(Convenience translation of the independent auditors' report and consolidated financial statements originally issued in Turkish)

AYGAZ ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019 TOGETHER WITH INDEPENDENT AUDITORS' REPORT

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Aygaz Anonim Şirketi

A. Audit of the consolidated financial statements

1. Our opinion

We have audited the accompanying consolidated financial statements of Aygaz Anonim Şirketi (the "Company") and its subsidiaries (collectively referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended 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 consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

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.

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Key Audit Matters	How the key audit matter was addressed in the audit
Financial Investments	
The Company has a 1,97% stake in Koç Finansal Hizmetler A.Ş. (KFS) and is accounted for at fair value, as available for sale financial asset, in the accompanying consolidated financial statements in accordance with TFRS. As of 31 December 2019, KFS financial investment is recognized at fair value of TRY393,997 thousand in the accompanying consolidated financial statements and the related fair value study is performed by an independent expert company (Note 2.24 and Note 5). We focused on this matter in our audit due to the following reasons: - KFS financial investment carried at fair value is material to the consolidated financial statements and the related fair value study requires specialist involvement. - The fair value model includes current and future management estimates (ie. cost of equity-discount rate, growth rates and inflation expectations) where realization of such management estimates in the future includes inherent uncertainties.	- The expertise of the company, who carried out the valuation study, is assessed in accordance with SIA 500. - Valuation methods and technical data used in the valuation report prepared by the expert company are examined with the support of our experts. - The mathematical accuracy of the calculations used in the valuation models are tested. - Data from external sources, such as "market value" and "similar acquisitions", used in the valuation models are compared to the relevant independent data sources. - The reasonableness of the key management estimates used in the modeling (ie. cost of equity-discount rate, growth rates and inflation expectations) is evaluated with the support of our specialists. - Future revenue estimates used in modeling are compared with KFS's budget and long term strategic plans. - It is checked whether the fair value of KFS financial investment, in the Group's consolidated financial statements as at 31 December 2019, is within the recommended fair value range in the specialist valuation report or not. Based on the above procedures performed we had no material finding on the financial investments.

4. Yönetimin ve üst yönetimden sorumlu olanların konsolide finansal tablolara ilişkin sorumlulukları

Grup yönetimi; konsolide finansal tabloların TFRS'lere uygun olarak hazırlanmasından, gerçeğe uygun bir biçimde sunumundan ve hata veya hile kaynaklı önemli yanlışlık içermeyecek şekilde hazırlanması için gerekli gördüğü iç kontrolden sorumludur.

Konsolide finansal tabloları hazırlarken yönetim; Grup'un sürekliliğini devam ettirme kabiliyetinin değerlendirilmesinden, gerektiğinde süreklilikle ilgili hususları açıklamaktan ve Grup'u tasfiye etme ya da ticari faaliyeti sona erdirme niyeti ya da mecburiyeti bulunmadığı sürece işletmenin sürekliliği esasını kullanmaktan sorumludur.

Üst yönetimden sorumlu olanlar, Grup'un finansal raporlama sürecinin gözetiminden sorumludur.

5. Bağımsız denetçinin konsolide finansal tabloların denetimine ilişkin sorumlulukları

Bir bağımsız denetimde, biz bağımsız denetçilerin sorumlulukları şunlardır:

Amacımız, bir bütün olarak konsolide finansal tabloların hata veya hile kaynaklı önemli yanlışlık içerip içermediğine ilişkin makul güvence elde etmek ve görüşümüzü içeren bir bağımsız denetçi raporu düzenlemektir. BDS'lere uygun olarak yürütülen bir bağımsız denetim sonucunda verilen makul güvence; yüksek bir güvence seviyesidir ancak, var olan önemli bir yanlışlığın her zaman tespit edileceğini garanti etmez. Yanlışlıklar hata veya hile kaynaklı olabilir. Yanlışlıkların, tek başına veya toplu olarak, finansal tablo kullanıcılarının bu konsolide tablolara istinaden alacakları ekonomik kararları etkilemesi makul ölçüde bekleniyorsa bu yanlışlıklar önemli olarak kabul edilir.

BDS'lere uygun olarak yürütülen bağımsız denetimin gereği olarak, bağımsız denetim boyunca mesleki muhakememizi kullanmakta ve mesleki şüpheciliğimizi sürdürmekteyiz. Tarafımızca ayrıca:

- Konsolide finansal tablolardaki hata veya hile kaynaklı "önemli yanlışlık" riskleri belirlenmekte ve değerlendirilmekte; bu risklere karşılık veren denetim prosedürleri tasarlanmakta ve uygulanmakta ve görüşümüze dayanak teşkil edecek yeterli ve uygun denetim kanıtı elde edilmektedir. Hile; muvazaa, sahtekârlık, kasıtlı ihmal, gerçeğe aykırı beyan veya iç kontrol ihlali fiillerini içerebildiğinden, hile kaynaklı önemli bir yanlışlığı tespit edememe riski, hata kaynaklı önemli bir yanlışlığı tespit edememe riskinden yüksektir.

- Grup'un iç kontrolünün etkinliğine ilişkin bir görüş bildirmek amacıyla değil ama duruma uygun denetim prosedürlerini tasarlamak amacıyla denetimle ilgili iç kontrol değerlendirilmektedir.

- Yönetim tarafından kullanılan muhasebe politikalarının uygunluğu ile yapılan muhasebe tahminlerinin ve ilgili açıklamaların makul olup olmadığı değerlendirilmektedir.

- Elde edilen denetim kanıtlarına dayanarak, Grup'un sürekliliğini devam ettirme kabiliyetine ilişkin ciddi şüphe oluşturabilecek olay veya şartlarla ilgili önemli bir belirsizliğin mevcut olup olmadığı hakkında ve yönetimin işletmenin sürekliliği esasını kullanmasının uygunluğu hakkında sonuca varılmaktadır. Önemli bir belirsizliğin mevcut olduğu sonucuna varmamız hâlinde, raporumuzda, konsolide finansal tablolardaki ilgili açıklamalara dikkat çekmemiz ya da bu açıklamaların yetersiz olması durumunda olumlu görüş dışında bir görüş vermemiz gerekmektedir. Vardığımız sonuçlar, bağımsız denetçi raporu tarihine kadar elde edilen denetim kanıtlarına dayanmaktadır. Bununla birlikte, gelecekteki olay veya şartlar Grup'un sürekliliğini sona erdirebilir.

- Konsolide finansal tabloların, açıklamalar dâhil olmak üzere, genel sunumu, yapısı ve içeriği ile bu tabloların, temelini oluşturan işlem ve olayları gerçeğe uygun sunumu sağlayacak şekilde yansıtıp yansıtmadığı değerlendirilmektedir.

- Konsolide finansal tablolar hakkında görüş vermek amacıyla, grup içerisindeki işletmelere veya faaliyet bölümlerine ilişkin finansal bilgiler hakkında yeterli ve uygun denetim kanıtı elde edilmektedir. Grup denetiminin yönlendirilmesinden, gözetiminden ve yürütülmesinden sorumluyuz. Verdiğimiz denetim görüşünden de tek başımıza sorumluyuz.

Diğer hususların yanı sıra, denetim sırasında tespit ettiğimiz önemli iç kontrol eksiklikleri dâhil olmak üzere, bağımsız denetimin planlanan kapsamı ve zamanlaması ile önemli denetim bulgularını üst yönetimden sorumlu olanlara bildirmekteyiz.

Bağımsızlığa ilişkin etik hükümlere uygunluk sağladığımızı üst yönetimden sorumlu olanlara bildirmiş bulunmaktayız. Ayrıca bağımsızlık üzerinde etkisi olduğu düşünülebilecek tüm ilişkiler ve diğer hususlar ile varsa, ilgili önlemleri üst yönetimden sorumlu olanlara iletmiş bulunmaktayız.

Üst yönetimden sorumlu olanlara bildirilen konular arasından, cari döneme ait konsolide finansal tabloların bağımsız denetiminde en çok önem arz eden konuları yani kilit denetim konularını belirlemekteyiz. Mevzuatın konunun kamuya açıklanmasına izin vermediği durumlarda veya konuyu kamuya açıklamanın doğuracağı olumsuz sonuçların, kamuya açıklamanın doğuracağı kamu yararını aşacağının makul şekilde beklendiği oldukça istisnai durumlarda, ilgili hususun bağımsız denetçi raporumuzda bildirilmemesine karar verebiliriz.

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 12 February 2020.

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

Ediz Günsel, SMMM
Partner

Istanbul, 12 February 2020

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Aygaz Anonim Şirketi and its Subsidiaries

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Aygaz Anonim Şirketi and its Subsidiaries

Consolidated statement of financial position
as at December 31, 2019

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

		Current period (Audited)	Prior period (Audited)
Assets	**Notes**	**December 31, 2019**	December 31, 2018
Current assets		**1.589.116**	1.617.539
Cash and cash equivalents	4	**665.391**	648.010
Trade receivables		**566.282**	440.048
-Trade receivables from related parties	*31*	***131.194***	*30.461*
-Trade receivables from third parties	*8*	***435.088***	*409.587*
Other receivables		**3.242**	3.047
-Other receivables from third parties	*9*	***3.242***	*3.047*
Derivative financial instruments	7	**28.269**	25.939
Inventories	11	**263.309**	348.309
Prepaid expenses	19	**43.761**	127.562
Assets related to current year tax		**2.029**	8.248
Other current assets	18	**16.833**	16.376
Non-current assets		**3.365.743**	3.395.684
Financial investments	5	**395.444**	287.096
Trade receivables		**8.092**	8.835
-Trade receivables from third parties	*8*	***8.092***	*8.835*
Other receivables		**154**	99
-Other receivables from third parties	*9*	***154***	*99*
Derivative financial instruments	7	**14.097**	37.245
Investments accounted under equity method	12	**2.059.470**	2.304.799
Property, plant and equipment	13	**712.554**	686.530
Right-of-use assets	2	**110.066**	
Intangible assets		**23.817**	21.354
-Other intangible assets	*14*	***23.817***	*21.354*
Prepaid expenses	19	**41.656**	49.124
Deferred tax asset	29	**393**	602
Total assets		**4.954.859**	5.013.223

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated statement of financial position as at December 31, 2019

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

Liabilities	Notes	Current period (Audited) December 31, 2019	Prior period (Audited) December 31, 2018
Short-term liabilities		**1.495.037**	1.484.031
Short-term financial borrowings	6	**64.883**	78.596
Current portion of long term financial borrowings	6	**418.454**	492.351
Trade payables		**578.783**	559.653
- Trade payables to related parties	*31*	***156.902***	*145.271*
- Trade payables to third parties	*8*	***421.881***	*414.382*
Liabilities for employee benefits	10	**54.042**	48.357
Other payables		**1.555**	1.511
- Other payables to related parties	*31*	***1.211***	*1.052*
- Other payables to third parties	*9*	***344***	*459*
Derivative financial instruments	7	**12.709**	-
Deferred income	20	**7.235**	8.676
Current income tax liabilities		**12.274**	837
Short-term provisions		**246.935**	205.754
-Other provisions	*17*	***246.935***	*205.754*
Other current liabilities	18	**98.167**	88.296
Long-term liabilities		**981.739**	1.026.782
Long-term financial borrowings	6	**764.426**	830.068
Other payables		**107.213**	106.114
- Other payables to third parties	*9*	***107.213***	*106.114*
Derivative financial instruments	*7*	**14.100**	-
Long-term provisions		**53.702**	42.926
-Provisions for employee benefits	*16*	***53.702***	*42.926*
Deferred tax liabilities	29	**42.298**	47.674
		2.476.776	2.510.813
Equity		**2.478.083**	2.502.410
Share capital	21	**300.000**	300.000
Adjustment to share capital	21	**71.504**	71.504
Adjustment to share capital due to cross-ownership (-)		**(7.442)**	(7.442)
Other comprehensive income or expenses not to be reclassified to profit or loss		**224.425**	125.268
Gains (losses) on the revaluation and/or reclassification		**225.521**	125.042
-Gains (losses) remeasurement from defined benefit plans		***336***	*2.789*
-Gains (losses) on financial assets measured at fair value through other comprehensive income	*21*	***225.185***	*122.253*
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss		**(1.096)**	226
Other comprehensive income or expenses to be reclassified to profit or loss		**(224.279)**	(213.318)
Gains (losses) on hedge		**(8.835)**	7.631
-Gains (losses) on cash flow hedges		***(8.835)***	*7.631*
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss		**(215.444)**	(220.949)
Restricted reserves	21	**338.692**	294.210
Retained earnings		**1.501.706**	1.703.805
Net profit for the period		**273.477**	228.383
Equity attributable to equity holders of the parent		**2.478.083**	2.502.410
Total equity and liabilities		**4.954.859**	5.013.223

The accompanying accounting policies and notes between the pages 9 and 78 form an integral part of these consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated profit or loss statement
for the year ended December 31, 2019

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

	Notes	(Audited) January 1 - December 31, 2019	(Audited) January 1 - December 31, 2018
Revenue	22	**10.211.013**	9.554.441
Cost of sales (-)	22	**(9.254.125)**	(8.920.093)
Gross profit		**956.888**	634.348
General administrative expenses (-)	23	**(252.929)**	(201.664)
Marketing expenses (-)	23	**(352.304)**	(310.756)
Research and development expenses (-)	23	**(2.894)**	(3.431)
Other operating income	25	**201.265**	331.668
Other operating expenses (-)	25	**(185.179)**	(379.582)
Operating profit		**364.847**	70.583
Income from investment activities	26	**7.417**	27.397
Loss from investment activities (-)	26	**(2.509)**	(1.740)
Profit/(Losses) from investments accounted under equity method	12	**137.200**	281.440
Operating profit before financial income (expense)		**506.955**	377.680
Financial income	27	**150.811**	165.251
Financial expense (-)	28	**(352.210)**	(293.170)
Profit from continuing operations before tax		**305.556**	249.761
Tax income (expense), continuing operations			
-Current tax expense for the period (-)	29	**(37.437)**	(15.871)
-Deferred tax income/(expense)	29	**5.358**	(5.507)
Profit for the period		**273.477**	228.383
Distribution of profit for the period			
Equity holders of the parent		**273.477**	228.383
Earnings per share (TL)	30	**0,911590**	0,761277
Diluted earnings per share (TL)	30	**0,911590**	0,761277

The accompanying accounting policies and notes between the pages 9 and 78 form an integral part of these consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated other comprehensive income statement
for the year ended December 31, 2019
(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

