>Short-term</u>	<u>portion of long-term loans</u>	
TL	14,61- 32,63	-	13.080.842	4.001.088
Total		<u>-</u>	<u>13.080.842</u>	<u>4.001.088</u>

	<u>31.12.2019</u>	<u>31.12.2018</u>
Less than 1 year	35.746.789	13.080.842
1 - 2 years	6.071.068	3.190.815
2 – 3 years	1.748.036	804.082
3 – 4 years	-	6.191
Total	<u>43.565.893</u>	<u>17.081.930</u>

b) Payables From Operating Leases:

<u>Payables From Leasing</u>	<u>31.12.2019</u>	
	<u>Minimum Rent Payments</u>	<u>Present Value of Minimum Payments</u>
Less than 1 year	137.568	111.197
1 - 5 Years	219.549	214.076
Present Value of the Lease Obligation	<u>357.117</u>	<u>325.273</u>

31.12.2018 : None.

## ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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#### 9. TRADE RECEIVABLES AND PAYABLES

##### a) Trade Receivables:

Details of Group's trade receivables as of balance sheet date:

<b><u>Short-term trade receivables</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Trade receivables	25.100.746	14.240.283
Notes receivables	1.963.973	8.590.267
Unearned credit finance income (-)	(51.758)	(245.060)
Doubtful receivables (*)	1.091.162	1.015.427
Provision for doubtful receivables (-)	(1.091.162)	(1.015.427)
Total	<u>27.012.961</u>	<u>22.585.490</u>

As of 31 December 2019, the weighted average of interest rates are % 10,67, % 1,833 and %0 used to calculate unearned finance expense for short-term trade receivables in terms of TL, USD and EUR and weighted average maturity is approximately 2 months. (31.12.2018: TL 21,18%, USD 4,71%, Euro 2,87% and 2 months)

<b><u>(*)Trade and Notes Receivables</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
1-3 Months	26.680.819	22.333.496
3-6 Months	383.900	497.054
Total	<u>27.064.719</u>	<u>22.830.550</u>

As of 31 December 2019, amount of TL 1.091.162 TL (2018: 1.015.427 TL) of trade receivables are doubtful receivables. Doubtful receivables consist of uncollected receivables which are due from completed projects. During this period, 75.735 TL doubtful receivable provision is provided.

The movements of provision for doubtful receivables are as follows:

<b><u>Doubtful receivables</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
As of January 1	1.015.427	1.015.427
Period Charge	75.735	-
As of December 31	<u>1.091.162</u>	<u>1.015.427</u>

##### **Long-term trade receivables**

None (31.12.2018: None).

##### b) Short-term Trade Payables:

Details of Group's trade payables as of balance sheet date:

<b><u>Short-term Trade Payables</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Trade payables	6.579.470	11.422.074
Notes payables	11.232.512	6.784.004
Unearned credit finance charges (-)	(177.786)	(286.970)
Total	<u>17.634.196</u>	<u>17.919.108</u>

As of December 31, 2019 the weighted average of interest rates are 10,67%, 1,833% and 0% used to calculate unearned finance expense for short-term trade payables in terms of TL, USD and EUR and weighted average maturity is approximately 55 days. (31.12.2018: TL 21,18%, USD 3,69%, Euro 4,71% and 55 days)

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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### 9. TRADE RECEIVABLES AND PAYABLES (Cont'd)

<b><u>(*)Trade and Notes Payables</u></b>	<u>31.12.2019</u>	<u>31.12.2018</u>
1-3 Months	16.845.191	17.983.487
3-6 Months	966.791	222.591
Total	<u>17.811.982</u>	<u>18.206.078</u>

### **Long-term Trade Payables**

None (31.12.2018: None).

### 10. OTHER RECEIVABLES AND PAYABLES

<b><u>Other short-term receivables</u></b>	<u>31.12.2019</u>	<u>31.12.2018</u>
Due from tax authorities	80.342	80.342
Total	<u>80.342</u>	<u>80.342</u>

Due to related parties (Note 38)	40.000	-
Total	<u>120.342</u>	<u>80.342</u>

<b><u>Other long-term receivables</u></b>	<u>31.12.2019</u>	<u>31.12.2018</u>
Deposits and Guarantees Given	42.444	4.394
Total	<u>42.444</u>	<u>4.394</u>

<b><u>Other short-term payables</u></b>	<u>31.12.2019</u>	<u>31.12.2018</u>
Other Miscellaneous Payables	65.036	174.809
Taxes and Funds Payable	410.565	243.672
Other Liabilities to be Paid	2.245.402	39.521
Total	<u>2.721.003</u>	<u>458.002</u>

Due to related parties (Note 38)	19.155	17.105
Total	<u>2.740.158</u>	<u>475.107</u>

### **Other long-term payables**

None. (31.12.2018: None).

### 11. DERIVATIVE INSTRUMENTS

None. (31.12.2018: None).

### 12. INVENTORIES

	<u>31.12.2019</u>	<u>31.12.2018</u>
Raw materials and Supplies	10.413.247	3.120.289
Total	<u>10.413.247</u>	<u>3.120.289</u>

As of the balance sheet date, the Group does not have any stocks with a net realizable value less than its cost. (31.12.2018: None ).

Group does not have any pledged inventory in return for loans as at December 31, 2019 (31.12.2018: None).

# ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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### 13. PREPAID EXPENSES AND DEFERRED INCOME

<b><u>Current Prepaid Expenses</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Advances Given for Inventories	3.852.267	3.113.024
Other Advances Given	-	236.800
Short-term Prepaid Expenses	101.776	43.246
Total	<u>3.954.043</u>	<u>3.393.070</u>

<b><u>Non-current Prepaid Expenses</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Long-term Prepaid Expenses	-	221
Total	<u>-</u>	<u>221</u>

### **Short-term Deferred Income**

None. (31.12.2018: None).

### **Long-term Deferred Income**

None. (31.12.2018: None).

### 14. CONSTRUCTION CONTRACTS

	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Assets Related to Ongoing Construction Contracts	160.118.020	113.896.233
Total	<u>160.118.020</u>	<u>113.896.233</u>

The details of assets related to ongoing construction contracts are as follows:

	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Assets Related to Ongoing Construction Contracts	160.118.020	113.896.233
Unearned Assets Related to Domestic Construction Contracts (*)	160.118.020	113.896.233

(\*) Since there is a reasonable assurance about whether the group will meet the requirements for the acquisition of unearned assets, costs of the unearned assets are reflected in the financial statements on an accrual basis at fair value.

	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Liabilities Related to Ongoing Construction Contracts	11.470.677	14.181.519
Total	<u>11.470.677</u>	<u>14.181.519</u>

The details of liabilities related to ongoing construction contracts are as follows:

	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Liabilities Related to Ongoing Construction Contracts		
Advances Received	8.631.095	10.922.605
Short Term Income	2.839.582	3.258.914
Total	<u>11.470.677</u>	<u>14.181.519</u>

## ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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#### 15. INVESTMENTS VALUED BY EQUITY METHOD

None (31.12.2018: None).

#### 16. INVESTMENT PROPERTIES

<u>Fair Value</u>	<u>Lands</u>	<u>Buildings</u>	<u>31.12.2019</u> <u>Total</u>
<b>Opening Balance</b>	4.000.000	24.080.000	28.080.000
Purchases	-	7.226.106	7.226.106
Outputs	-	(2.107.663)	(2.107.663)
Value Increase / (Decrease)	320.000	2.611.557	2.931.557
<b>Closing Balance</b>	<b>4.320.000</b>	<b>31.810.000</b>	<b>36.130.000</b>

<u>Cost</u>	<u>Lands</u>	<u>Buildings</u>	<u>31.12.2018</u> <u>Total</u>
<b>Opening Balance</b>	2.460.000	9.665.000	12.125.000
Purchases	-	2.624.378	2.624.378
Value Increase / (Decrease)	1.540.000	11.790.622	13.330.622
<b>Closing Balance</b>	<b>4.000.000</b>	<b>24.080.000</b>	<b>28.080.000</b>

Buildings located in Şile – Kartal / İstanbul and land located in Hatay has been valued by independent expertise company Lotus Gayrimenkul Değerleme Danışmanlık A.Ş. (CMB licensed). The valuation made according to International Valuation Standards, precedent comparison and income reduction methods are taken into consideration. The Group management believes that the valuation company has up-to-date information about the class and location of the investment property with the relevant professional background.

According to expertize report,

- According to 31 December 2019 dated expertise report, buildings located in İskenderun – Hatay total values set as 4.320.000 TL. Properties values calculated according to coefficient comparison. Fair value of buildings set as level 2.
- According to 31 December 2019 dated expertise report, buildings located in Şile - İstanbul total values set as 12.600.000 TL. Properties values calculated according to coefficient comparison. Fair value of buildings set as level 2.
- According to 31 December 2019 dated expertise report, buildings located in Kartal - İstanbul total values set as 2.200.000 TL. Properties values calculated according to coefficient comparison and direct capitalization. Fair value of buildings set as level 2.
- According to 31 December 2019 dated expertise report, buildings located in Kadıköy - İstanbul total values set as 8.000.000 TL. Properties values calculated according to coefficient comparison and direct capitalization. Fair value of buildings set as level 2.
- In the current period, 2 apartments in the Zeytinburnu-Istanbul, located in Inistanbul Project, were received and registered in investment property account. Since they were not delivered in the last period, they were registered in the account of the advances given. The Group received 5 apartments from Inistanbul project and sold 2 of them back . The value of 5 apartments were appreciated as 6.450.000 TL according to the appraisal report dated 31 December 2019 prepared by Lotus Gayrimenkul Değerleme Danışmanlık A.Ş.

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**16. INVESTMENT PROPERTIES (Cont'd)**

f) During the period, the group acquired 4 flats and 1 shop from the Evora Project in Denizli. According to the expertise report dated December 31, 2019, organized by Lotus Gayrimenkul Değerleme Danışmanlık A.Ş., the value of 4 flats and 1 shop in Denizli is appreciated as 2.560.000 TL. In the valuation of the mentioned real estates, the Comparison of the Counterparts Method was used.

The Group's rent income from investment properties in the current year is 47.973 TL'dir. (31.12.2018: None).

There are not any mortgages on investment properties (31.12.2018: None). As of December 31, 2018 there is insurance coverage on investment properties amounting TL 8.291.579 (31.12.2018: TL 5.501.410).



**ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
31 DECEMBER 2019***(Amounts expressed in Turkish Lira (“TL”) unless otherwise indicated.)***17. TANGIBLE FIXED ASSETS**31.12.2019

<u>Cost</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Fixtures</u>	<u>Leasehold improvements</u>	<u>Other Tangible Fixed Assets</u>	<u>Total</u>
<b>Opening Balance</b>	15.401.093	1.391.912	1.745.690	153.593	189.988	18.882.276
Purchases	-	697.436	276.951	7.627	-	982.014
Outputs	(294)	(128.175)	-	-	-	(128.469)
<b>Closing Balance</b>	<b>15.400.799</b>	<b>1.961.173</b>	<b>2.022.641</b>	<b>161.220</b>	<b>189.988</b>	<b>19.735.821</b>
<b><u>Accumulated Depreciations and Impairment</u></b>						
<b>Opening Balance</b>	(496.782)	(409.723)	(613.963)	(103.104)	(74.210)	(1.697.782)
Term Expense	(308.016)	(277.214)	(229.622)	(41.610)	(62.696)	(919.158)
Outputs	-	51.374	-	-	-	51.374
<b>Closing Balance</b>	<b>(804.798)</b>	<b>(635.563)</b>	<b>(843.585)</b>	<b>(144.714)</b>	<b>(136.906)</b>	<b>(2.565.566)</b>
Tangible Fixed Assets, Net	14.596.001	1.325.610	1.179.056	16.506	53.082	17.170.255

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**17. TANGIBLE FIXED ASSETS (cont’d)**

31.12.2018

<u>Cost</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Fixtures</u>	<u>Special Costs</u>	<u>Other Tangible Fixed Assets</u>	<u>Total</u>
<b>Opening Balance</b>	10.631.093	1.259.474	1.016.744	118.981	189.988	13.216.280
Purchases	4.770.000	186.722	728.946	34.612	-	5.720.280
Outputs	-	(54.284)	-	-	-	(54.284)
<b>Closing Balance</b>	<b>15.401.093</b>	<b>1.391.912</b>	<b>1.745.690</b>	<b>153.593</b>	189.988	<b>18.882.276</b>
<b><u>Accumulated Depreciations and Impairment</u></b>						
<b>Opening Balance</b>	(212.616)	(223.113)	(450.214)	(64.887)	(11.514)	(962.344)
Term Expense	(284.166)	(221.743)	(163.749)	(38.217)	(62.696)	(770.571)
Outputs	-	35.133	-	-	-	35.133
<b>Closing Balance</b>	<b>(496.782)</b>	<b>(409.723)</b>	<b>(613.963)</b>	<b>(103.104)</b>	<b>(74.210)</b>	<b>(1.697.782)</b>
Tangible Fixed Assets, Net	14.904.311	982.189	1.131.727	50.489	115.778	17.184.494

As of December 31, 2019 there is TL 6.947.528 insurance coverage on tangible assets. (31.12.2018: TL 8.400.500).

Total current year depreciation expenses are 919.158 TL (31.12.2018: 770.571 TL). TL 103.832 (31.12.2018: 96.870 TL) of this amount is included in the cost of the manufactured goods and TL 666.739 (31.12.2018: TL 673.701) is included in the general administrative expenses (Note 30).