		(Audited)	(Audited)
		January 1 - December 31, 2019	January 1 - December 31, 2018
Profit for the period		**273.477**	228.383
Other comprehensive income			
Not to be reclassified to profit or loss		**99.157**	(89.101)
Gains/(losses) re-measurement on defined benefit plans		**(3.035)**	1.983
Gains (losses) on financial assets measured at fair value through other comprehensive income			
- Gains/(losses) on financial assets measured at fair value through other comprehensive income		***108.350***	*(96.213)*
Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss			
- Gains/(losses) from re-measurement on defined benefit plans of investments using equity method		***(1.322)***	*697*
Taxes relating to other comprehensive income not to be reclassified to profit (loss)			
- Gains/(losses) re-measurement on defined benefit plan, tax effect	29	***582***	*(381)*
- Gains/(losses) on financial assets measured at fair value through other comprehensive income, tax effect	*29*	***(5.418)***	*4.813*
To be reclassified to profit or loss		**(10.961)**	(99.558)
Gains/(losses) on cash flow hedges			
- Gains/(losses) on cash flow hedges		***(21.111)***	*9.784*
Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss			
- Gains/(losses) from cash flow hedging of investments using equity method		***4.167***	*(109.009)*
- Gains/(losses) from translation of foreign currency of investments using equity method		***1.338***	*1.820*
Taxes relating to other comprehensive income to be reclassified to profit (loss)			
- Gains/(losses) on cash flow hedges, tax effect	*29*	***4.645***	*(2.153)*
Other comprehensive income/(expense) (after taxation)		**88.196**	(188.659)
Total other comprehensive income		**361.673**	39.724
Distribution of total comprehensive income			
Equity holders of the parent		**361.673**	39.724

The accompanying accounting policies and notes between the pages 9 and 78 form an integral part of these consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated statement of changes in equity
for the year ended December 31, 2019
(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

				Other comprehensive income or expenses not to be reclassified to profit or loss			Other comprehensive income or expenses to be reclassified to profit or loss		Accumulated profit				
	Share capital	Adjustment to share capital	Adjustment to share capital due to cross-ownership (-)	Gains (losses) on re-measurement of defined benefit plans	Gains (losses) on financial assets measured at fair value through other comprehensive income	Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit or loss	Profit or loss relating to avoidance of risk of cash flow	Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit or loss	Restricted reserves	Retained earnings	Net profit for the period	Equity attributable to equity holders of the parent	Total equity
Audited													
Balance as of January 1, 2018	300.000	71.504	(7.442)	1.187	213.653	(471)	-	(113.760)	249.509	1.631.864	577.019	2.923.063	2.923.063
Adjustments to changes in accounting policies	-	-	-	-	-	-	-	-	-	(377)	-	(377)	(377)
Adjustments to mandatory changes in accounting policies	-	-	-	-	-	-	-	-	-	*(377)*	-	*(377)*	*(377)*
Transfers	-	-	-	-	-	-	-	-	44.701	532.318	(577.019)	-	-
Total comprehensive income (expense)	-	-	-	1.602	(91.400)	697	7.631	(107.189)	-	-	228.383	39.724	39.724
Net income	-	-	-	-	-	-	-	-	-	-	*228.383*	*228.383*	*228.383*
Other comprehensive income (expense)	-	-	-	*1.602*	*(91.400)*	*697*	*7.631*	*(107.189)*	-	-	-	*(188.659)*	*(188.659)*
Dividend paid	-	-	-	-	-	-	-	-	-	(460.000)	-	(460.000)	(460.000)
Balance as of December 31, 2018	300.000	71.504	(7.442)	2.789	122.253	226	7.631	(220.949)	294.210	1.703.805	228.383	2.502.410	2.502.410
Audited													
Balance as of January 1, 2019	**300.000**	**71.504**	**(7.442)**	**2.789**	**122.253**	**226**	**7.631**	**(220.949)**	**294.210**	**1.703.805**	**228.383**	**2.502.410**	**2.502.410**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**44.482**	**183.901**	**(228.383)**	**-**	**-**
Total comprehensive income (expense)	**-**	**-**	**-**	**(2.453)**	**102.932**	**(1.322)**	**(16.466)**	**5.505**	**-**	**-**	**273.477**	**361.673**	**361.673**
Net income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	***273.477***	***273.477***	***273.477***
Other comprehensive income (expense)	**-**	**-**	**-**	***(2.453)***	***102.932***	***(1.322)***	***(16.466)***	***5.505***	**-**	**-**	**-**	***88.196***	***88.196***
Dividend paid (Note 21)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(386.000)**	**-**	**(386.000)**	**(386.000)**
Balance as of December 31, 2019	**300.000**	**71.504**	**(7.442)**	**336**	**225.185**	**(1.096)**	**(8.835)**	**(215.444)**	**338.692**	**1.501.706**	**273.477**	**2.478.083**	**2.478.083**

The accompanying accounting policies and notes between the pages 9 and 78 form an integral part of these consolidated financial statements.

Aygaz Anonim Şirketi and its Subsidiaries

Consolidated cash flow statement
for the year ended December 31, 2019
(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

	Notes	**Audited** **January 1 - December 31, 2019**	Audited January 1 - December 31, 2018
Cash flows from operating activities		**577.709**	233.275
Net income from continuing operations		**273.477**	228.383
Adjustments related with the reconciliation of net profit/(loss) for the period		**254.587**	106.665
-Adjustments for depreciation and amortization expenses	13, 14	**127.068**	89.580
-Adjustments for impairment reversal/(loss)		**2.257**	1.841
-Adjustments for provisions		**36.635**	169.355
-Adjustments for dividend income/(expense)	26	**(70)**	(604)
-Adjustments for interest income	27	**(71.841)**	(69.689)
-Adjustments for interest expense	28	**251.985**	184.994
-Adjustments for unrealized foreign exchange differences		**(3.408)**	35.712
-Adjustments for fair value gains/(losses) on derivative financial instruments		**31.161**	(23.927)
-Adjustments for undistributed profits of investments accounted under equity method	12	**(137.200)**	(281.440)
-Adjustments for tax income/(expenses)	29	**32.079**	21.378
-Adjustments for gains/(losses) on disposal of non-current assets	26	**(4.838)**	(25.053)
-Other adjustments for reconciliation of profit/(loss)		**(9.241)**	4.518
Changes in working capital:		**77.166**	(74.531)
-Change in blocked deposits		**(2.978)**	(1.943)
-Adjustments for increase/(decrease) in trade receivables		**(127.613)**	134.019
-Adjustments for increase/(decrease) in other operating receivables		**102**	(1.712)
-Adjustments for increase/(decrease) in inventories		**85.651**	(24.730)
-Increase/(decrease) in prepaid expenses		**91.083**	(53.708)
-Adjustments for increase/(decrease) in trade payables		**18.663**	(110.381)
-Increase/(decrease) in liabilities for employee benefits		**5.685**	(4.834)
-Adjustments for increase/(decrease) in other operating payables		**8.014**	(17.435)
-Increase/(decrease) in deferred income		**(1.441)**	6.193
Cash flows from operating activities		**605.230**	260.517
-Payments related to provisions for employee benefits	16	**(7.740)**	(4.585)
-Tax returns/(payments)		**(19.781)**	(22.657)
Cash flows from investing activities		**268.123**	2.220
Cash inflows from the sale of interests or capital decrease of investments in associates or joint ventures	12	**200.000**	-
Cash outflows from the acquisition of additional shares or capital increase of investments in associates or joint ventures	1, 12	**-**	(203.974)
Cash inflows from the sale of property, plant and equipment and intangible assets		**57.217**	32.467
Cash outflows from the purchase of property, plant and equipment and intangible assets	13,14	**(128.074)**	(107.671)
Dividends received		**186.782**	348.058
Other cash inflows/(outflows)		**(47.802)**	(66.660)
-Cash outflows due to business combinations, net	33	***(47.802)***	-
-Cash outflows due to capital increase of investments in associates	5	**-**	*(66.660)*
Cash flows from financing activities		**(854.844)**	(197.202)
Proceeds from borrowings		**990.550**	655.981
Repayments of borrowings	6	**(1.217.421)**	(309.175)
Payments of lease liabilities	6	**(51.087)**	-
Dividends paid		**(384.789)**	(460.000)
Interest paid		**(264.124)**	(154.369)
Interest received		**72.027**	70.361
Net increase/(decrease) in cash and cash equivalents before currency translation differences		**(9.012)**	38.293
Effect of currency translation differences		**24.265**	14.602
Net increase/(decrease) in cash and cash equivalents		**15.253**	52.895
Cash and cash equivalents at the beginning of the period	4	**646.067**	593.172
Cash and cash equivalents at the end of the period	4	**661.320**	646.067

The accompanying accounting policies and notes between the pages 9 and 78 form an integral part of these consolidated financial statements.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

1. Organization and operations of the Company

The main activity of Aygaz Anonim Şirketi (the "Company" or "Aygaz") is the purchase of liquid petroleum gas (LPG) in bulk from domestic refineries and the overseas market and delivery to retailers for distribution to customers. The Company manufactures LPG cylinders, LPG tanks, regulators and other supplementary materials which support the Company's main business and which are necessary equipment for the end-user. In 2019 the Company opened a branch office in London with the aim of increasing trade volume with third parties in international markets and creating additional value for its domestic operations by monitoring the opportunities in global markets. The Company is controlled by Koç Holding A.Ş. the parent company, Koç Family and the companies owned by Koç Family.

The Company is registered at the Capital Markets Board of Turkey ("CMB") and as of December 31, 2019, 24,27% of its shares have been quoted at Borsa Istanbul.

The address of the registered office of the Company is as follows:

Büyükdere Cad. No: 145/1 Aygaz Han, Zincirlikuyu, 34394 / İstanbul

Total end of period and average number of personnel employed by categories in Aygaz and its subsidiaries (together with referred to as the "Group") are as follows:

	End of period		Average	
	December 31 2019	December 31 2018	**January 1- December 31, 2019**	January 1- December 31, 2018
Monthly paid	**685**	688	**679**	688
Hourly paid	**624**	603	**637**	637
Total number of personnel	**1.309**	1.291	**1.316**	1.325

Subsidiaries

The details of the Group's subsidiaries are as follows:

		Ownership interest (%)			
Subsidiaries	Place of incorporation and Operation	**December 31, 2019**	**December 31, 2018**	**Voting power right**	Principal activity
Anadoluhisarı	Turkey	**100**	100	**100**	Shipping
Kandilli	Turkey	**100**	100	**100**	Shipping
Kuleli	Turkey	**100**	100	**100**	Shipping
Kuzguncuk	Turkey	**100**	100	**100**	Shipping
Akpa	Turkey	**100**	100	**100**	Marketing
Aygaz Doğal Gaz Toptan Satış A.Ş.	Turkey	**100**	100	**100**	Natural gas
Aygaz Doğal Gaz İletim A.Ş.	Turkey	**100**	100	**100**	Natural gas
ADG Enerji	Turkey	**100**	100	**100**	Natural gas
Bal Kaynak(1)	Turkey	**100**	-	**100**	Bottled water

(1) Acquired in 2019 (Note 33).

Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş ("Akpa") reached to its current structure with the merger of four subsidiaries of Koç Holding Energy Group at the end of 2001. Before the merger, four companies were operating separately from each other in Bursa, Eskişehir, Ankara and Antalya. At the time of merger the name of company was Bursa Gaz ve Ticaret A.Ş, later it was changed to "Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş." with the decision of Ordinary General Meeting held on March 17, 2005. Akpa is mainly engaged in sales of cylinders through either its own organisation or dealers, retail and wholesale of LPG, fuel and lubricants through autogas stations.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

1. Organization and operations of the company (Continued)

Main activity of Aygaz Doğal Gaz Toptan Satış A.Ş. and Aygaz Doğal Gaz İletim A.Ş. (together "Aygaz Doğal Gaz") is to purchase natural gas from domestic and/or overseas suppliers, selling natural gas to domestic and/or overseas customers and make related arrangements for the modulation, storing of natural gas and building necessary facilities.

Within July 2010, the Company has restructured its shipping operations under new legal entities, and established Anadoluhisarı Tankercilik A.Ş. ("Anadolu Hisarı"), Kandilli Tankercilik A.Ş. ("Kandilli"), Kuleli Tankercilik A.Ş. ("Kuleli") and Kuzguncuk Tankercilik A.Ş. ("Kuzguncuk") with an effective ownership interest of 100%. The main activities of these companies are to purchase, build or rent vessels and to operate them in domestic and/or overseas transportation of crude oil, petroleum products, liquid petroleum gas, natural gas and solid, liquid and liquefied products. On October 13, 2017, the vessel named "Kuleli" which is used for the transportation of LPG, with net book value of TL 589 thousand was sold for USD 3.500 thousand in cash by Kuleli Tankercilik A.Ş. - the Company's subsidiary. On March 14, 2019 Kuleli has acquired the 100% of shares of Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş. ("Bal Kaynak") (Note 33).

Enram Su ve Çevre Yatırımları A.Ş. has decided to change its trade name as ADG Enerji Yatırımları A.Ş. ("ADG Enerji") in its Extraordinary General Meeting held on March 20, 2014. Main activity of ADG Enerji is to produce natural gas in domestic and/or overseas markets, purchase natural gas from domestic and/or overseas suppliers, selling natural gas in domestic and/or overseas customers and make related investments to storing, transportation and distribution of natural gas and building necessary facilities. ADG Enerji has decided to decrease its share capital through share cancellation from TL 26.100 thousand to TL 500 thousand in its Extraordinary General Meeting held on December 14, 2017. The TL 25.600 thousand capital reduction has been paid in cash to the Company on March 9, 2018.

Investments in associates

The details of the Group's associates are as follows:

		Ownership interest (%)			
Investments in associates	Place of incorporation and operation	**December 31, 2019**	December 31, 2018	**Voting power right**	Principal activity
Enerji Yatırımları A.Ş. ("EYAŞ")	Turkey	**20,00**	20,00	**20,00**	Energy
Entek Elektrik Üretimi A.Ş. ("Entek")	Turkey	**49,62**	49,62	**49,62**	Electricity

In December 2005, Enerji Yatırımları A.Ş. ("EYAŞ") was established to acquire 51% block shares of Türkiye Petrol Rafinerileri A.Ş. ("TÜPRAŞ"), to participate in Tüpraş's management and its operational decisions as well as to establish and operate in oil refinery related sectors in Turkey. At the Extraordinary General Meeting of EYAŞ held on December 20, 2018, it was resolved to decrease EYAŞ's share capital from TL 3.347.000 thousand to TL 2.347.000 thousand. The portion of the Company which is TL 200.000 thousand has been paid in cash on March 28, 2019.

Entek Elektrik Üretimi A.Ş. ("Entek"), the electricity generation company of Koç Group, operates one natural gas cycling plant with capacity of 97 MW in Kocaeli and eight hydroelectric power plants in Kahramanmaraş, Karaman, Samsun and Mersin with capacity of 265 MW in total reaching aggregate capacity of 362 MW. In September 2017, Entek submitted the highest bid to the Privatization Administration and was granted operating rights of the 178 MW Menzelet and Kılavuzlu HEPPs for 49 years. Following the bid process, the necessary approvals were obtained, and Menzelet and Kılavuzlu HEPPs were taken over by Menzelet Kılavuzlu Elektrik Üretimi A.Ş., wholly owned by Entek, and put into operation on March 9, 2018. In the Extraordinary General Assembly of Entek dated February 9, 2018, it was resolved to increase the paid-in capital by from TL 538.500 thousand to TL 950.000 thousand, TL 405 thousand to be paid out of internal funds and TL 411.095 thousand to be paid in cash. Our Company's corresponding amount of TL 203.974 thousand was paid in cash on March 1, 2018 (Note 12).

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

1. Organization and operations of the company (Continued)

Joint ventures

The details of the Group's joint ventures are as follows:

		Ownership interest (%)			
Joint venture	Place of incorporation and operation	**December 31, 2019**	**December 31, 2018**	**Voting power right**	Principal activity
Opet Aygaz Gayrimenkul A.Ş.	Turkey	**50,00**	50,00	**50,00**	Real Estate

Opet Aygaz Gayrimenkul A.Ş. was established on September 20, 2013 as a joint venture with 50% equal shares by the Company and Opet Petrolcülük A.Ş., which is the Company's business partner, operating in distribution of fuel products. Its main activity is to establish, purchase, operate and rent fuel and LPG stations.

Approval of consolidated financial statements

The consolidated financial statements as of and for the year ended December 31, 2019 are approved in the Board of Directors meeting held on February 12, 2020. These consolidated financial statements will be finalized following their approval in the General Assembly.

2. Basis of presentation of consolidated financial statements

2.1 Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards/Turkish Financial Reporting Standards, ("TAS/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. TMS is consist of Turkish Accounting Standards, Turkish Financial Reporting Standards, annexes and comments on them.TAS/TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for listed companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision.

The Group's consolidated financial statements are presented in terms of Turkish Lira "TL" which is the functional and presentation currency of the Company and its subsidiaries.

The consolidated financial statements are prepared based on the historical cost conversion, except for the financial assets and liabilities which are expressed with their fair values.

Basis of presentation of consolidated financial statements (continued)

2.2 Consolidation principles

(a) Consolidated financial statements incorporate the financial statements of the Company, its subsidiaries and affiliates and joint ventures, which have been prepared in accordance with guidelines defined in the items (b) to (h). The financial statements of the companies included in the consolidation have been prepared as of the date of the consolidated financial statements and are based on the statutory records with adjustments and reclassifications for the purpose of presentation in conformity TAS/TFRS promulgated by the POA as set out in the communiqué numbered II-14.1, and Group accounting and disclosure policies

(b) Subsidiaries are the companies controlled by Aygaz when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(c) Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. In case it is necessary, accounting policies are changed for subsidiaries in order to align with Group accounting policies.

Balance sheets and income statements of subsidiaries have been fully included into consolidation and the book values and equities of such subsidiaries which are owned by the Company, have been netted off. All inter-group transactions, balances, income and expenses are eliminated on consolidation. Book values of the shares owned by the Company and related dividends have been netted off from related equity and income statement accounts.

(d) Investments in associates have been accounted using the equity method. These are institutions in which the Company has a voting power between 20% and 50% or in which the Company has a significant influence even though it does not have a controlling power.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. The Group ceases to account the associate using the equity method if it loses the significant influence or the net investment in the associate becomes nil, unless it has entered to a liability or a commitment. Subsequent to the date of the caesura of the significant influence, the investment is carried either at fair value when the fair value can be measured reliably, otherwise at cost.

(e) Financial assets, in which the Group has a total voting power of 20% or even though it has a voting power above 20% but does not have a significant influence, or which are immaterial for the consolidated financial statements, or such assets which are not traded in an organized market or whose fair values cannot be measured reliably, are presented with cost values, after deducting the impairment, if any.

Available for sale financial assets, in which the Group does not have a total voting power of 20% or does not have a significant influence and which have quoted market values in active markets and whose fair values can be reliably measured, are presented at fair values in the consolidated financial statements.

(f) The non-controlling share in the net assets and operating results of subsidiaries for the year are separately classified as non-controlling interest in the consolidated statements of financial position and consolidated statements of profit or loss.

2. Basis of presentation of consolidated financial statements (Continued)

(g) A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The investments in its associates and joint ventures are accounted for using the equity method.

(h) Under the equity method, the Group's investments in its associates and joint venture are initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associates or joint ventures is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the results of the operations of the Group's associates or joint ventures. Any change in other comprehensive income of those investees is presented as a part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of profit/loss of an associate or a joint venture' in the statement of profit or loss.

2.3 New and revised Turkey Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2019

Amendment to IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The amendments do not have an impact on the Group's consolidated financial position and performance.

Amendments to IAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that long-term investments in associate or joint venture which the equity method is not applied will be accounted by the companies in compliance with IFRS 9. The amendments do not have an impact on the Group's consolidated financial position and performance.

2. Basis of presentation of consolidated financial statements (Continued)

IFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The impacts of the first time adoption of the standard and changes in accounting policies was disclosed in Note 2.4.

IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are applied where there is uncertainty over income tax treatments. The IFRS IC had previously clarified only IAS 12. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is an uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group is in the process of assessing the impact of the interpretation on 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 any borrowing made to prepare the qualifying asset for its intended use or sale as part of general borrowings.

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

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 reminder 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 amendments do not have an impact on the Group's consolidated financial position and performance.

2. Basis of presentation of consolidated financial statements (Continued)

b) Standards, amendments and interpretations effective after 1 January 2020

Amendments to IAS 1 and IAS 8 on the definition of material; effective from annual periods beginning on or after 1 January 2020. These amendments to IAS 1 'Presentation of financial statements', and IAS 8 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

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

Amendments to IFRS 3 - definition of a business; effective from annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The Group will evaluate the effect of the amendments below and apply from effective date.

Amendments to IFRS 9, IAS 39 and IFRS 7; Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries. The Group is in the process of assessing the impact of the interpretation on financial position or performance of the Group.

2.4 Comparative information and reclassifications on prior period financial statements

The Group has been applied the change of "IFRS 16 Leases" which are effective as of January 1, 2019 considering the transition principles.

The effects of the first-time adoption of the amendments of these accounting policies are as follows:

The Group – as a lessee

Initially the Group assesses whether the contract is, or contains lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, The Group considers whether:

a) the contract involved the use of an identified asset – this may be specified explicitly or implicitly.
b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
c) the Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and

2. Basis of presentation of financial statements (continued)

d) the Group has the right to direct use of the asset. The Group concludes to have the right of use, when;

- it is predetermined how and for what purpose the Group will use the asset.
- the Group has the right to direct use of asset if either:
  i. the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
  ii. the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

The Group reflects the right of use asset and leasing liabilities to their financials at the date leasing contract is commenced.

Right of use asset

Initially the right of use asset is recognized at cost and comprise of:

a) 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; and
d) an estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

The Group re-measures the right of use asset:

a) after netting-off depreciation and reducing impairment losses from right of use asset,

b) adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies IAS 16 "Property, Plant and Equipment" to amortize the right of use asset and to assess for any impairment.

IAS 36 "Impairment of Assets" is applied to determine whether the right of use assets has been impaired and recognise any impairment losses identified.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.

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

a) fixed payments, including in-substance fixed payments;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date,
c) the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

2. Basis of presentation of financial statements (continued)

After initial recognition, the lease liability is measured by:

a) increasing the carrying amount to reflect interest on lease liability
b) reducing the carrying amount to reflect the lease payments made and
c) re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease term if the lease is reasonably certain to be extended. The group re-measures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

Variable lease payments

Group's lease contracts also include variable lease payments which are not in the scope of IFRS 16. Variable lease payments are recognised in profit or loss in the related period. As of December 31, 2019 the total expenses of variable lease payment contracts are TL 1.089 thousand.

Exemptions and simplifications

Short-term lease payments and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc.) are not included in the measurement of the lease liabilities in the scope of IFRS 16. Lease payments of these contracts are continued to be recognised in profit or loss in the related period.

The Group - as a lessor

The Group's leases as a lessor are operating leases. In operating leases, leased assets are reclassified to investment property, fixed assets or other current assets in consolidated financial statements and rental income recognised straight line basis over the lease period.

First time adoption of IFRS 16 Leases

The Group has applied IFRS 16 "Leases", which replaces IAS 17, for the effective period beginning on 1 January 2019. The cumulative impact of applying IFRS 16 is accounted in the condensed interim consolidated financial statements retrospectively ("cumulative impact approach") at the start of the current accounting period. The simplified transition approach of the related standard does not require a restatement in the comparative periods or in the retained earnings.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (Continued)

With the transition to IFRS 16 "Leases", a "lease liability" is recognized in the condensed interim consolidated financial statements for the lease contracts which were previously measured under IAS 17 as operational leases. At transition, lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on the effective transition date. The Group measured the right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under IFRS 16 simplified transition approach.

The impacts of first-time adoption of IFRS 16 is summarized as follows:

	January 1, 2019
Operating lease commitments within the scope of IAS 17	**117.654**
- Short term leases	(885)
- Adjustments related to extension and termination options	17.053
Total lease liabilities within the scope of IFRS 16 (undiscounted)	**133.822**
Total lease liabilities within the scope of IFRS 16 (discounted and after consolidation eliminations)	**86.999**
- Short term lease liabilities:	20.650
- Long term lease liabilities:	66.349

As at January 1, 2019 the weighted average of the Group's incremental borrowing rates for lease agreements in TL is 25% and in EUR is 6%.

As of January 1, 2019 and December 31, 2019 , the details of the right of use assets that are accounted in the condensed consolidated financial statements are as follows:

	December 31, 2019	January 1, 2019
Land	3.989	2.836
Land improvements	3.794	1.382
Buildings	14.352	7.488
Machinery and equipment	32.356	-
Vehicles	55.527	75.293
Furniture and fixtures	48	-
Total right-of-use assets	**110.066**	**86.999**

Net book value of the right-of-use assets is TL 110.066 thousand as of December 31, 2019. For the period ended December 31, 2019, additions to and disposals from the right-of-use assets (net) amounted to TL 5.693 thousand and depreciation expenses amounted to TL 30.048 thousand. Additionally, TL 47.422 thousand of tangible assets have been sold and leased back from Yapı Kredi Finansal Kiralama A.O. on May 31, 2019. Within the scope of IFRS 16 "Leases", the balance has been transferred to right-of-use assets (Note 13).

2. Basis of presentation of consolidated financial statements (Continued)

2.5 Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

2.6 Revenue recognition

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers. Returns, discounts and provisions are reduced from the related amount.

Group recognises revenue based on the following five principles:

(a) Identification of customer contracts,
(b) Identification of performance obligations,
(c) Determination of the transaction price in the contracts,
(d) Allocation of transaction price to the performance obligations,
(e) Recognition of revenue when the performance obligations are satisfied.

Group recognises revenue from its customer when all of the the following criteria are met:

(a) The parties have approved the contract (written or orally or in accordance with other customer business practices) and are committed to perform their respective obligations,
(b) Group can identify the right of parties related to goods and services,
(c) Group can identify the payment terms of goods and services to be transferred,
(d) The contract has commercial substance,
(e) It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods and services that will be transferred to the customer. In evaluating whether collectabilitiy of a consideration is probable, the entity shall consider only the customer's abilitiy and intention to pay the consideration when it is due.

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity and when the revenue amount, the completion level of the transaction as of the reporting date and the cost required for the completion of the transaction can be measured reliably.

The assumptions for the reliability of revenue recognition after the agreement of third parties are as follows:

- Contractual rights of each parties under sanction according to the agreement,
- Service fee,
- Payment terms and conditions.

The accounting policy of Special Consumption Tax (SCT) on imported LPG which is required to be paid after the declaration made to the Republic of Turkey, Ministry of Finance is applied to be included in revenues and cost of goods sold (Gross profit and net income is not impacted by this record). For the year ended December 31, 2019, SCT on imported LPG included in revenues and the cost of goods sold is amounting to TL 1.955.259 thousand (January 1 - December 31, 2018: TL 1.543.946 thousand).

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

2. Basis of presentation of consolidated financial statements (Continued)

Dividend and interest revenue:

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established.

2.7 Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is calculated with first in first out method for LPG and with weighted average method for other inventories. Cost of inventories include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Conversion costs of inventories defines as costs directly related to production, such as direct labour costs. These expenses also include systematically distributed amounts from fixed and variable costs in factory overheads. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs to make the sale.

2.8 Property, plant and equipment

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

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Legal fees are included into costs. Depreciation of these assets begins when the assets are ready for their intended use.

With the exception of land and construction in progress, the costs of property, plant and equipment are subject to depreciation using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Economic useful lives of property, plant and equipment are as follows:

	Useful lives
Buildings	25-50 years
Land improvements	10-25 years
LPG Cylinders	10 years
Plant, machinery and equipment	3-25 years
Vessels	10-20 years
Vehicles	3-15 years
Furnitures and fixtures	3-50 years
Leasehold improvements	4-10 years

2. Basis of presentation of consolidated financial statements (Continued)

2.9 Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Trade rights and licenses

Acquired trade rights and licenses are shown at historical cost. Trade rights and licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives in 4-15 years.

Computer software

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

2.10 Impairment of assets

An impairment test is applied when the recovery for the book value of the redeemable assets is impossible. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recorded directly to profit and loss statement when incurred.

2. Basis of presentation of consolidated financial statements (Continued)

2.12 Financial instruments

2.12.1 Financial assets

Reclassification and re-measurement

Financial assets are classified into the following specified categories: financial assets as "at fair value at amortised cost", "at fair value through profit or loss (FVTPL)", "at fair value through other comprehensive income". The classification is made considering the purpose of acquisition of financial asset and its expected cash flows, at the time of acquisition.