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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#### 17. TANGIBLE FIXED ASSETS (cont'd)

The group uses the straight-line method. Depreciation periods for tangible assets are as follows:

	<b>Useful Life</b>
Buildings	50 years
Vehicles	4 - 5 years
Fixtures	3- 20 years
Special Costs	5 years
Other Tangible Fixed Assets	3 years

#### 18. INTANGIBLE FIXED ASSETS

	31.12.2019
<u>Cost</u>	<u>Rights</u>
<b>Opening Balance</b>	130.272
Purchases	3.210
Outputs	-
<b>Closing Balance</b>	<b>133.482</b>
<b><u>Accumulated Redemption and Depletion Shares</u></b>	
<b>Opening Balance</b>	(68.503)
Term Expense	(8.378)
Outputs	-
<b>Closing Balance</b>	<b>(76.881)</b>
Intangible Fixed Assets, Net	56.601
	31.12.2018
<u>Cost</u>	<u>Rights</u>
<b>Opening Balance</b>	41.394
Purchases	88.878
Outputs	-
<b>Closing Balance</b>	<b>130.272</b>
<b><u>Accumulated Redemption and Depletion Shares</u></b>	
<b>Opening Balance</b>	(28.917)
Term Expense	(39.586)
Outputs	-
<b>Closing Balance</b>	<b>(68.503)</b>
Intangible Fixed Assets, Net	61.769

Total current year depreciation expenses are 8.378 TL TL (31.12.2018: 39.586 TL). TL 5.965 (31.12.2018: 0 TL) of this amount is included in the cost of the manufactured goods and TL 2.413 (31.12.2018: TL 39.586) is included in the general administrative expenses (Note 30).

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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#### 18. INTANGIBLE FIXED ASSETS (Cont'd)

The group uses the straight-line method. The amortization periods for intangible assets are as follows:

	<u>Useful Life</u>
Rights	3-10 years

#### 19. RIGHT TO USE ASSETS

	<u>01.01. - 31.12.2019</u>		
<u>Cost</u>	<u>Office</u>	<u>Vehicles</u>	<u>Total</u>
TFSR 16 Opening Effect	569.328	342.216	911.544
Purchases	-	-	-
Closing Balance	569.328	342.216	911.544
<u>Accumulated Depreciation</u>			
Opening Balance	-	-	-
Term Expense	(398.741)	(189.733)	(588.474)
Outputs	-	-	-
Closing Balance	(398.741)	(189.733)	(588.474)
Tangible Fixed Assets, Net	170.587	152.483	323.070

31.12.2018: None.

Total current period depreciation expenses are TL 588.474 (31.12.2018: None.). All of this amount (31.12.2018: 0 TL) is included in general administrative expenses (Note 30).

#### 20. GOODWILL

None (31.12.2018: None).

#### 21. LEASE OPERATIONS

##### Group as a lessee

##### *Lease agreements:*

The lease agreements subject to the operational lease of the Group are related to offices, containers and vehicles.

Payments Accounted as Expenses	<u>31.12.2019</u>	<u>31.12.2018</u>
Minimum lease payments	845.068	792.256

#### 22. IMPAIRMENT OF ASSETS

	<u>31.12.2019</u>	<u>31.12.2018</u>
Provision for Doubtful Trade Receivables (Note 9)	1.091.161	1.015.427
Total	<u>1.091.161</u>	<u>1.015.427</u>

## ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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#### 23. GOVERNMENT INCENTIVES AND GRANTS

Incentives received by the Group has been recognized under other income, are as follows:

##### **31.12.2019**

i) According to Social Security Law numbered 5510, Group benefits from the incentive, which is up to 5% of the monthly SSI premium of employer-share, since there is no delay in the payment of SSI premiums of employees. The incentive amount utilized by the Group is TL 1.576.674 as of 31.12.2019 (Note 32).

ii) Through Law regarding the Restructuring of Certain Receivables and Amendments on Certain Laws and Statutory Decrees (published in the Official Gazette dated March 8, 2017 and numbered 30001), 5% of income tax and corporate tax rate reduction can be applied. Those who are taxpayers of income tax due to their commercial and those who meet the conditions, 5% of the tax calculated on tax returns are deducted from the income or corporation tax that has to be paid. The incentive amount utilized by the Group is TL 191.057 as of 31.12.2019 (Note 32).

##### **31.12.2018**

i) According to Social Security Law numbered 5510, Group benefits from the incentive, which is up to 5% of the monthly SSI premium of employer-share, since there is no delay in the payment of SSI premiums of employees. The incentive amount utilized by the Group is TL 850.965 as of 31.12.2018 (Note 32).

ii) Through Law regarding the Restructuring of Certain Receivables and Amendments on Certain Laws and Statutory Decrees (published in the Official Gazette dated March 8, 2017 and numbered 30001), 5% of income tax and corporate tax rate reduction can be applied. Those who are taxpayers of income tax due to their commercial and those who meet the conditions, 5% of the tax calculated on tax returns are deducted from the income or corporation tax that has to be paid. The incentive amount utilized by the Group is TL 191.055 as of 31.12.2018 (Note 32).

#### 24. BORROWING COST

None. (31.12.2018: None).

#### 25. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

<b><u>Other short-term provisions</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Provision for lawsuit risks	308.020	166.330
Total	<u>308.020</u>	<u>166.330</u>

(\*)Provisions for lawsuits relate to labor claims received by workers.

##### **Long Term Debt Provisions**

None (31.12.2018: None).

##### **Conditional Assets**

None (31.12.2018: None).

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**25. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Cont’d)**

**Collaterals, Pledges, Mortgages:**

Collaterals/pledges/mortgages (“CPM”) position of the Group as of December 31, 2019 and December 31, 2018 is as follows:

	<u>31.12.2019</u>			
<b><u>CPM’s given by the Company</u></b>	<b><u>TL</u></b>			
	<b><u>Equivalents</u></b>	<b><u>USD</u></b>	<b><u>EURO</u></b>	<b><u>TL</u></b>
1. CPM’s given for Company’s own legal personality	53.950.400	50.000	2.436.505	37.449.170
2. CPM’s given on behalf of fully consolidated companies	-	-	-	-
3. CPM’s given on behalf of third parties for ordinary course of business	-	-	-	-
4. Total amount of other CPM’s	-	-	-	-
- Total amount of CPM’s given on behalf of the majority shareholder	-	-	-	-
- Total amount of CPM’s given on behalf of other Group companies which are not in scope of 2 and 3	-	-	-	-
- Total amount of CPM’s given on behalf of third parties which are not in scope of 3	-	-	-	-
Total	<u>53.950.400</u>	<u>50.000</u>	<u>2.436.505</u>	<u>37.449.170</u>

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**25. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Cont’d)**

**Collaterals, Pledges, Mortgages (Cont’d):**

	<u>31.12.2018</u>			
	<u>TL</u>	<u>USD</u>	<u>EURO</u>	<u>TL</u>
<u>CPM’s given by the Company</u>	<u>Equivalents</u>			
1. CPM’s given for Company’s own legal personality	48.901.973	-	3.702.531	26.583.115
2. CPM’s given on behalf of fully consolidated companies	-	-	-	-
3. CPM’s given on behalf of third parties for ordinary course of business	-	-	-	-
4. Total amount of other CPM’s	-	-	-	-
- Total amount of CPM’s given on behalf of the majority shareholder	-	-	-	-
- Total amount of CPM’s given on behalf of other Group companies which are not in scope of 2 and 3	-	-	-	-
- Total amount of CPM’s given on behalf of third parties which are not in scope of 3	-	-	-	-
Total	48.901.973	-	3.702.531	26.583.115

TL equivalents of collaterals, pledges and mortgages give as of December 31, 2019 and December 31, 2018 are as follows on original currency basis are as follows:

	<u>31.12.2019</u>				<u>31.12.2018</u>			
<u>CPM’s given by the Company</u>	<u>TL</u>	<u>USD</u>	<u>EUR</u>	<u>TL</u>	<u>TL</u>	<u>EUR</u>	<u>TL</u>	
	<u>Equivalents</u>				<u>Equivalents</u>			
Coverages	53.950.400	50.000	2.436.505	37.449.170	48.901.973	3.702.531	26.583.115	
Total	53.950.400	50.000	2.436.505	37.449.170	48.901.973	3.702.531	26.583.115	

The ratio of other CPM’s given by the Group to the equities of Group is 0% as of December 31, 2019. (December 31, 2018: 0%)

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#### 26. EMPLOYEE BENEFITS

<b><u>Liabilities Within The Scope Of Employee Benefits</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Payables to Staff	1.495.579	1.295.039
Social Security Deductions to be Paid	797.738	670.064
Total	<u>2.293.317</u>	<u>1.965.103</u>
<b><u>Short-term Provision for Employee Benefits</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Provision for vacation pay liability	113.342	62.897
Total	<u>113.342</u>	<u>62.897</u>
<b><u>Long-term Provision for Employee Benefits</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Provision for employment termination benefits	1.052.232	529.079
Total	<u>1.052.232</u>	<u>529.079</u>

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

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.

As at balance sheet date, provisions calculated according to assumption 7% expected salary increasing rate and 11,50% discount rate and about 4,72 % real discount rate and retiring assumption as follows (31.12.2018: % 8, % 12,75 and % 4,40).

	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Annual discount rate (%)	4,21	4,40
Retirement probability (%)	97,35	94,43

Main assumption is that maximum liability amount increases parallel to inflation rate for every service year. Therefore, discount rate used is the expected real rate adjusted for the future inflationary effects. Because of this, provisions in the accompanying financial statements as of December 31, 2019 are calculated by estimating present value of probable liabilities arising due to retirement of employees.

TL 6.380 (31.12.2018: TL 5.434) maximum amount used on calculation of retirement pay provision with effect from 01 July 2019.



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**26. EMPLOYEE BENEFITS (Cont’d)**

Movements of severance pay provisions during the year are as follows:

	<u>31.12.2019</u>	<u>31.12.2018</u>
As of January 1	529.079	420.218
Service cost	258.738	213.038
Interest expense	28.570	23.670
Reversals of provisions	(143.042)	(102.322)
Actuarial gain / losses (*)	378.887	(25.525)
As of December 31/December 31	<u>1.052.232</u>	<u>529.079</u>

(\*) As of December 31, 2019, TL 378.887 (31.12.2018: TL 25.525) Actuarial Income/Loss booked in the statement of comprehensive income.

**27. OTHER ASSETS AND LIABILITIES**

<b><u>Other current asset</u></b>	<u>31.12.2019</u>	<u>31.12.2018</u>
V.A.T. Carried Forward	19.359	68.358
VAT to be deducted	1.686.598	
Other	130.075	79.317
Total	<u>1.836.032</u>	<u>147.675</u>

**Other non-current asset**

None (31.12.2018: None).

**Other Short-Term Liabilities**

None (31.12.2018: None).

**Other Long-Term Liabilities**

None (31.12.2018: None).

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#### 28. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

##### **a) Paid in Capital:**

The capital structure as of December 31, 2019 and December 31, 2018 is as follows:

<b>Capital Structure</b>	<b>31.12.2019</b>		<b>31.12.2018</b>	
	<b>Share (%)</b>	<b>Amount (TL)</b>	<b>Share (%)</b>	<b>Amount (TL)</b>
Nevhan Gündüz	21,32	10.657.504	21,32	10.657.504
Mahmut Gündüz	0,00	500	0,00	500
Orhan Gündüz	32,50	16.248.750	32,50	16.248.750
Nevin Gündüz	0,00	500	0,00	500
Murat Kartaloğlu	0,00	250	0,00	250
Public Supply	46,18	23.092.496	46,18	23.092.496
<b>Paid-in share capital</b>	<b>100</b>	<b>50.000.000</b>	<b>100</b>	<b>50.000.000</b>

Company has accepted the Authorised capital System. Current authorised capital ceiling of the Company is TL 50.000.000 and the issued capital is TL 50.000.000 (31.12.2018: TL 50.000.000). Capital of the Company consists of 50.000.000 shares, none of which has any privillages.

In the General Assembly held on 27 March 2018, after the necessary deductions and separations have been made from the TL 31.427.086 net profit of the period as of 31.12.2017 in the financial statements prepared in accordance with the Capital Market legislation and TL 34.351.751.52 net profit of the period as of 31.12.2017 in the legal records, 30.000.000 TL was added to share capital and it was decided to distribute as share. Capital increase was announced in Trade Registry Gazette No. 9590 dated 31 May 2018.

##### **b) Share premium (Discount)**

	<b>31.12.2019</b>	<b>31.12.2018</b>
Share premium (Discount)	1.310.410	457.651

##### **c) Treasury Shares**

	<b>31.12.2019</b>	<b>31.12.2018</b>
Treasury Shares	-	(2.870.458)
Total	-	(2.870.458)

In conformity with Capital Markets Board regulations and Share Buyback Communiqué issued by Capital Markets Board of Turkey, The Group has repurchased 993.503,50 TL nominal value of its own shares in previous and current period. In the current period The Group sold its treasury shares amounted to TL 993.503,50 nominal value to a corporate investor through a special order on 04.12.2019. With this transaction, as of 04.12.2019, the share ratio of the Company in its own capital has decreased to 0%.

In addition, under the Liquidity Providing Agreement signed between Ak Yatırım Menkul Değerler A.Ş. and The Company, Company shares in the current account at the end of the period, were reported in the treasury shares. At the end of current period, there were no company shares in the Companies current account regarding LPM agreement. Since then, no Treasury shares reported under shareholders' equity.

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**28. SERMAYE, YEDEKLER VE DİĞER ÖZKAYNAK KALEMLERİ (devamı)**

<b><u>d) Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Other Gains (Losses)	(210.444)	92.666
Total	(210.444)	92.666
<b><u>e) Restricted Reserves Appropriated From Profits</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Restricted Reserves	5.236.867	2.546.362
Treasury Share Reserves	-	2.870.458
Total	5.236.867	5.416.820

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. Dividend distributions are made in TL in accordance with its Articles of Association, after deducting taxes and setting aside the legal reserves as discussed above.

Public companies in Turkey make profit distributions in accordance with the regulations of CMB.

Until this period, The Group put aside legal reserves, for the TL 2.870.458 worth of treasury shares that are bought back, as per the article 520 of Turkish Commercial Code with the law no 6102, which has become effective in 2014. Since all the treasury shares were sold and there were no shares at the current account of company at Ak Yatirim account at the end of current period regarding the LPA; all the legal reserves are released and transferred to prior years profits.