Financial assets carried at amortised cost

Financial assets measured at amortised cost", are the financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount standing, not have an active market and non-derivatives financial assets. "Cash and cash equivalents", "Trade receivables" are classified as financial assets measured at amortised cost using the effective interest method.

Impairment of financial assets

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

Trade receivables

The Group has chosen "practical expedient" explained in IFRS 9 for the calculation of the impairment of trade receivables (with maturities less than one year) that do not contain a significant financing component and accounted at amortized cost. Accordingly, the Group measured the loss allowance for trade receivables at an amount equal to lifetime expected credit losses when trade receivables are not impaired for any reasons. The Group uses a provision matrix in the calculation of expected credit losses. Provision rate is calculated based on the overdue days of trade receivables and the rates are revised each reporting period if necessary. The change in expected credit losses is recognised in operational expense/income in consolidated income statement.

Financial assets measured at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. Group makes a unchangeable choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss.

i) Financial assets measured at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprise of "derivative instruments" in the statement of financial position. Derivative instruments are recognized as asset when the fair value of the instrument is positive, as liability when the fair value of the instrument is negative. Group's financial instruments at fair value through profit or loss consist of forward contracts, currency swaps and cross currency fixed interest rate swap.

2. Basis of presentation of consolidated financial statements (Continued)

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

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, credit card receivables from banks and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are not subject to a significant risk of changes in value.

2.12.2 Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

These derivative instruments are recorded at fair value at the beginning of the contract and subsequently measured with its fair value. If the fair value is positive, derivatives are classified as financial asset or otherwise financial liability.

Such derivative instruments are generally accounted as trading derivative instruments in consolidated financial statements, because they do not have related specifications in terms of hedge accounting. The gains and losses related to the changes in fair values of such financial instruments are shown in the profit or loss statement.

Fair value differences of forward transactions, sourcing from trading contracts in scope of main activities of the Group, are recognised under other real operating income (expense) since they are in scope of main activities of the Group while exchange rate differences, sourcing from forward exchange and exchange of interest rate, are recognised under financing income/(expense).

Cash flow hedges

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

Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognised in equity as "*Gains (losses) on cash flow hedges*". Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously recognised under equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts recognised under equity are transferred to the consolidated income statement in the period in which the hedged firm commitment or forecasted transaction affects the consolidated income statement

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

2. Basis of presentation of consolidated financial statements (Continued)

2.12.3 Recognition and de-recognition of financial instruments

All purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised where:

- The rights to receive cash flows from the asset have expired,
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the consolidated financial statements.

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires.

2.13 Business combinations

Before January 1, 2010 business combinations carried out by the Group has accounted for using the acquisition method according to before revised IFRS 3, “Business Combinations”.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquirer. The consideration transferred is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, the liabilities incurred by the Group to former owners of the entity and the equity interests issued by the Group. When the agreement with the seller includes a clause that the consideration transferred could be adjusted for future events, the acquisition-date fair value of this contingent consideration is included in the cost of the acquisition. All transaction costs incurred by the Group have been recognised in general administrative expenses.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquirer either at fair value or at the proportionate share of the acquirer’s identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquirer.

Acquisition method requires allocation of the acquisition cost to the assets acquired and liabilities assumed at their fair values on the date of acquisition. Accordingly, acquired assets and liabilities and contingent liabilities assumed are recognised at IFRS 3 fair values on the date of acquisition. Acquired company is consolidated in profit or loss statement starting from the date of acquisition.

2. Basis of presentation of consolidated financial statements (Continued)

Partial share sale and purchase transactions settled with minority shareholders

The Group evaluates the share transactions realized with non-controlling interests as transactions within the shareholders. Consequently, the difference between the purchase cost and the net asset purchased from other shareholders are accounted under shareholders equity in "subsidiary share purchase transactions" whereas share sale transactions to parties other than parent company are accounted as "transactions with non-controlling interest".

2.14 Foreign currency transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements. The functional currency of participations and subsidiaries that are included in the scope of consolidation is TL.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the Central Bank of the Republic of Turkey (CBRT) rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on transactions entered in order to hedge certain foreign currency risk,
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in TL using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's "foreign currency translation difference". Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

2.15 Earnings per share

Earnings per share disclosed in the accompanying consolidated statement of income is determined by dividing net income by the weighted average number of shares in existence during the year concerned.

In Turkey, companies can raise their share capital by distributing "Free Shares" to shareholders from retained earnings. In computing earnings per share, such "free share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

2. Basis of presentation of consolidated financial statements (Continued)

2.16 Subsequent events

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Group (should any evidence come about events that were prior to the balance sheet date or should new events come about) they will be explained in the relevant footnote.

The Group restates its financial statements if subsequent events which require restatement arise.

2.17 Provisions, contingent liabilities, contingent assets

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

2.18 Related parties

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

- (i) Has control or joint control over the reporting entity,
- (ii) Has significant influence over the reporting entity,
- (iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

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

In accordance with the purposes of consolidated financial statements, shareholders, important management personnel and members of Board of Directors, their families and companies controlled by them or depend upon them, the affiliates and partnerships and Koç Holding Group companies are accepted and presented as related parties.

2. Basis of presentation of consolidated financial statements (Continued)

2.19 Segmental information

The Group management assumes three operating segments to evaluate performance and source utilization decisions. These segments are gas and petroleum products, electricity and other operations. These operating segments are managed separately as the risk and return of these segments are affected by different economic conditions and geographical locations. The Group Management believes that financial results prepared according to IFRS are the best approach to evaluate performance of these operating segments.

2.20 Taxation and deferred tax

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

Income tax expense represents the sum of the corporate tax and deferred tax.

Corporate tax

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

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the fore-seeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the fore-seeable future.

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

2. Basis of presentation of consolidated financial statements (Continued)

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

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

The Company recognizes deferred tax asset for all deductible temporary differences arising from investments in subsidiaries, to the extent that, and only to the extent that, it is probable that:

- The temporary difference will reverse in the foreseeable future and
- Taxable profit will be available against which the temporary difference can be utilized.

The Company recognizes deferred tax liability for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:

- the parent is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

2.21 Employment benefits

Defined benefit plan:

Employment termination benefits, as required by the Turkish Labour 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 Group arising in case of the retirement of the employees, termination of employment without due cause, 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. All actuarial profits and losses are recognised in consolidated statements of income. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the shareholder's equity as other comprehensive income.

2. Basis of presentation of consolidated financial statements (Continued)

Defined contribution plan:

Group, has to compensate the Social Security Contribution of the employees. As long as this is compensated, there is no any other obligation for the Company. Social Security Contributions are classified as personnel expenses as of the accrual date.

2.22 Statement of cash flows

In statement of cash flow, cash flows are classified according to operating, investment and finance activities.

2.23 Share capital and dividends

Common shares are classified as equity. Dividends on common shares are recognised in retained earnings in the period in which they are approved and declared.

2.24 Research and development expenses

Research expenditure is recognised as an expense as incurred. Costs, except for listed below are classified as development expenditures and recognised as expense as incurred.

- If the cost related to the products can be defined and only if the cost can be measured reliably,
- If the technological feasibility can be measured,
- If the good will be sold or will be used within the company,
- If there's a potential market or can be proved that it is used within the company,
- If necessary technological, financial and other resources can be provided to complete the Project.

Other development expenditures are recognised as expense as incurred.

Development costs previously recognised as expense cannot be capitalized in a subsequent period. Development costs that have been capitalized are amortized from the commencement of the commercial production of the product on a straight-line basis. As of December 31, 2019, the Group has no capitalized research and development expenses (December 31, 2018: None).

2.25 Critical accounting estimates and assumptions

The critical accounting estimates and assumptions which have material impact on the consolidated financial statements are as follows:

a) Property, plant and equipment and intangible fixed assets are subject to depreciation according to their useful lives (Note 13, 14). Estimations of such useful lives are based on the expectations of Group management.

2. Basis of presentation of consolidated financial statements (Continued)

b) The Group Management uses market values for quoted equity items traded in active markets, while determining fair values of financial asset measured at fair value through other comprehensive income. For other available for sale financial assets, fair values are determined in line with generally accepted valuation principles using current economic data, trends in the market and expectations.

Financial asset measured at fair value through other comprehensive income of the Group includes shares of Koç Finansal Hizmetler A.Ş. (KFS), an unlisted company and the majority shareholder of Yapı ve Kredi Bankası with 81,9%. Since the shares of Yapı ve Kredi Bankası are traded in Istanbul Stock Exchange, the fair value of shares of KFS are determined by using several valuation methods such as the existing market value of Yapı ve Kredi Bankası, dividend discount model, comparison method considering recent similar local or international acquisitions realized. In this valuation, the market value is weighted as 75%, the dividend discount model is 15% and the market model involving similar acquisitions is 10%. In the dividend discount model, 19,7% cost of equity-discount rate on Turkish Lira based (2018: 22,3%) and 7,9% of long-term growth rate (2018: 10,6%) were taken into consideration. The average result of the minimum and maximum values of the calculations made using these methods were recorded as the fair value (Note 5).

d) In order to record allowances for litigations, the consequences of lost cases are evaluated with the Company lawyers and Company Management makes most accurate evaluations with the available data (Note 17).

f) There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Group recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the carry forward tax losses and unused investment tax credits to the extent that the realization of the related tax benefit through the future taxable profits is probable (Note 29). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

3. Segment information

The segmental operations are specified according to the internal reports reviewed regularly by the authority entitled to making decision for the Group's operations.

The Group's decision making authority evaluates operations and results according to industrial segments for the purpose of making decisions for assigning resources to the segments and evaluating the segmental performances. The distribution of segmental operations with respect to industrial segments is as follows:

- Gas and petroleum products
- Electricity
- Other

The Group Management evaluates financial results and performance based of TFRS financial statements. Therefore, TFRS financial statements are the basis of segmental reporting. The Group evaluates the performance of its segments based on gross profit and operating profit.

As of December 31, 2019 and 2018, assets and liabilities according to industrial segments are as follows:

					December 31, 2019
	Gas and petroleum products	**Electricity**	**Other**	**Consolidation adjustments**	**Total**
Assets					
Current assets	**1.428.921**	**-**	**194.691**	**(34.496)**	**1.589.116**
Non-current assets	**2.657.872**	**541.649**	**342.612**	**(176.390)**	**3.365.743**
Total assets	**4.086.793**	**541.649**	**537.303**	**(210.886)**	**4.954.859**
Liabilities					
Short term liabilities	**1.414.871**	**-**	**114.671**	**(34.505)**	**1.495.037**
Long term liabilities	**938.218**	**-**	**50.245**	**(6.724)**	**981.739**
Equity	**1.733.704**	**541.649**	**372.387**	**(169.657)**	**2.478.083**
Total liabilities and equity	**4.086.793**	**541.649**	**537.303**	**(210.886)**	**4.954.859**
Investments accounted under equity method	**1.379.117**	**541.649**	**138.704**	**-**	**2.059.470**

					December 31, 2018
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Assets					
Current assets	1.457.467	-	184.598	(24.526)	1.617.539
Non-current assets	2.956.387	448.501	273.720	(282.924)	3.395.684
Total assets	4.413.854	448.501	458.318	(307.450)	5.013.223
Liabilities					
Short term liabilities	1.446.764	-	61.805	(24.538)	1.484.031
Long term liabilities	1.021.426	-	15.413	(10.057)	1.026.782
Equity	1.945.664	448.501	381.100	(272.855)	2.502.410
Total liabilities and equity	4.413.854	448.501	458.318	(307.450)	5.013.223
Investments accounted under equity method	1.718.736	448.501	137.562	-	2.304.799

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

3. Segment information (Continued)

As of December 31, 2019 and 2018, profit and loss statement according to industrial segments are as follows:

					January 1 - December 31, 2019
	Gas and petroleum products	**Electricity**	**Other**	**Consolidation adjustments**	**Total**
Revenue	**9.746.940**	**-**	**763.572**	**(299.499)**	**10.211.013**
Cost of sales (-)	**(8.905.079)**	**-**	**(648.545)**	**299.499**	**(9.254.125)**
Gross profit	**841.861**	**-**	**115.027**	**-**	**956.888**
General administrative expenses (-)	**(232.493)**	**-**	**(25.307)**	**4.871**	**(252.929)**
Marketing expenses (-)	**(318.694)**	**-**	**(33.610)**	**-**	**(352.304)**
Research and development expenses (-)	**(2.863)**	**-**	**(31)**	**-**	**(2.894)**
Other operating income	**529.382**	**-**	**23.756**	**(351.873)**	**201.265**
Other operating expenses (-)	**(168.128)**	**-**	**(19.743)**	**2.692**	**(185.179)**
Operating profit	**649.065**	**-**	**60.092**	**(344.310)**	**364.847**
Income from investment activities	**113.256**	**-**	**596**	**(106.435)**	**7.417**
Loss from investment activities (-)	**(2.484)**	**-**	**(25)**	**-**	**(2.509)**
Profit/losses from investments accounted under equity method	**47.678**	**88.380**	**1.142**	**-**	**137.200**
Operating profit before financial income/(expense)	**807.515**	**88.380**	**61.805**	**(450.745)**	**506.955**
Financial income	**140.134**	**-**	**10.677**	**-**	**150.811**
Financial expense (-)	**(341.533)**	**-**	**(10.677)**	**-**	**(352.210)**
Profit from continuing operations before tax	**606.116**	**88.380**	**61.805**	**(450.745)**	**305.556**
Tax income/(expense), continuing operations					
Current tax expense for the period (-)	**(29.587)**	**-**	**(7.850)**	**-**	**(37.437)**
Deferred tax income/(expense)	**6.501**	**-**	**(1.143)**	**-**	**5.358**
Profit for the period	**583.030**	**88.380**	**52.812**	**(450.745)**	**273.477**

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

3. Segment information (Continued)

					January 1 - December 31, 2018
	Gas and petroleum products	Electricity	Other	Consolidation adjustments	Total
Revenue	9.167.870	-	620.212	(233.641)	9.554.441
Cost of sales (-)	(8.619.449)	-	(534.285)	233.641	(8.920.093)
Gross profit	548.421	-	85.927	-	634.348
General administrative expenses (-)	(185.837)	-	(19.834)	4.007	(201.664)
Marketing expenses (-)	(289.214)	-	(21.542)	-	(310.756)
Research and development expenses (-)	(3.431)	-	-	-	(3.431)
Other operating income	319.793	-	17.453	(5.578)	331.668
Other operating expenses (-)	(368.410)	-	(11.694)	522	(379.582)
Operating profit	21.322	-	50.310	(1.049)	70.583
Income from investment activities	429.280	-	471	(402.354)	27.397
Loss from investment activities (-)	(1.740)	-	-	-	(1.740)
Profit/losses from investments accounted under equity method	373.157	(96.049)	4.332	-	281.440
Operating profit before financial income/(expense)	822.019	(96.049)	55.113	(403.403)	377.680
Financial income	139.100	-	26.151	-	165.251
Financial expense (-)	(284.635)	-	(8.535)	-	(293.170)
Profit from continuing operations before tax	676.484	(96.049)	72.729	(403.403)	249.761
Tax income/(expense), continuing operations					
Current tax expense for the period (-)	(9.696)	-	(6.175)	-	(15.871)
Deferred tax income/(expense)	(5.399)	-	(108)	-	(5.507)
Profit for the period	661.389	(96.049)	66.446	(403.403)	228.383

The depreciation and amortization expense for the industrial segmental assets as of December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Gas and petroleum products	**112.288**	79.897
Other	**14.780**	9.683
	127.068	89.580

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

3. Segment information (Continued)

The investment expenditures for the industrial segmental assets as of December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Gas and petroleum products	**107.835**	102.884
Other	**20.239**	4.787
	128.074	107.671

4. Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	**374**	223
Cash at banks	**617.106**	589.377
- Demand deposits	***30.038***	*39.010*
- Time deposits	***587.068***	*550.367*
Receivables from credit card transactions	**47.911**	58.410
Total cash and cash equivalents	**665.391**	648.010

As of December 31, 2019 the Group's TL time deposits amounting to TL 269.255 thousand with maturities of 2 days and interest rates of 11,15-11,65%. USD time deposits amounting to USD 53.502 thousand (TL 317.813 thousand) with maturities of 2 days and interest rate of 1,75% (As of December 31, 2018 the Group's TL time deposits amounting to TL 344.731 thousand have maturities of 2 days and interest rates of 22,50-24,33%; USD time deposits amounting to USD 39.088 thousand (TL 205.636 thousand) have a maturity of 2 days and an interest rate of 3,40%).

The amount of cash and cash equivalents shown in the statement of cash flow as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Cash and cash equivalents	**665.391**	648.010
Less: Blocked deposits (*)	**(4.071)**	(1.943)
	661.320	646.067

(*) The amount consists of the cash collaterals given to Istanbul Clearing, Settlement and Custody Bank Inc.-Takasbank in accordance with the procedure with respect to central transportation services provided by Takasbank in the Organized Natural Gas Market operated by Energy Exchange Istanbul (EXIST).

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

5. Financial investments

The Group's long-term financial assets identified as available-for-sale financial assets are as follows as of December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
	Participation amount	Participation rate %	Participation amount	Participation rate %
Financial assets measured at fair value through other comprehensive income:				
Koç Finansal Hizmetler A.Ş.(*)	***393.997***	***1,97***	*285.647*	*1,97*
Financial assets measured at fair value through profit or loss:				
Ram Dış Ticaret A.Ş.	***87***	***2,50***	*420*	*2,50*
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.(**)	***270***	***10,00***	*540*	*10,00*
Tat Gıda Sanayi A.Ş.	***654***	***0,08***	*53*	*0,08*
Other	***436***	***-***	*436*	*-*
	395.444		287.096	

(*) During the extraordinary general assembly meeting held on June 6, 2018 of Koç Finansal Hizmetler A.Ş. in which having a 1,97% stake, it was resolved to increase the paid-in capital of by TL 3.389.325 thousand from TL 3.011.275 thousand to TL 6.400.600 thousand. The Company participated in this capital increase by exercising its pre-emptive rights corresponding to TL 66.660 thousand that was paid in cash on June 18, 2018.

(**) In 2019 it was decided to decrease the paid-in capital of Tanı Pazarlama ve İletişim Hizmetleri A.Ş in which having a share of %10 in its share capital, by half.

6. Financial borrowings

As of December 31, 2019 and 2018 the Group's short-term financial borrowings are as follows:

	December 31, 2019	December 31, 2018
TL-denominated short-term bank borrowings (*)	**34.162**	78.596
Short-term lease liabilities	**30.721**	-
Total short-term bank borrowings	**64.883**	78.596
Short-term portion and interest accruals of TL-denominated long-term bank borrowings	**185.917**	275.038
Short-term portion and interest accruals of USD-denominated long-term bank borrowings	**132.156**	67.592
Short-term portion of long-term bond issued (**)	**100.381**	149.721
Total short-term portion of long-term financial borrowings	**418.454**	492.351

(*) As of December 31, 2019, the Group has interest free loan which was used for SSI payment amounting to TL 2.854 thousand (December 31, 2018: TL 5.981 thousand). Group has short-term bank loans with amounting to TL 31.308 thousand in total with maturities of January 7, 2020 and February 7, 2020 with 12,54% average interest rate.

(**) On October 20, 2017, January 26, 2018, June 21, 2019 and August 7, 2019, the Group has issued a fixed rate bond with a nominal value of TL 50.000 thousand, with a maturity of 728 days and half-yearly coupon payments, a fixed rate bond with a nominal value of TL 75.000 thousand, with a maturity of 728 days and half-yearly coupon payments, a floating rate bond with a nominal value TL 90.000 thousand with a maturity of 728 days and quarterly coupon payments and a floating rate bond with a nominal value TL 80.000 thousand with a maturity of 728 days and quarterly coupon payments respectively. In order to hedge cash flow risk, the interest rates of the issued bonds dated on June 21, 2019 and August 7, 2019 have been fixed by interest rate swap transaction (Note 7).

As of December 31, 2019, the details of short-term bank borrowings are as follows:

Currency	Average effective interest rate per annum (%)	Original amount	TL amount
TL	**-**	**2.750**	**2.750**
TL	**12,54**	**31.412**	**31.412**
			34.162

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

6. Financial borrowings (Continued)

As of December 31, 2018, the details of short-term bank borrowings are as follows:

Currency	Average effective interest rate per annum (%)	Original amount	TL amount
TL	-	5.981	5.981
TL	30,13	72.615	72.615
			78.596

As of December 31, 2019 and 2018 the Group's long-term financial borrowings are as follows:

	December 31, 2019	December 31, 2018
TL-denominated long-term bank borrowings	**512.368**	621.581
USD-denominated long-term bank borrowings	**26.731**	139.414
Total long-term bank borrowings	**539.099**	760.995
Long-term bonds issued	**151.590**	69.073
Total long-term bonds	**151.590**	69.073
Long-term lease liabilities	**73.737**	-
Total long-term lease liabilities	**73.737**	-
Total long-term financial borrowings	**764.426**	830.068

As of December 31, 2019 the details of long-term bank borrowings are as follows:

Currency	**Effective interest rate per annum (%)**	**Original amount**	**TL amount**
TL	**16,26**	**698.285**	**698.285**
USD	**4,90**	**26.748**	**158.887**
Short-term portion of long-term loans and interest accruals			**(318.073)**
			539.099

As of December 31, 2018 the details of long-term bank borrowings are as follows:

Currency	Effective interest rate per annum (%)	Original amount	TL amount
TL	20,35	896.619	896.619
USD	6,10	39.348	207.006
Short-term portion of long-term loans and interest accruals			(342.630)
			760.995

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

6. Financial borrowings (Continued)

The Group's movements of financial borrowings are as follows:

	2019	2018
As of January 1st	**1.401.015**	973.270
Effect of IFRS 16 (Note 2.4)	**86.999**	-
As of January 1st - recalculated in accordance with IFRS 16	**1.488.014**	973.270
Proceeds from new financial borrowings(*)	**1.036.833**	655.981
Repayments of principals(*)	**(1.268.508)**	(309.175)
Changes in interest accruals	**(6.371)**	30.625
Currency translation differences	**(2.205)**	50.314
As of December 31st	**1.247.763**	1.401.015

(*) In 2019, various loans amounting to TL 800,000 thousand were closed before their maturity dates in order to gain interest advantage. New loans with a lower rate of TL 600,000 thousand were used in lieu of closed loans. The early closure fee amounting to TL 25.051 thousand, which occurred as a result of early closure, is shown in the financing expenses (Note: 28).

7. Derivative financial instruments

As of December 31, 2019 and 2018, the Group's derivative financial instruments are as follows:

	December 31, 2019		December 31, 2018	
	Contract amount	**Fair value assets (liabilities)**	Contract amount	Fair value assets (liabilities)
Foreign currency swap contracts (**)	**26.100**	**28.194**	26.100	24.830
Commodity hedge (***)	**-**	**-**	41.245	1.109
Forward transactions (*)	**(29.850)**	**75**	-	-
Total short-term derivative financial assets	**(3.750)**	**28.269**	67.345	25.939
Commodity hedge (***)	**42.772**	**(12.709)**	-	-
Total short-term derivative financial liabilities	**42.772**	**(12.709)**	-	-

	December 31, 2019		December 31, 2018	
	Contract amount	**Fair value assets (liabilities)**	Contract amount	Fair value assets (liabilities)
Foreign currency swap contracts (**)	**13.050**	**14.097**	39.150	37.245
Total long-term derivative financial assets	**13.050**	**14.097**	39.150	37.245
Interest rate swap (****)	**170.000**	**(14.100)**	-	-
Total long-term derivative financial liabilities	**170.000**	**(14.100)**	-	-

(*) As of December 31, 2019 the Group has entered into forward transaction with a maturity of 17 days and nominal value amounting to USD 5.000 thousand (As of December 31, 2018 the Group has no forward transaction).

(**) In June, 2016, the Group has realized swap transaction with a contract amounting to TL 91.350 thousand with 5 years maturity, half yearly interest payment and fixed interest rate of 13,415%, in return for USD 31.500 thousand with a floating interest rate of six-month USDLIBOR + 2,4%. As of December 31, 2019, principal payment of USD 18.000 thousand was made in total, the remaining amount is USD 13.500 thousand.

(***) As of December 31,2019 the Group has commodity swap transaction which is made for the quantity of 20.000 metric tonne of propane (Sonatrach FOB Bethioua). The relevant contract month of the transaction is January 2020 and the weighted average fixed price is USD 360,03/per metric tonne (As of December 31, 2018 the Group has Commodity swap transaction which is made for the quantity of 20.000 metric tonne of propane (Sonatrach FOB Bethioua). The relevant contract month of the transaction is February 2019 and the weighted average fixed price is USD 392/per metric tonne).

(****) The Group has entered interest rate swap transactions for the bond on June 21, 2019 amounting to TL 90.000 thousand in total, fixing interest rate of TL 50.000 thousand of total bond with 21,95% and the TL 40.000 thousand of total bond with 20,75% and for the bond on August 7, 2019 amounting to TL TL 80.000 thousand in total, fixing interest rate of TL 50.000 thousand of total bond with 16,85% and the TL 30.000 thousand of total bond with 16,47%.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

8. Trade receivables and payables from third parties

The Group's trade receivables from third parties as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Trade receivables	**424.912**	390.652
Notes receivables	**38.467**	46.873
Allowance for doubtful receivables (-) (*)	**(28.291)**	(27.938)
Total current trade receivables	**435.088**	409.587

(*) TL 635 thousand of provision for doubtful receivables consists of expected credit loss provisions (As of December 31, 2018: TL 540 thousand.

	December 31, 2019	December 31, 2018
Notes receivable	**8.092**	8.835
Total non-current trade receivables	**8.092**	8.835

The Group's movements of doubtful receivables are as follows:

	2019	2018
As of January 1st in accordance with IAS 39	**27.938**	25.626
Effect of IFRS 9	**-**	471
As of January 1 st recalculated in accordance with IFRS 9	**27.938**	26.097
Increases during the period	**2.595**	2.364
Collections	**(338)**	(523)
Write offs	**(1.904)**	-
As of December 31st	**28.291**	27.938

Allowance for doubtful receivables has been raised per customer, based on the past experiences of the Company management.

Level and composition of risks of trade receivables are explained in Note 32.

The Group's trade payables as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Trade payables	**421.881**	414.382
Total short-term trade payables	**421.881**	414.382

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

9. Other receivables and payables from third parties

The Group's other receivables from third parties as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Guarantees and deposits given	**89**	191
Other receivables	**3.153**	2.856
Total other current receivables	**3.242**	3.047

	December 31, 2019	December 31, 2018
Guarantees and deposits given	**154**	99
Total other non-current receivables	**154**	99

As of December 31, 2019 and 2018, other payables to third parties of the Group are as follows:

	December 31, 2019	December 31, 2018
Deposits and guarantees taken	**344**	459
Total other short-term payables	**344**	459

	December 31, 2019	December 31, 2018
Cylinder deposits received	**107.213**	106.114
Total other long-term payables	**107.213**	106.114

10. Liabilities for employee benefits

As of December 31, 2019 and 2018, liabilities for employee benefits of the Group are as follows:

	December 31, 2019	December 31, 2018
Payables to personnel	**29.310**	27.021
Employee's income tax payable	**19.586**	16.616
Social security liabilities	**5.146**	4.720
Total liabilities for employee benefits	**54.042**	48.357

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

11. Inventories

	December 31, 2019	December 31, 2018
Raw materials	**133.577**	170.663
Goods in transit	**109.939**	156.125
Trade goods	**6.572**	5.812
Finished goods	**10.627**	12.861
Work in process	**2.823**	3.077
Allowance for impairment on inventory	**(229)**	(229)
Total inventories	**263.309**	348.309

As of December 31, 2019, the inventories compromise of 74.593 tons of LPG (December 31, 2018: 117.213 tons).

Movement of allowance for impairment on inventory of the Group is as follows:

	2019	2018
As of January 1st	**229**	229
Provision no longer required	**-**	-
As of December 31st	**229**	229

12. Equity investments

The details of carrying values and consolidation rates subject to equity accounting of equity investments are as follows:

	December 31, 2019		December 31, 2018	
	Participation amount	**Participation Rate**	Participation amount	Participation Rate
EYAŞ	**1.379.117**	**%20,00**	1.718.736	%20,00
Entek	**541.649**	**%49,62**	448.501	%49,62
OAGM	**138.704**	**%50,00**	137.562	%50,00
	2.059.470		2.304.799	

The movement of equity investments is as follows:

	2019	2018
As of January 1st	**2.304.799**	2.273.331
Shares of profit/(loss)	**137.200**	281.440
Shares of other comprehensive income/(loss)	**4.183**	(106.492)
Dividend income (*)	**(186.712)**	(347.454)
Participation in share capital decrease (increase) of equity investment (**)	**(200.000)**	203.974
As of December 31st	**2.059.470**	2.304.799

(*) EYAŞ dividend income.
(**) Capital decrease of EYAŞ. Related amount has been paid in cash to the Company on March 28, 2019 (2018: Capital increase of Entek) (Note 1).