<b><u>f) Prior Year's Profit</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Prior year's profit / loss (-)	84.182.247	32.601.265
Total	84.182.247	32.601.265
<b><u>g) Change in non-controlling interests</u></b>	<b><u>31.12.2019</u></b>	<b><u>31.12.2018</u></b>
Opening balance	(18)	(15)
Profit for the year attributable to non-controlling interest portion	(2)	(3)
Total	(20)	(18)

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**29. REVENUE AND COST OF SALE**

<b><u>Revenue</u></b>	<b><u>01.01-31.12.2019</u></b>	<b><u>01.01-31.12.2018</u></b>
Contracting Sales Revenues	128.638.016	121.108.560
Materials Sales Revenues	12.120.599	8.516.014
Total Income	140.758.615	129.624.574
Sales Return(-)	(5.528)	(1.210.331)
Revenue net	140.753.087	128.414.243
<b><u>Cost of Sales (-)</u></b>	<b><u>01.01-31.12.2019</u></b>	<b><u>01.01-31.12.2018</u></b>
- Cost of services given (-)	(74.045.852)	(71.536.890)
- Cost of trade goods sold (-)	(6.374.732)	(5.174.164)
Cost of Sales (-)	(80.420.584)	(76.711.054)
Gross Profit	60.332.503	51.703.189

**30. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSE**

	<b><u>01.01-31.12.2019</u></b>	<b><u>01.01-31.12.2018</u></b>
General Administrative Expense (-)	6.356.022	7.226.707
Total	6.356.022	7.226.707

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	<u>01.01-31.12.2019</u>	<u>01.01-31.12.2018</u>
General Administrative Expense (-)		
Personnel expenses	2.699.286	4.082.588
Travelling expenses	101.111	64.424
Consultancy expenses	261.678	236.618
Rent Expense	43.361	536.577
Dues	175.589	80.743
Maintenance expenses	126.486	87.093
Representation expense	224.229	309.619
Registration expense	148.189	545.930
Provision for employment termination benefit	287.308	134.386
Provision for vacation pay liability	113.342	(31.294)
Depreciation expenses	1.255.213	713.292
Amortization Expenses	2.413	-
Advertisement and public relation expenses	71.775	123.451
Stationery Expenses	24.791	36.569
Transportation expenses	135.691	49.541
External Benefits	415.931	-
Other	269.629	257.170
Total	<u>6.356.022</u>	<u>7.226.707</u>

**31. EXPENSES BY NATURE**

<b>Depreciation expenses</b>	<u>01.01-31.12.2019</u>	<u>01.01-31.12.2018</u>
Cost of sales	103.832	96.870
General administrative expense	1.255.213	673.701
Total	<u>1.359.045</u>	<u>770.571</u>
<b>Amortization expenses</b>	<u>01.01-31.12.2019</u>	<u>01.01-31.12.2018</u>
Cost of sales	5.965	-
General administrative expense	2.413	39.591
Total	<u>8.378</u>	<u>39.591</u>
<b>Personnel expenses</b>	<u>01.01-31.12.2019</u>	<u>01.01-31.12.2018</u>
Personnel expenses	24.785.260	19.902.749
Social Security Expenses	5.408.805	3.288.425
Provision for employment termination benefits	287.308	228.414
Provision for vacation pay liability	113.342	(31.294)
Other Social Benefits	203.050	205.472
Total	<u>30.797.765</u>	<u>23.593.766</u>

**ORGE ENERJİ ELEKTRİK TAAHHÜT A.Ş. AND ITS SUBSIDIARY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
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<b><u>Other income from operating activities</u></b>	<b><u>01.01-31.12.2019</u></b>	<b><u>01.01-31.12.2018</u></b>
Unearned credit finance charges	422.846	469.834
Government Grants Income	1.767.732	1.397.256
Scrap Sales Income	692.755	-
Provisions Without Issue	143.042	-
Foreign exchange gains	1.932.356	7.772.462
Credit finance income	-	814.736
Price variance income	466.010	865.324
Other Income	770.198	862.958
Total	<u>6.194.939</u>	<u>12.182.570</u>

<b><u>Other expense from operating activities(-)</u></b>	<b><u>01.01-31.12.2019</u></b>	<b><u>01.01-31.12.2018</u></b>
Unearned credit finance charges	338.728	403.460
Foreign exchange loss	2.538.827	6.598.600
Provision Expenses		
Provision for Doubtful Receivables (-)	32.808	
Litigation provision expenses	141.690	74.969
Other expenses	534.455	538.812
Penalty Expenses for Construction Site	462.643	-
Total	<u>4.049.151</u>	<u>7.615.841</u>

**33. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES**

<b><u>Income from investment activities</u></b>	<b><u>01.01-31.12.2019</u></b>	<b><u>01.01-31.12.2018</u></b>
Interest income from bank deposits	693.149	1.160.588
Investment property valuation profit	2.931.557	13.330.623
Fixed Asset Sales Profits	231.012	-
Rent Income	47.973	-
Total	<u>3.903.691</u>	<u>14.491.211</u>

<b><u>Other Expenses From Investment Activities (-)</u></b>	<b><u>01.01-31.12.2019</u></b>	<b><u>01.01-31.12.2018</u></b>
Fixed Asset Sales Losses (-)	17.279	-

**34. FINANCIAL INCOME AND EXPENSES**

<b><u>Financial Income</u></b>	<b><u>01.01-31.12.2019</u></b>	<b><u>01.01-31.12.2018</u></b>
Foreign exchange gains	2.277.198	8.906.213
Promosyon Gelirleri	572.034	-
Total	<u>2.849.232</u>	<u>8.906.213</u>

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#### 34. FINANCIAL INCOME AND EXPENSES (cont'd)

<u>Financial Expense</u>	<u>01.01-31.12.2019</u>	<u>01.01-31.12.2018</u>
Interest and commission expense (-)	5.094.035	3.346.186
Foreign exchange losses(-)	667.058	4.036.844

#### 35. FIXED ASSETS HELD FOR SALE AND DISCONTINUING OPERATIONS

None (31.12.2018: None).

#### 36. INCOME TAX

##### Current income tax assets

None (31.12.2018: None).

##### Non - current income tax assets

	<u>31.12.2019</u>	<u>31.12.2018</u>
Prepaid taxes and withholding taxes	3.602.699	1.316.186

##### Tax provisions

	<u>31.12.2019</u>	<u>31.12.2018</u>
Current year corporation tax expense	790.268	3.821.101
Prepaid taxes and withholding taxes (-)	(790.268)	(3.163.545)
Tax provisions	-	657.556

##### Tax Income / (Expense)

	<u>31.12.2019</u>	<u>31.12.2018</u>
Corporate and income taxes payable (-)	(790.268)	(3.821.101)
Deferred tax revenue ( expense)	(10.998.809)	(9.801.991)
Total	(11.789.077)	(13.623.092)

##### Corporate Tax

The tax legislation provides for a temporary tax (prepaid tax) of 22% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final tax liability for the year.