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

12. Equity investments (Continued)

Shares of profit (loss) of equity investments:

	January 1 - December 31, 2019	January 1 - December 31, 2018
EYAŞ	**47.678**	373.157
Entek (***)	**88.380**	(96.049)
OAGM	**1.142**	4.332
	137.200	281.440

(***) (2018:The related balance also consists of the net loss for the period amounting to TL 18,9 million and impairment loss amounting to TL 74,7 million of Ayas Enerji Üretimi ve Ticaret A.Ş. (Ayas), joint venture of Entek which is the Group's equity investment.
Ayas was established on April 10, 2002 and the energy generation license for the thermal power plant with the capacity of 625 MW in Adana was obtained on April 30, 2009 for 49 years. The share purchase agreement for the transfer of 50% of Ayas shares to Entek was signed between the Armed Forces Pension Fund ("OYAK") and Entek on December 15, 2011. The share transfer was completed on May 22, 2012 as a result of obtaining the necessary permissions from the official authorities.
A lawsuit has been filed in 2011 for the cancellation of the generation license granted to Ayas with a demand of the stay of execution by the environmental organizations against Energy Market Regulatory Authority (EMRA) and the case is still ongoing. The trial was realized on December 25, 2018 and the declarations by the parties were made. Court's decision about the case is awaited and no certain evaluation can be made by the Group regarding the outcome of the case for the time being. While the lawsuit has been expected to be finalized since 2012 for the company to start operations; on the other hand, considering the factors such as the decline in commodity prices and rise in the financing costs, it is obvious that the economic return of the project is below the expectations and it is no longer feasible to continue the investment with the initial planned conditions and hence the entire carrying value of Ayas was impaired).

Shares of other comprehensive gains/(losses) of equity investments:

	January 1 - December 31, 2019	January 1 - December 31, 2018
EYAŞ (*)	**(585)**	(94.625)
Entek	**4.768**	(11.867)
	4.183	(106.492)

(*) The Group uses investment loans amounting to USD 812.776 thousand, which is equivalent to TL 4.828.054 thousand (December 31, 2018: USD 982.082 thousand (TL 5.166.635 thousand)) as prevention against USD/TL spot foreign exchange risk of USD denominated export revenue, which is highly probable to be realized. Based on the outcome of effectiveness test performed on related process, the Group has considered that the process is fully effective and therefore applied cash flow hedge accounting. As of 31 December 2019, TL 2.490.168 thousand (31 December 2018: TL 2.575.965) of foreign exchange loss that arose from investment loans is classified under equity "Cash flow hedge gains (losses)" which has no effect on current year income statement.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

12. Equity investments (Continued)

Financial information on Enerji Yatırımları A.Ş., which is accounted in the Group's financial statements according to equity pick-up method is set out below:

Consolidated balance sheet	**December 31, 2019**	December 31, 2018
Total assets	**53.461.696**	44.453.140
Total liabilities	**(42.375.036)**	(30.089.903)
Non-controlling interest	**(4.191.079)**	(5.769.557)
Net assets	**6.895.581**	8.593.680
Group's ownership	**20%**	20%
Group's share in associates' net assets	**1.379.117**	1.718.736

Consolidated profit or loss statement	**January 1 - December 31, 2019**	January 1 - December 31, 2018
Revenue	**89.600.776**	88.552.170
Profit for the period	**238.392**	1.865.785
Group's share in associates' profit for the period	**47.678**	373.157

(Amounts expressed in thousands of Turkish Lira (“TL”) and in thousands for other currencies unless otherwise indicated.)

12. Equity investments (Continued)

Financial information on Entek which is accounted in the Group’s financial statements according to equity pick-up method is set out below:

Consolidated balance sheet	**December 31, 2019**	December 31, 2018
Total assets	**2.529.872**	2.474.691
Total liabilities	**(1.438.257)**	(1.570.820)
Net assets	**1.091.615**	903.871
Group's ownership	**49,62%**	49,62%
Group's share in associates' net assets	**541.659**	448.501

Consolidated profit or loss statement	**January 1 - December 31, 2019**	January 1 - December 31, 2018
Revenue	**1.195.838**	498.353
Profit/(Loss) for the period	**178.113**	(193.570)
Group's share in associates' profit for the period	**88.380**	(96.049)

Financial information on Opet Aygaz Gayrimenkul A.Ş., which is accounted in the Group’s financial statements according to equity pick-up method is set out below:

Consolidated balance sheet	**December 31, 2019**	December 31, 2018
Total assets	**496.509**	511.396
Total liabilities	**(219.102)**	(236.272)
Net assets	**277.407**	275.124
Group's ownership	**50%**	50%
Group's share in associates' net assets	**138.704**	137.562

Consolidated profit or loss statement	**January 1 - December 31, 2019**	January 1 - December 31, 2018
Revenue	**24.798**	25.221
Profit for the period	**2.284**	8.664
Group's share in associates' profit for the period	**1.142**	4.332

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(Amounts expressed in thousands of Turkish Lira (“TL”) and in thousands for other currencies unless otherwise indicated.)

13. Property, plant and equipment

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2019	**16.506**	**166.925**	**74.294**	**1.740.441**	**230.349**	**79.891**	**24.938**	**11.837**	**2.345.181**
Additions	**439**	**2.228**	**-**	**6.422**	**3.145**	**5.715**	**260**	**108.320**	**126.529**
Transfers (*)	**(1.940)**	**7.842**	**(2.410)**	**34.468**	**88**	**4.930**	**8**	**(96.305)**	**(53.319)**
Acquisitions	**2.888**	**2.600**	**8.062**	**34.268**	**-**	**55**	**-**	**-**	**47.873**
Disposals	**-**	**(34)**	**(163)**	**(16.915)**	**(1.878)**	**(9.399)**	**(193)**	**-**	**(28.582)**
Ending balance as of December 31, 2019	**17.893**	**179.561**	**79.783**	**1.798.684**	**231.704**	**81.192**	**25.013**	**23.852**	**2.437.682**
Accumulated depreciation									
Opening balance as of January 1, 2019	**-**	**69.976**	**50.050**	**1.350.572**	**110.390**	**53.713**	**23.950**	**-**	**1.658.651**
Charge of the period	**-**	**6.084**	**5.080**	**56.788**	**14.168**	**7.114**	**868**	**-**	**90.102**
Disposals	**-**	**(13)**	**(151)**	**(14.982)**	**(1.805)**	**(6.593)**	**(81)**	**-**	**(23.625)**
Ending balance as of December 31, 2019	**-**	**76.047**	**54.979**	**1.392.378**	**122.753**	**54.234**	**24.737**	**-**	**1.725.128**
Net book value as of December 31, 2019	**17.893**	**103.514**	**24.804**	**406.306**	**108.951**	**26.958**	**276**	**23.852**	**712.554**

(*) TL 5.897 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets. Additionally, TL 47.422 thousand of tangible assets have been sold and leased back from Yapı Kredi Finansal Kiralama A.O. on May 31,2019. Within the scope of IFRS 16 “Leases”, the balance has been transferred to Right-of-Use Assets.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

13. Property, plant and equipment (Continued)

	Land	Land improvements	Buildings	Plant, machinery, equipment and LPG cylinders	Vehicles and vessels	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Acquisition cost									
Opening balance as of January 1, 2018	16.006	160.107	75.457	1.691.823	225.707	74.485	26.713	10.103	2.280.401
Additions	-	-	53	1.193	3.631	1.154	403	101.197	107.631
Transfers (*)	500	8.181	5.271	67.020	2.225	8.717	352	(99.463)	(7.197)
Disposals	-	(1.363)	(6.487)	(19.595)	(1.214)	(4.465)	(2.530)	-	(35.654)
Ending balance as of December 31, 2018	16.506	166.925	74.294	1.740.441	230.349	79.891	24.938	11.837	2.345.181
Accumulated depreciation									
Opening balance as of January 1, 2018	-	64.997	53.020	1.313.275	97.092	48.513	25.577	-	1.602.474
Charge of the period	-	5.870	1.899	54.825	14.100	6.900	823	-	84.417
Disposals	-	(891)	(4.869)	(17.528)	(802)	(1.700)	(2.450)	-	(28.240)
Ending balance as of December 31, 2018	-	69.976	50.050	1.350.572	110.390	53.713	23.950	-	1.658.651
Net book value as of December 31, 2018	16.506	96.949	24.244	389.869	119.959	26.178	988	11.837	686.530

(*) TL 7.197 thousand under "Construction in progress" under the account property, plant and equipment has been classified to intangible fixed assets.

(Amounts expressed in thousands of Turkish Lira (“TL”) and in thousands for other currencies unless otherwise indicated.)

13. Property, plant and equipment (Continued)

As of December 31, 2019 and 2018, the details of depreciation expenses are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Cost of sales	**74.156**	70.371
Marketing expenses	**15.943**	8.145
Capitalized on cylinders	**3.577**	3.145
General administrative expenses	**26.474**	2.756
	120.150	84.417

In 2019 in accordance with IFRS 16, depreciation expenses occured amounting to TL 2.259 thousand in cost of sales, TL 3.951 thousand in general administrative expenses and TL 23.838 thousand in marketing expenses.

14. Intangible assets

	Rights	**Total**
Acquisition costs		
Opening balance as of January 1, 2019	**68.424**	**68.424**
Additions	**1.545**	**1.545**
Acquisitions	**1.939**	**1.939**
Transfers (*)	**5.897**	**5.897**
Ending balance as of December 31, 2019	**77.805**	**77.805**
Accumulated amortization		
Opening balance as of January 1, 2019	**47.070**	**47.070**
Charge for the period	**6.918**	**6.918**
Ending balance as of December 31, 2019	**53.988**	**53.988**
Carrying value as of December 31, 2019	**23.817**	**23.817**

(*) TL 5.897 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

	Rights	Total
Acquisition costs		
Opening balance as of January 1, 2018	61.187	61.187
Additions	40	40
Transfers (*)	7.197	7.197
Ending balance as of December 31, 2018	68.424	68.424
Accumulated amortization		
Opening balance as of January 1, 2018	41.907	41.907
Charge for the period	5.163	5.163
Ending balance as of December 31, 2018	47.070	47.070
Carrying value as of December 31, 2018	21.354	21.354

(*) TL 7.197 thousand under “Construction in progress” under the account property, plant and equipment has been classified to intangible fixed assets.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

14. Intangible assets (Continued)

As of December 31, 2019 and 2018, the details of amortization expenses of intangible assets are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
General and administrative expenses	**6.918**	5.163
	6.918	5.163

15. Contingent assets and contingent liabilities

Guarantees given as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Letter of guarantees given for gas purchase	**879.723**	866.327
Other letter of guarantees given	**24.430**	24.009
Total guarantees given	**904.153**	890.336

The liability for environmental pollution:

According to the effective environmental laws, the Group is responsible for the environmental pollution it causes as a result of its operational activities without seeking a reason of fault. The Group may be fined with an indemnity if the Group causes an environmental pollution. There is no case opened for environmental pollution against the Group, accordingly the Group does not have a liability related with the environmental pollution cases as of the consolidated balance sheet date.

National inventory reserve liability:

Due to the liability of the inventory reserve of national petroleum stocks, petroleum products and LPG distributor license owners should hold a minimum of twenty days' average reserves at their own or other licensed storages, either together or separately. Within the decision of National Petroleum Reserves Commission numbered 2018/3 on December 28, 2018, it was decided to keep the national petroleum stocks as minimum 15 days between 01.02.2019 - 30.04.2019, minimum 17 days between 01.05.2019 - 30.06.2019, minimum 20 days as of 01.07.2019 by the petroleum products and LPG distributor license owners. The Group fulfills its obligations regarding national inventory reserve liability.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

15. Contingent assets and contingent liabilities (Continued)

The details of the Company's and its subsidiaries' guarantees given or contingent liabilities on the behalf of each other, related parties, parent company or third parties within the context of business operations or other purposes are as follows:

	December 31, 2019				December 31, 2018			
	TL Equivalent of Euro	**TL Equivalent of USD**	**TL**	**Total TL**	TL Equivalent of Euro	TL Equivalent of USD	TL	Total TL
A. CPMBs given on behalf of the Company's legal personality	**73.672**	**-**	**476.437**	**550.109**	66.776	256	611.767	678.799
B. CPMBs given in favor of subsidiaries included in full consolidation (*)	**-**	**304.830**	**49.214**	**354.044**	-	211.537	-	211.537
C. CPMBs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	**-**	**-**	**-**	**-**	-	-	-	-
D. Other CPMBs								
i. CPMBs given in favor of parent company	-	-	-	-	-	-	-	-
ii. CPMBs given in favor of companies not in the scope of B and C above	-	-	-	-	-	-	-	-
iii. CPMBs given in favor of third party companies not in the scope of C above	-	-	-	-	-	-	-	-
Total amount of CPMBs	**73.672**	**304.830**	**525.651**	**904.153**	66.776	211.793	611.767	890.336

(*) As of December 31, 2019 total amount of commission accrued for guarantees given or contingent liabilities except 'A. CPMBs given on behalf of the Company's legal personality' is TL 2.425 thousand (December 31, 2018: TL 998 thousand).

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

16. Long-term provision for employee benefits

Details of long-term provisions for employee benefits as of December 31, 2019 and 2018 are as follows:

	December 31, 2019	December 31, 2018
Retirement pay provision	**43.999**	34.554
Vacation pay liabilities	**9.703**	8.372
Total long-term provision for employee benefits	**53.702**	42.926

Retirement pay provision:

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).

The amount payable consists of one month's salary limited to a maximum of full TL 6.379,86 (December 31, 2018: TL 5.434,42) for each year of service at December 31, 2019.

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

In accordance with Turkish Labour Code, employment termination benefit is the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. The provision made for present value of determined social relief is calculated by the prescribed liability method. All actuarial profits and losses are accounted in the other comprehensive income statement.

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

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

	2019	2018
Net discount rate (%)	**4,67**	5,65
Turnover rate related to the probability of retirement (%)	**95,23-98,71**	94,27-98,47

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

16. Long-term provision for employee benefits (Continued)

The movements of retirement pay provision for the period ended December 31, 2019 and 2018 are as follows:

	2019	2018
As of January 1st	**34.554**	30.351
Increases during the period	**14.150**	10.771
Actuarial (gain) loss	**3.035**	(1.983)
Payments during the period	**(7.740)**	(4.585)
As of December 31st	**43.999**	34.554

17. Other short-term provisions

	December 31, 2019	December 31, 2018
Provision for price revision (*)	**201.666**	178.610
Provision for warranty expenses	**11.390**	4.260
Provision for lawsuit	**10.327**	8.874
Provision for EMRA contribution	**5.873**	6.029
Provision for selling and marketing expenses	**5.825**	4.762
Provision for other operating expenses	**11.854**	3.219
Total other short-term provisions	**246.935**	205.754

(*) As communicated to Aygaz Doğal Gaz Toptan Satış A.Ş., a Subsidiary of the Company, by Akfel Gaz Sanayi ve Ticaret A.Ş. ("Akfel"), from which natural gas is supplied; the price revision arbitration process initiated by Gazprom Export LLC ("Gazprom"), which Akfel has imported natural gas, was concluded against Akfel and effective from January 1, 2017, the import price would be adjusted in favor of Gazprom and in this context, it was decided to abolish the discount applied to Akfel and to reflect the change in import price to natural gas price applied to Aygaz Doğal Gaz Toptan Satış A.Ş. in accordance with the contract signed between Akfel and Aygaz Doğal Gaz Toptan Satış A.Ş. It was also notified that, the price determination mechanism in the contract will be revised according to the arbitration decision and the related amount of the debt and related invoices will be sent separately to Aygaz Doğal Gaz Toptan Satış A.Ş. as the contract price is updated retrospectively as of January 1, 2017.The amount of total debt was conveyed to Aygaz Doğal Gaz Toptan Satış A.Ş. by Akfel, however related invoices were not delivered yet as of the date of this report. As of December 31, 2019, total provision of USD 33.949 thousand (TL 201.666 thousand), USD 15.368 thousand for 2017 and USD 18.582 thousand for 2018, has been recognized in the consolidated financial statements (December 31, 2018: USD 33.949 thousand in total (TL equivalent 178.610 thousand)).

Movement of the other operating expenses of the Group is as follows:

	2019	2018
As of January 1st,	**3.219**	23.057
Payments during the period	**(253)**	(15.170)
Provision no longer required	**(655)**	(7.091)
Increases during the period	**9.543**	2.423
As of December 31,	**11.854**	3.219

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

18. Other current assets and liabilities

	December 31, 2019	December 31, 2018
Deferred VAT	**11.046**	10.115
Fuel used in shipping operations	**3.992**	2.957
Income accrual	**70**	189
Other current assets	**1.725**	3.115
Total other current assets	**16.833**	16.376

	December 31, 2019	December 31, 2018
Taxes and funds payable	**97.384**	85.791
Other liabilities	**783**	2.505
Total other current liabilities	**98.167**	88.296

19. Prepaid expenses

As of December 31, 2019 and 2018, the details of Group's prepaid expenses in current assets are as follows:

	December 31, 2019	December 31, 2018
Prepaid expenses	**37.601**	41.668
Advances given(*)	**6.160**	85.894
Total prepaid expenses	**43.761**	127.562

(*) According to the decision of EMRA Board, as of 2017, a storage obligation (%6 of imports) is imposed on the natural gas importing companies. This liability is reflected to the company in accordance with the contract signed with Akfel Gaz. The gas has been invoiced to Akfel and stored by Akfel Gaz in the Botaş Silivri Warehouse. As of December 31, 2018 25 mcm of this stored gas is accounted as "Advances Given" in balance sheet. With the decision of EMRA published on May 30, 2019 storage obligation has reduced to 1% to be implemented in 2019. As of December 31, 2019 there is no gas stored by Akfel Gaz on behalf of the Group.

As of December 31, 2019 and 2018, the details of Group's prepaid expenses in non-current assets are as follows:

	December 31, 2019	December 31, 2018
Prepaid expenses	**41.656**	49.124
Total prepaid expenses	**41.656**	49.124

As of December 31, 2019 total amount of TL 28.572 thousand (2018: TL 34.421 thousand) presented as prepaid expenses under current assets and total amount of TL 36.038 thousand (2018: TL 48.509 thousand) presented as prepaid expenses under non-current assets are prepayments and investment contribution margin for dealer agreements.

(Amounts expressed in thousands of Turkish Lira (“TL”) and in thousands for other currencies unless otherwise indicated.)

20. Deferred income

	December 31, 2019	December 31, 2018
Advances taken	**4.912**	5.001
Prepaid income	**2.323**	3.675
Total deferred income	**7.235**	8.676

21. Share capital

As of December 31, 2019 and 2018 the share capital held is as follows:

Shareholders	**Participation rate**	**December 31, 2019**	Participation rate	December 31, 2018
Temel Ticaret ve Yatırım A.Ş.	**5,77%**	**17.324**	5,77%	17.324
Koç Family Members	**4,76%**	**14.265**	4,76%	14.265
Total Koç Family Members and companies owned by Koç Family Members	**10,53%**	**31.589**	10,53%	31.589
Koç Holding A.Ş.	**40,68%**	**122.054**	40,68%	122.054
Liquid Petroleum Gas Development Company (“LPGDC”) (*)	**24,52%**	**73.546**	24,52%	73.546
Publicly held (*)	**24,27%**	**72.811**	24,27%	72.811
Nominal capital	**100,00%**	**300.000**	100,00%	300.000
Inflation adjustment (**)		**71.504**		71.504
Adjusted capital		**371.504**		371.504

(*) TL 2.725.041,31 under publicly held shares (0,91% participation rate on the share capital) belong to Hilal Madeni Eşya Ticaret Sanayi ve Yatırım A.Ş., a 100% owned subsidiary of LPGDC.

(**) “Adjustment to share capital” represents the restatement effect of cash and cash equivalent contributions to share capital measured in accordance with the TAS/TFRS promulgated by the POA. “Adjustment to share capital” has no use other than being transferred to paid-in share capital.

Restricted reserves assorted from the profit

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is 10% of dividend distributed exceeding 5% of paid-in share capital. According to Turkish Commercial Code, legal reserves may only be used as long as it does not exceed 50% of the paid capital. It may not be used under any circumstances.

The details of the restricted reserves are stated below:

	December 31, 2019	December 31, 2018
Legal reserves	**318.841**	281.741
Gain on sale of subsidiary share that will be added to capital	**19.851**	12.469
Total restricted reserves assorted from the profit	**338.692**	294.210

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

21. Share capital (Continued)

Dividend distribution:

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from February 1, 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on interim financial statements of the Company.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

The Company's statutory profit for the period and other sources that are subject the profit distribution as of December 31, 2019 amounts to TL 844.464 thousand. (December 31, 2018: TL 893.713 thousand). TL 209.043 thousand of such sources from inflation adjustment differences and TL 9.842 thousand from other capital reserves are subject to tax when they are distributed.

Dividends paid

In the Ordinary General Meeting held on March 20, 2019, the Company decided to reserve TL 37.100 thousand as legal reserves and distribute TL 386.000 thousand gross dividends from the net distributable income of 2018. According to this decision, the Company has begun dividend payments on March 28, 2019.

Gains and losses on financial assets measured at fair value through other comprehensive income:

Gains and losses from the revaluation and reclassification are related to financial assets and their details are as follows:

	December 31, 2019	December 31, 2018
Koç Finansal Hizmetler A.Ş.	**225.185**	122.253
	225.185	122.253

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

21. Share capital (Continued)

Currency translation adjustment

Currency translation adjustment as of December 31, 2019 represents the Company's share of currency translation adjustment of equity investment.

Financial risk hedging reserve:

The Group implements a cash flow hedge strategy against the cash flow risk arising from changes in market interest rates and foreign exchange rate for the transactions of its bank loans in USD with the floating interest rates. As a result of the effectiveness test performed in this context, the Group has determined that the entire transaction is effective. Until the cash flows of the related loan are realised, the gains or losses are accounted under cash flow hedge gains/(losses) in equity and there is no effect on income statement. Exchange differences arising during principal payments are transferred from the cash flow hedge gains/(losses) account in equity to the foreign exchange gains/(losses) in the income statement.
The hedging gains/(losses) of EYAŞ, which is an investment accounted by the equity method of the Group, are disclosed in Note 12.

22. Revenue and cost of sales

Revenue	January 1 - December 31, 2019	January 1 - December 31, 2018
Domestic sales	**9.030.753**	8.475.901
Export sales	**1.591.330**	1.477.562
Sales returns (-)	**(9.627)**	(10.811)
Sales discounts (-)	**(401.443)**	(388.211)
Total revenue, net	**10.211.013**	9.554.441
Sales of goods and services	**8.369.298**	8.044.723
Sales of merchandises	**1.841.715**	1.509.718
Revenue	**10.211.013**	9.554.441

	January 1 - December 31, 2019	January 1 - December 31, 2018
Raw materials used	**7.207.427**	7.159.923
Production overheads	**178.313**	123.244
Personnel expenses	**95.559**	75.648
Depreciation expenses	**74.156**	70.371
Change in work in process inventories	**254**	(295)
Change in finished goods inventories	**2.234**	(2.930)
Cost of goods sold and services rendered	**7.557.943**	7.425.961
Cost of merchandises sold	**1.696.182**	1.494.132
Total cost of sales	**9.254.125**	8.920.093

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

23. General administrative expenses, marketing expenses and research and development expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
General administrative expenses	**252.929**	201.664
Marketing expenses	**352.304**	310.756
Research and development expenses	**2.894**	3.431
Total	**608.127**	515.851

a) Detail of general administrative expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Personnel expenses	**124.846**	99.501
Depreciation and amortization expenses	**22.861**	13.308
Consultancy expenses	**19.030**	13.225
Information technology expenses	**16.728**	12.910
Insurance expenses	**8.720**	7.801
Tax expenses	**6.568**	6.844
Lawsuit, consultancy and auditing expenses	**6.436**	3.834
Transportation expenses	**6.410**	7.301
Maintenance expenses	**5.779**	5.401
Attendance fees	**4.168**	3.875
Communication expenses	**4.132**	3.761
Donation and aids	**3.441**	3.189
Public relations activities expenses	**1.882**	1.909
Post office expenses	**1.529**	1.261
Rent expenses	**792**	2.540
Other administrative expenses	**19.607**	15.004
Total general administrative expenses	**252.929**	201.664

b) Detail of marketing expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Transportation, distribution and warehousing expenses	**164.674**	159.487
Personnel expenses	**52.452**	45.370
Advertising and promotion expenses	**30.443**	22.987
Sales expenses	**30.348**	35.176
Depreciation and amortization expenses	**26.474**	2.756
After sales services and maintenances expenses	**11.169**	10.581
Transportation expenses	**5.976**	9.832
License expenses	**5.873**	5.690
Other marketing expenses	**24.895**	18.877
Total marketing expenses	**352.304**	310.756

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

23. General administrative expenses, marketing expenses and research and development expenses (Continued)

c) Detail of research and development expenses

	January 1 - December 31, 2019	January 1 - December 31, 2018
Outsourced research and development expenses	**2.894**	3.431
Total research and development expenses	**2.894**	3.431

24. Expenses related to their nature

	January 1 - December 31, 2019	January 1 - December 31, 2018
Personnel expenses	**177.298**	144.871
Transportation, distribution and warehousing expenses	**164.674**	159.487
Depreciation and amortization expenses	**49.335**	16.064
Advertising and promotion expenses	**30.443**	22.987
Sales expenses	**30.348**	35.176
Consultancy expenses	**19.030**	13.225
Information technology expenses	**16.728**	12.910
Transportation expenses	**12.386**	17.133
After sales services and maintenances expenses	**11.169**	10.581
Insurance expenses	**8.720**	7.801
Tax expenses	**6.568**	6.844
Lawsuit, consultancy and auditing expenses	**6.436**	3.834
Maintenance expenses	**5.779**	5.401
License expenses	**5.873**	5.690
Attendance fees	**4.168**	3.875
Communication expenses	**4.132**	3.761
Donation and aids	**3.441**	3.189
Outsourced research and development expenses	**2.894**	3.431
Rent expenses	**792**	2.540
Public relations activities expenses	**1.882**	1.909
Other	**46.031**	35.142
Total	**608.127**	515.851

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

25. Other operating income/expenses

Other operating income for the years ended as of December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Income generated from maturity differences of sales	**85.562**	111.175
Foreign exchange gains arising from trading activities	**72.463**	172.153
Goodwill expenses from prior years	**6.676**	-
Income from port services	**6.431**	6.002
Rent income	**6.127**	5.133
Gain on sale of scrap	**3.583**	3.839
LPG pipeline usage income	**2.455**	3.299
Provisions no longer required	**1.549**	21.556
Other income and profits	**16.419**	8.811
Total other operating income	**201.265**	331.668

Other operating expenses for the years ended as of December 31, 2019 and 2018 are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Foreign exchange losses arising from trading activities	**96.703**	196.953
Expenses from maturity differences of purchases	**58.116**	69.215
Provision expenses	**10.330**	3.512
Demurrage expenses	**5.052**	5.727
Goodwill expenses	**449**	982
Provision for price revision	**-**	80.850
Fair value differences on forward transactions	**-**	16.015
Other expenses and losses	**14.529**	6.328
Total other operating expenses	**185.179**	379.582

26. Income and expenses from investment activities

	January 1 - December 31, 2019	January 1 - December 31, 2018
Income from sales of property, plant and equipment	**7.347**	26.793
Dividend income from financial investments	**70**	604
Total income from investment activities	**7.417**	27.397

	January 1 - December 31, 2019	January 1 - December 31, 2018
Expenses from sales of property, plant and equipment	**2.509**	1.740
Total expenses from investment activities	**2.509**	1.740

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

27. Financial income

Financial income for the years ended as of December 31, 2019 and 2018 are as follows:

Financial income	**January 1 - December 31, 2019**	January 1 - December 31, 2018
Foreign exchange gains	**78.895**	74.848
Interest income	**71.841**	69.689
Fair value differences on swap transactions	**75**	20.714
Total	**150.811**	165.251

28. Financial expense

Financial expense for the years ended as of December 31, 2019 and 2018 are as follows:

Financial expense	**January 1 - December 31, 2019**	January 1 - December 31, 2018
Interest expenses	**230.733**	184.994
Foreign exchange losses	**75.174**	108.176
Early closure fee (*)	**25.051**	-
Interest expenses on lease liabilities	**21.252**	-
Total	**352.210**	293.170

(*) In 2019, various loans amounting to TL 800,000 thousand were closed before their maturity dates in order to gain interest advantage. New loans with a lower rate of TL 600,000 thousand were used in lieu of closed loans. The early closure fee occurred amounting to TL 25.051 thousand (Note: 6).