The corporations earning income from a company or a branch in Turkey do not pay any withholding tax on their dividends. Other dividend payments are subject to withholding tax of 15%. If profit is added to the capital, withholding tax is not applicable. Effective tax rate is 22%. (2018: 22%)

Corporations calculate and pay quarterly temporary corporate tax of 22%. The temporary taxes paid within the year will be offset against the final corporate tax liability for the year. The temporary tax can be offset against any other financial liability against the state.

Tax losses that are reported in the Corporation tax return may be carried forward and deducted from the corporation tax base for a maximum period of five years following the year in which the losses were incurred.

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#### 36. INCOME TAX (cont'd)

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Bazı Vergi Kanunları ile Diğer Bazı Kanunlarda Değişiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

#### *Income Tax Withholding*

In addition to corporate taxes, their share of the profit from the distribution of dividends in the event of the company's income in the statements, including non-resident institutions and branches of foreign companies in Turkey on any dividends distributed, except for the calculation of income tax withholding is required. Income tax 24 April 2003 - 22 July 2006 was 10% in all companies. This rate is from 22 July 2006 2006/10731 15% by the Council of Ministers. Undistributed dividends incorporated in share capital are not subject to income tax withholding.

Reconciliation between tax expenses for the years ended December 31, 2019 and 2018 and calculated tax expense using corporate tax rate in Turkey (22%) is as follows:

	31.12.2019	31.12.2018
Profit before tax	57.096.820	65.057.605
Taxable Profit	57.096.820	65.057.605
Corporate Tax Rate in effect	22%	22%
Calculated Tax Expense	(12.561.300)	(14.312.673)
Expenses not deductible for tax purposes	(35.480)	(35.504)
Effect on deferred tax balances due to change in income tax rate from 20% to 22%	-	72.911
Tax Advantages (%5)	-	(240.241)
Other	807.703	892.416
Total	(11.789.077)	(13.623.092)

#### *Deferred Tax:*

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable (statutory) profit. Deferred tax is calculated using tax rates that have been enacted in the period in which assets acquired and/or liabilities carried out and included in the statement of income as income or expense. Deferred tax rate are 22% (2018: 22%)



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**36. INCOME TAX (Cont'd)**

	<u>Temporary Differences</u>		<u>Deferred Tax</u>	
			<u>Assets/(Liabilities)</u>	
	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2019</u>	<u>31.12.2018</u>
<b>Deferred Tax Assets</b>				
Doubtful Receivables Provision	1.091.161	1.035.136	240.055	227.730
Severance Pay Adjustment	1.052.232	529.079	210.446	105.816
Unused Vacation Provision	113.342	62.897	24.935	13.837
Loan Interest Accruals	272.312	223.945	59.909	49.268
Unearned Interest Income	51.758	245.060	11.387	53.913
Cost Adjustment of Long Term Construction Project	162.343.623	84.212.884	35.715.597	18.526.834
Lawsuit Provision	308.020	166.330	67.764	36.593
Tax Advantage	-	-	-	191.055
Other Corrections	305.563	33.701	71.615	7.414
<b>Total</b>	<b>165.538.011</b>	<b>86.509.032</b>	<b>36.401.708</b>	<b>19.212.460</b>
<b>Deferred Tax Liabilities</b>				
Difference Between Registered Values of Investment Properties and Tax Bases	(18.606.407)	(15.674.850)	(1.860.641)	(2.203.407)
Book Value and Tax Basis Difference of Tangible and Intangible Assets	(1.459.228)	(824.232)	(291.846)	(164.846)
Non-Accrued Interest Expense	(177.786)	(286.970)	(39.113)	(63.133)
Widespread Construction Projects Revenue Adjustments	(287.152.666)	(158.514.650)	(63.173.587)	(34.873.223)
Deposit Interest Accrual	(17.686)	(115.815)	(3.891)	(25.479)
Other Adjustment	(322.937)	(3.694)	(64.585)	(739)
<b>Total</b>	<b>(307.736.710)</b>	<b>(175.420.211)</b>	<b>(65.433.663)</b>	<b>(37.330.827)</b>
<b>Deferred Tax Asset / (Liability), net</b>	<b>(142.198.699)</b>	<b>(88.911.179)</b>	<b>(29.031.955)</b>	<b>(18.118.367)</b>
<b>Deferred Tax Expense / (Revenue)</b>			<b>(10.913.588)</b>	<b>(9.807.096)</b>
Included in the Actuarial (Profit) / Loss Fund			(75.777)	5.105
Impact of corrections on the application of TFRS 9 standard			(9.444)	-
<b>Deferred tax expense / (income) for the period</b>			<b>(10.998.809)</b>	<b>(9.801.991)</b>

Deferred tax movement table is as follows:

	<u>31.12.2019</u>	<u>31.12.2018</u>
Opening Balance	(18.118.367)	(8.311.271)
Current year deferred tax (expense) / benefit	(10.998.809)	(9.801.991)
Deferred tax liability accounted under equity resulting from actuarial gain / loss	75.777	(5.105)
Impact of corrections on the application of TFRS 9 standard	9.444	-
<b>Total</b>	<b>(29.031.955)</b>	<b>(18.118.367)</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2019

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### 37. EARNINGS PER SHARE

	<u>01.01-31.12.2019</u>	<u>01.01-31.12.2018</u>
Net Profit / (Loss)	45.307.745	51.434.516
Weighted average number of ordinary shares	50.000.000	50.000.000
Basic and diluted earnings / (loss) per share	0,906	1,029

### 38. RELATED PARTY TRANSACTIONS

	31.12.2019	
	Receivables	Payables
	Short Term	Short Term
Other Short-term Payables	Non commercial	Non commercial
<u>Partners</u>		
Orhan Gündüz	40.000	19.155
Toplam	40.000	19.155
<u>31.12.2018</u>		
<u>Receivables</u>		
<u>Payables</u>		
<u>Short Term</u>		
<u>Short Term</u>		
Other Short-term Payables	Non commercial	Non commercial
<u>Partners</u>		
Orhan Gündüz	-	17.105
Toplam	-	17.105

The transactions of the Group with the related parties in the periods 01.01.- 31.12.2019 and 01.01.-31.12.2018 are as follows:

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#### 38. RELATED PARTY TRANSACTIONS (Cont'd)

	31.12.2019
Transactions with related parties	Rent Income
Orhan Gündüz	47.973
Total	47.973

31.12.2018

None.

The Group has determined key management personnel as board members, group presidents, vice -presidents. Benefits provided to key management personnel as January 1, 2019 – December 31, 2019 and January 1, 2018 – December 31, 2018 is as follows:

#### Short term benefits provided to key management personnel

	<u>01.01-31.12.2019</u>	<u>01.01-31.12.2018</u>
Short term benefits provided to key management personnel	378.000	372.000
Toplam	378.000	372.000

#### 39. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

##### a) Capital Risk Management

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

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and equity items including the previous year earnings as specified in note 8.

Board of Directors of the Group periodically examines its capital structure. The board evaluates the risks associated with each capital class together with the capital cost. Based on the recommendations of the board, the Group aims to balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt on the redemption of existing debt.

The Group uses Liabilities / Equity rate while they follow capital sufficiency. This rate is found by net liabilities divided by total equity. Net liabilities are counted by cash and cash equivalents minus total liabilities which appear in balance sheet.

Group strategy is as the as the previous year. Equity to debts ratio as of December 31, 2019 and December 31, 2018 are as follows:

	<u>01.01 -31.12.2019</u>	<u>01.01 -31.12.2018</u>
Total Liabilities	109.447.519	72.294.304
Cash and Cash Equivalents (-)	(34.494.610)	(19.556.583)
Net Debt	74.952.909	52.737.721
Total equity	185.826.805	137.132.442
Net debt / Total equity	0,40	0,38

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#### **39. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont’d)**

##### **b) Financial Risk Factors**

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company’s financial performance.

##### **b.1) Credit Risk**

Financial losses due to Group’s receivables and financial assets which could result from not implementing agreement clauses related to financial assets by a customer or other party constitutes credit risk. Group tries to decrease credit risk by conducting operations with confidential parties and attaining enough collateral. Trade receivables are due from a wide range of customers rather than a narrow customer portfolio.

Credit risks exposed by types of financial instruments:

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**39. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)**

**b) Financial Risk Factors (Cont'd)**

**b.1) Credit Risk (Cont'd)**

Details of credit and receivable risk are as follows:

31.12.2019	Receivables				Cash and Cash Equivalents
	Trade receivables from		Other receivables from		
Current Period	Related	Other	Related	Diğer	Deposit in bank
	parties	parties	parties	parties	
<b>Raporlama tarihi itibariyle maruz kalınan azami kredi riski</b>					
<b>(A+B+C+D) (1)</b>	-	<b>27.012.961</b>	<b>40.000</b>	<b>122.786</b>	<b>34.482.166</b>
- Secured portion of the maximum credit risk by guarantees (*)	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (2)	-	27.012.961	40.000	122.786	34.482.166
B. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-
C. Net book value of the impaired assets (3)	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-
- Not overdue (gross amount)	-	1.091.162	-	-	-
- Impairment (-)	-	(1.091.162)	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

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**39. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont'd)**

**b) Financial Risk Factors (Cont'd)**

**b.1) Credit Risk (Cont'd)**

Details of credit and receivable risk are as follows:

31.12.2018	Receivables				Cash and Cash Equivalents
	Trade receivables from		Other receivables from		
Prior Period	Related parties	Other parties	Related parties	Diğer parties	Deposit in bank
<b>Maximum credit risk exposed as of balance sheet date</b>					
<b>(A+B+C+D) (1)</b>	-	<b>22.585.490</b>	-	<b>84.736</b>	<b>19.536.529</b>
- Secured portion of the maximum credit risk by guarantees (*)	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired (2)	-	22.585.490	-	84.736	19.536.529
B. Carrying value of financial assets that are past due but not impaired	-	-	-	-	-
C. Net book value of the impaired assets (3)	-	-	-	-	-
- Past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-
- Not overdue (gross amount)	-	1.015.427	-	-	-
- Impairment (-)	-	(1.015.427)	-	-	-
- Secured portion of the net carrying value by guarantees, etc.	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

(1) In determining the amount, factors that increase credit reliability, such as guarantees received, are not taken into account.

(2) The majority of trade receivables consist of non-promissory receivables from customers. The management of the Group foresees that no problems will be encountered in collecting the relevant amounts, considering its past experience.

(3) Impairment tests have been conducted within the framework of the suspicious receivable policy determined by the management regarding the receivables of the Group from its customers.

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**39. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont’d)**

**b) Financial Risk Factors (Cont’d)**

**b.2) Liquidity Risk**

The primary responsibility belongs to the board of directors regarding the liquidity risk management. Board of directors has built an appropriate liquidity risk management framework for the management of the Group’s short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following schedules detail the Group’s remaining contractual maturity for its derivative and non-derivative financial liabilities. The schedules have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest payment date. The schedule includes the interests to be paid on the said liabilities.

The analysis of the Group’s financial liabilities with respect to their maturities is as follows:

**Current Year**

Contractual cash outflows	Carrying value	Contractual cash	1-3 months (I)	3-12 months (II)	1-5 yıl years (III)
		outflows (=I+II+III+IV)			
<b>Non-derivative financial liabilities</b>	<b>65.177.973</b>	<b>65.355.758</b>	<b>25.403.445</b>	<b>31.919.136</b>	<b>8.033.177</b>
Bank Loans	43.565.893	43.565.893	4.905.641	30.841.148	7.819.104
Payables From Leasing	325.270	325.270	-	111.197	214.073
Bank Credit Cards	912.456	912.456	912.456	-	-
Trade Payables	17.634.196	17.811.981	16.845.190	966.791	-
Other Payables	2.740.158	2.740.158	2.740.158	-	-

**Prior Year**

Contractual cash outflows	Carrying value	Contractual cash	1-3 months (I)	3-12 months (II)	1-5 yıl years (III)
		outflows (=I+II+III+IV)			
<b>Non-derivative financial liabilities</b>	<b>36.613.453</b>	<b>38.989.122</b>	<b>27.888.138</b>	<b>5.760.414</b>	<b>5.340.570</b>
Bank Loans	17.081.930	19.170.629	8.309.341	5.520.718	5.340.570
Bank Credit Cards	1.137.308	1.137.308	1.137.308	-	-
Trade Payables	17.919.108	18.206.078	17.983.487	222.591	-
Other Payables	475.107	475.107	458.002	17.105	-

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**39. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont’d)****b) Financial Risk Factors (Cont’d)****b.3) Market Risk**

The market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Any changes did not occur in the current year in the methods of management and measurement of market risk exposed by the Group and the risks exposed compare to the previous year.

**b.3.1) Foreign Exchange Risk Management**

Foreign currency denominated transactions cause foreign currency risk. Foreign exchange risk is managed with currency purchase/sale contracts which are based on approved policy. The distribution of carrying amount of the Group’s foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities at the balance sheet date is as follows:

<b>Foreign Currency Position</b>						
	<b>31.12.2019</b>			<b>31.12.2018</b>		
	<b>TL Karşılığı</b>	<b>ABD Doları</b>	<b>Euro</b>	<b>TL Karşılığı</b>	<b>ABD Doları</b>	<b>Euro</b>
1. Trade receivables	9.329.369	-	1.402.786	7.440.314	-	1.234.292
2a. Monetary financial assets (Includes cash in hand and bank accounts)	17.893.878	1.555.571	1.301.157	15.855.354	1.865.219	1.002.426
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>27.223.246</b>	<b>1.555.571</b>	<b>2.703.943</b>	<b>23.295.668</b>	<b>1.865.219</b>	<b>2.236.718</b>
5. Trade receivables	-	-	-	-	-	-
6- Other	-	-	-	-	-	-
7. Non-current assets	-	-	-	-	-	-
<b>8. Total assets (4+5+6)</b>	<b>27.223.246</b>	<b>1.555.571</b>	<b>2.703.943</b>	<b>23.295.668</b>	<b>1.865.219</b>	<b>2.236.718</b>
9. Trade payables	8.152.333	103.830	1.133.065	10.431.143	471.041	1.319.351
10. Financial liabilities	-	-	-	-	-	-
11- Monetary other liabilities	-	-	-	-	-	-
12. Non-monetary financial liabilities	-	-	-	-	-	-
13. Other	-	-	-	-	-	-
<b>14. Short-term Liabilities</b>	<b>8.152.333</b>	<b>103.830</b>	<b>1.133.065</b>	<b>10.431.143</b>	<b>471.041</b>	<b>1.319.351</b>
15. Financial liabilities	-	-	-	-	-	-
<b>16. Long-term Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>17. Total Liabilities</b>	<b>8.152.333</b>	<b>103.830</b>	<b>1.133.065</b>	<b>10.431.143</b>	<b>471.041</b>	<b>1.319.351</b>
<b>18. Net Foreign Currency Asset / (Liability) Position (8-17)</b>	<b>19.070.913</b>	<b>1.451.741</b>	<b>1.570.878</b>	<b>12.864.524</b>	<b>1.394.178</b>	<b>917.367</b>
<b>19. Monetary Items Net Foreign Currency Asset / (Liability) Position</b>	<b>19.070.913</b>	<b>1.451.741</b>	<b>1.570.878</b>	<b>12.864.524</b>	<b>1.394.178</b>	<b>917.367</b>



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**39. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont’d)**

**b) Financial Risk Factors (Cont’d)**

**b.3.1) Foreign Exchange Risk Management (Cont’d)**

The Group is mainly exposed to Euro and US Dollars risks.

The table below presents the Group’s sensitivity to a 10% deviation in foreign exchange rates especially US dollars and Euro. 10% is the rate used by the Group when generating its report on exchange rate risk; the related rate stands for the presumed possible change in the foreign currency rates by the Group’s management. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. This analysis includes foreign currency denominated bank loans other than the functional currency of the ultimate user or borrower of the bank loans. The positive amount indicates increase in profit / loss or equity.

<b>Foreign Currency Sensitivity</b>				
<b>Current Year</b>				
	<b>Profit/Loss</b>		<b>Equities</b>	
	Foreign currency Appreciation	Foreign currency Depreciation	Foreign currency Appreciation	Foreign currency Depreciation
Increase in value of US Dollar against TL by 10%:				
1- US Dollars net assets / liabilities	862.363	(862.363)	-	-
2- US Dollars hedged from risks (-)	-	-	-	-
<b>3- US Dollars net effect (1+2)</b>	<b>862.363</b>	<b>(862.363)</b>	-	-
Increase in value of Euro against TL by 10%:				
4- Euro net assets / liabilities	1.044.728	(1.044.728)	-	-
5- Euro hedged from risks (-)	-	-	-	-
<b>6- Euro net effect (4+5)</b>	<b>1.044.728</b>	<b>(1.044.728)</b>	-	-
<b>Total (3+6)</b>	<b>1.907.091</b>	<b>(1.907.091)</b>	-	-

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**39. QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Cont’d)**

**b) Financial Risk Factors (Cont’d)**

**b.3.1) Foreign Exchange Risk Management (Cont’d)**

Foreign Currency Sensitivity				
Prior Year				
	Profit/Loss		Equities	
	Foreign currency Appreciation	Foreign currency Depreciation	Foreign currency Appreciation	Foreign currency Depreciation
Increase in value of US Dollar against TL by 10%:				
1- US Dollars net assets / liabilities	733.463	(733.463)	-	-
2-US Dollars hedged from risks (-)				
<b>3- US Dollars net effect (1+2)</b>	<b>733.463</b>	<b>(733.463)</b>	-	-
Euro'nun TL karşısında % 10 değişmesi halinde:				
4- Euro net assets / liabilities	552.989	(552.989)	-	-
5- Euro hedged from risks (-)	-	-	-	-
<b>6- Euro net effect (4+5)</b>	<b>552.989</b>	<b>(552.989)</b>	-	-
<b>Total (3+6)</b>	<b>1.286.452</b>	<b>(1.286.452)</b>		

**b.3.2) Interest rate risk management**

The value of a financial instrument will fluctuate as a result of changes in market prices. The Group’s interest rate risk is primarily attributable to its borrowings. The interest-bearing financial liabilities have variable interest rates, whereas the interest bearing financial assets have a fixed interest rate and future cash flows associated with these financial instruments will not fluctuate in amount. The Group is subject to interest risk due to financial liabilities and finance lease obligations. Policy of the Group is to manage this risk through fixed and variable rates borrowings.

The Group’s financial instruments that are sensitive to interest rates are as follows:

Interest Rate Sensitivity			
		Current Year	Prior Year
<b>Fixed Interest</b>			
	Financial assets and liabilities designated as at fair value through profit or loss		
	Cash and cash equivalents	-	-
Financial Assets	Cash and cash equivalents	28.565.816	18.679.466
	Financial investment	-	-
Financial Liabilities		44.803.622	18.219.238
<b>Floating Interest</b>			
Financial Assets		-	-
Financial Liabilities		-	-

All financial liabilities of the Group consist of fixed rate loans. Cause of this reason, no interest rate risk calculation for interest rate changes has been made (31.12.2018: None)

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**40. FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)**

	Measurements measured at fair value through other comprehensive income	Those measured by reflecting the fair value change in profit or loss.	Measured at amortized cost	Book Value	Note
<b>31.12.2019</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	-	-	34.494.610	34.494.610	6
Trade receivable	-	-	27.012.961	27.012.961	9
<b>Financial liabilities</b>					
Financial liabilities	-	-	44.803.622	44.803.622	8
Trade Payables	-	-	17.634.196	17.634.196	9
	Measurements measured at fair value through other comprehensive income	Those measured by reflecting the fair value change in profit or loss.	Measured at amortized cost	Book Value	Note
<b>31.12.2018</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	-	-	19.556.583	19.556.583	6
Trade receivable	-	-	22.585.490	22.585.490	9
<b>Financial liabilities</b>					
Financial liabilities	-	-	18.219.238	18.219.238	8
Trade Payables	-	-	17.919.108	17.919.108	9
Other Financial Liabilities	-	-	657.556	657.556	36

Group management considers that the recorded values of financial instruments reflect their reasonable values.

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**40. FINANCIAL INSTRUMENTS (FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES)  
(Cont’d)**

The fair value of financial assets and liabilities are determined as follows:

- Category 1: Implies that in determining the fair values of assets and liabilities, active market trading price is used for valuation purposes.
- Category 2: Implies that in determining the fair values of assets and liabilities, should other market price be observed other than first degree market prices, then observed market price is used for valuation purposes.
- Category 3: Implies that in determining the fair values of assets and liabilities, data not based on market observation is used for valuation purposes.

As of 31.12.2019 and 31.12.2018, the Group does not have any financial assets with their fair values.

**41. MATERIAL EVENTS AFTER THE BALANCE SHEET DATE**

31.12.2019

None.

31.12.2018

None.

**42. OTHER MATTERS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR  
OTHER MATTERS REQUIRED FOR CLEAR UNDERSTANDING OF FINANCIAL STATEMENT**

None (31.12.2018: None).