29. Tax assets and liabilities

	December 31, 2019	December 31, 2018
Current tax liability		
Current corporate tax provision	**37.437**	15.871
Less: Prepaid taxes and funds	**(27.192)**	(23.282)
Current tax liability	**10.245**	(7.411)

Tax expenses	**January 1 - December 31, 2019**	January 1 - December 31, 2018
- Current corporate tax provision	**(37.437)**	(15.871)
- Deferred tax	**5.358**	(5.507)
Total	**(32.079)**	(21.378)

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

29. Tax assets and liabilities (Continued)

Corporate tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2019 is 22% (2018: 22%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2019 is 22% (2018: 22%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

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

Deferred tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TAS/TFRS purposes issued by POA and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with TAS/TFRS and tax legislation.

In accordance with the regulation numbered 7061, published in Official Gazette on December 5, 2017, "Law Amending Certain Tax Laws and Certain Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of December 31, 2019 are calculated with 22% tax rate for the temporary differences which will be realized in 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards (December 31, 2018: 22%).

Deferred tax liabilities/(assets):	**December 31, 2019**	December 31, 2018
Depreciation/amortization differences of property, plant and equipment and other intangible assets	**48.955**	44.033
Revaluation of financial assets measured at fair value through other comprehensive income	**11.852**	6.434
Provision for employment termination benefits	**(8.421)**	(6.676)
Valuation of inventories	**(1.324)**	(4.585)
Derivative instruments	**4.321**	14.551
Other	**(13.478)**	(6.685)
	41.905	47.072

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

29. Tax assets and liabilities (Continued)

In Turkey, since the companies cannot declare consolidated tax refund, subsidiaries with deferred tax assets and subsidiaries with deferred tax liabilities cannot be netted off and are shown separately.

			December 31, 2019			December 31, 2018
			Deferred tax			Deferred tax
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
Aygaz	**(23.158)**	**63.459**	**40.301**	(18.249)	64.981	46.732
Akpa	**(1.147)**	**754**	**(393)**	(1.114)	512	(602)
Aygaz Doğal Gaz	**(530)**	**1.618**	**1.088**	(659)	1.601	942
Kuleli	**(500)**	**1.409**	**909**	-	-	-
	(25.335)	**67.240**	**41.905**	(20.022)	67.094	47.072

Movement of deferred tax assets and liabilities are as follows:

Movement of deferred tax liabilities/(assets):	**2019**	2018
As of January 1st	**47.072**	43.938
Change to the profit or loss:	**(5.358)**	5.507
Change to the equity:	**191**	(2.373)
- Effect of changes in accounting policies	**-**	(94)
- Effect of gains/(losses) re-measurement on defined benefit plans	***(582)***	*381*
- Effect of gains/(losses) on financial assets measured at fair value through other comprehensive income	***5.418***	*(4.813)*
- Effect of gains/(losses) on cash flow hedges	***(4.645)***	*2.153*
As of December 31st	**41.905**	47.072

Tax reconciliation :

	January 1 - December 31, 2019	January 1 - December 31, 2018
Profit before tax	**305.556**	249.761
Income tax rate	**22%**	22%
Expected tax expense	**(67.222)**	(54.947)
Tax effects of:		
- revenue that is exempt from taxation (investments accounted under equity method)	**30.184**	61.917
- income not subject to tax	**8.701**	13.167
- tax rate differences	**4.203**	3.277
- expenses that are not deductible in determining taxable profit	**(9.409)**	(5.564)
- tax losses	**(5.074)**	(39.294)
- prior year losses used	**5.678**	-
- other	**860**	66
Tax expense in the statement of profit or loss	**(32.079)**	(21.378)

30. Earnings per share

	January 1 - December 31, 2019	January 1 - December 31, 2018
Average number of ordinary shares outstanding during the period (one thousand)	**300.000**	300.000
Net profit for the year attributable equity holders of the parent company	**273.477**	228.383
Earnings per thousand shares (TL)	**0,911590**	0,761277

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

31. Balances and transactions with related parties

A company is defined as a related party of the Company, if one of the companies has control power on the other company or has a significant impact on financial and administrative decisions of the other company. The Company is controlled by Koç Holding, Koç Family or entities owned by Koç Family. In financial statements, shareholder companies, shareholders and financial investments and other Group companies' assets are shown as related parties. As of December 31, 2019; dividends payable amounting to TL 1.211 thousand (December 31, 2018: TL 1.052 thousand) is reflected within other payables to related parties which are excluded from Koç Group under short-term liabilities at the consolidated balance sheet.

				December 31, 2019
		Receivables		**Payables**
Balances with related parties	**Trade**	**Non-trade**	**Trade**	**Non-trade**
Group companies (*)				
Demir Export A.Ş.	**5.385**	-	**-**	-
Türkiye Petrol Rafinerileri A.Ş.	**118.267**	-	**84.940**	-
Ford Otomotiv Sanayi A.Ş.	**370**	-	**-**	-
Demir Export A.Ş. - Fernas İnşaat A.Ş. Adi Ortaklığı	**1.005**	-	**-**	-
Ram Dış Ticaret A.Ş.	**-**	-	**266**	-
Arçelik A.Ş.	**438**	-	**2**	-
Körfez Hava Ulaştırma A.Ş.	**-**	-	**-**	-
Opet Petrolcülük A.Ş.	**333**	-	**43.331**	-
Tofaş Türk Otomobil Fabrikası A.Ş.	**290**	-		-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	**-**	-	**8.199**	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	**-**	-	**4.926**	-
Otokoç Otomotiv Tic. ve San. A.Ş.	**21**	-	**2.304**	-
Other	**1.670**	-	**3.884**	-
Shareholders				
Koç Holding A.Ş.	**-**	-	**9.050**	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	**3.415**	-	**-**	-
	131.194	-	**156.902**	-

				December 31, 2018
		Receivables		Payables
Balances with related parties	Trade	Non-trade	Trade	Non-trade
Group companies (*)				
Demir Export A.Ş.	15.901	-	-	-
Türkiye Petrol Rafinerileri A.Ş.	6.922	-	64.272	-
Ford Otomotiv Sanayi A.Ş.	1.681	-	91	-
Demir Export A.Ş. - Fernas İnşaat A.Ş. Adi Ortaklığı	1.431	-	-	-
Ram Dış Ticaret A.Ş.	1.104	-	449	-
Arçelik A.Ş.	402	-	-	-
Körfez Hava Ulaştırma A.Ş.	363	-	-	-
Opet Petrolcülük A.Ş.	354	-	52.925	-
Tofaş Türk Otomobil Fabrikası A.Ş.	337	-	-	-
Zer Merkezi Hizmetler ve Ticaret A.Ş. (**)	-	-	9.011	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	5.621	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	-	3.349	-
Other	1.965	-	2.936	-
Shareholders				
Koç Holding A.Ş.	-	-	6.617	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	1	-	-	-
	30.461	-	145.271	-

(*) Group companies include Koç Group companies.
(**) Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer") provides purchasing services for various item to the Group. As of balance sheet date, trade payables consist of Group's payables to third party intermediary service companies and payables to Zer for commissions for intermediary activities.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

31. Balances and transactions with related parties (Continued)

			January 1 – December 31, 2019	
Transactions with related parties	**Purchases (Goods)**	**Sales (Goods)**	**Purchases (Service)**	**Sales (Service)**
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	1.145.544	1.315.158	6.404	
Opet Petrolcülük A.Ş.(**) (***)	352.415	4.665	133.271	-
Ram Dış Ticaret A.Ş.	1.488	-	30	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	17.699	88	16.209	-
Otokoç Otomotiv Tic. ve San. A.Ş.	192	429	1.194	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	481	125	13.198	-
Arçelik A.Ş.	2	4.116	19	-
Körfez Hava Ulaştırma A.Ş.	-	1.214	-	-
Demir Export A.Ş.	-	90.885	-	-
Ford Otomotiv Sanayi A.Ş.	-	18.310	-	-
Tat Gıda Sanayi A.Ş.	-	53	-	-
Setur Servis Turistik A.Ş.	-	152	6.420	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	15	2.457	-
Other	8.767	29.248	5.534	-
Shareholders				
Koç Holding A.Ş. (****)	-	69	19.264	-
Temel Ticaret ve Yatırım A.Ş.	-	4	4	-
Koç Family Members	-	132	-	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	-	35.259	-	-
	1.526.588	1.499.922	204.004	-

			January 1 - December 31, 2018	
Transactions with related parties	Purchases (Goods)	Sales (Goods)	Purchases (Service)	Sales (Service)
Group companies (*)				
Türkiye Petrol Rafinerileri A.Ş.	1.023.954	254.846	6.310	2.067
Opet Petrolcülük A.Ş.(**) (***)	313.193	5.145	122.328	-
Ram Dış Ticaret A.Ş.	36.452	-	117	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	15.867	41	19.051	-
Otokoç Otomotiv Tic. ve San. A.Ş.	144	379	969	-
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	18	100	10.730	-
Arçelik A.Ş.	1	3.914	-	-
Körfez Hava Ulaştırma A.Ş.	-	13.742	-	-
Demir Export A.Ş.	-	71.444	-	-
Ford Otomotiv Sanayi A.Ş.	-	24.564	-	-
Tat Gıda Sanayi A.Ş.	-	44	-	-
Setur Servis Turistik A.Ş.	-	80	4.214	-
Tanı Pazarlama ve İletişim Hizmetleri A.Ş.	-	13	2.740	-
Other	6.943	32.918	3.956	-
Shareholders				
Koç Holding A.Ş. (****)	-	62	13.608	-
Temel Ticaret ve Yatırım A.Ş.	-	4	3	-
Koç Family Members	-	103	-	-
Investments accounted under the equity method				
Entek Elektrik Üretimi A.Ş.	-	25.004	2.321	-
	1.396.572	432.403	186.347	2.067

(*) Group companies include Koç Group companies.

(**) Commission expense regarding LPG sold at Opet stations as of December 31, 2019 is TL 131.203 thousand (December 31, 2018: TL 120.847 thousand). The commission expense mentioned above is evaluated as part of sales and accounted under profit or loss statement as sales discounts.

(***) Though not presented at transactions with related parties, so as to fulfil fuel and auto gas sales exclusively and on the basis of station, prepayments and/or infrastructural investments are made directed for sales under "Agreement of Auto Gas Sales at Gas Stations" between Aygaz and Opet. Prepayments are presented under prepaid expenses in consolidated statement of financial position and are periodically amortized based on duration of dealer agreements. Prepayments and investment contribution margin amounting to TL 10.297 thousand has been made to Opet in 2019 in consideration of 5 years sales agreement on average to be paid to Aygaz Dealers making auto gas sales at Opet stations (2018: TL 22.235 thousand).

(****) Billed remuneration for services such as finance, law, planning, tax and senior management provided by Koç Holding, the main shareholder, to Group companies, service expenses including personnel and senior management as a result of arrangement of 1st Serial Number of General Communique About Transfer Pricing Through Hidden Income Distribution's "11- In Group Services".

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

31. Balances and transactions with related parties (continued)

			January 1 - December 31, 2019	
Tangible asset and rent transactions with related parties	**Rent income**	**Rent expense**	**Tangible and intangible asset purchases**	**Tangible asset sales**
Group companies (*)				
Opet Petrolcülük A.Ş.	**727**	**-**	**10**	**-**
Otokoç Otomotiv Tic. ve San. A.Ş.	**-**	**-**	**1.693**	**57**
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	**-**	**-**	**6.916**	**-**
Zer Merkezi Hizmetler ve Ticaret A.Ş.	**-**	**-**	**87**	**-**
Arçelik A.Ş.	**-**	**-**	**10**	**-**
Arçelik Pazarlama A.Ş.	**-**	**-**	**88**	**13**
Koçtaş Yapı Marketleri Ticaret A.Ş.	**-**	**-**	**6**	**3**
Tofaş Türk Otomobil Fabrikası A.Ş.	**-**	**-**	**2**	**-**
Other	**-**	**-**	**131**	**-**
Shareholders				
Koç Holding A.Ş.	**-**	**547**	**-**	**-**
	727	**547**	**8.943**	**73**

			January 1 - December 31, 2018	
Tangible asset and rent transactions with related parties	Rent income	Rent expense	Tangible and intangible asset purchases	Tangible asset sales
Group companies (*)				
Opet Petrolcülük A.Ş.	573	20	33	-
Otokoç Otomotiv Tic. ve San. A.Ş.	-	8.436	4.093	396
Koç Sistem Bilgi ve İletişim Hizmetleri A.Ş.	-	-	9.153	-
Zer Merkezi Hizmetler ve Ticaret A.Ş.	-	-	65	-
Türkiye Petrol Rafinerileri A.Ş.	-	-	-	17.800
Arçelik A.Ş.	-	-	78	-
Other	-	-	149	-
Shareholders				
Koç Family Members	-	754	-	-
Temel Ticaret ve Yatırım A.Ş.	-	800	-	-
	573	10.010	13.571	18.196

(*) Group companies include Koç Group companies.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

31. Balances and transactions with related parties (Continued)

	January 1 – December 31, 2019			
Financial and other transactions with related parties	**Financial income**	**Financial expense**	**Other income**	**Other expense**
Group companies (*)				
Yapı Kredi Bankası A.Ş.	**132.484**	**47.620**	**-**	**-**
Vehbi Koç Vakfı	**-**	**-**	**-**	**1.206**
Türkiye Petrol Rafinerileri A.Ş.	**-**	**-**	**34**	**-**
Ram Dış Ticaret A.Ş.	**-**	**-**	**-**	**-**
Tat Gıda Sanayi A.Ş.	**-**	**-**	**-**	**-**
Rahmi Koç Müzesi	**-**	**-**	**-**	**1.800**
Koç Üniversitesi	**-**	**-**	**-**	**164**
Türkiye Eğitim Gönüllüleri Vakfı				**175**
Other	**-**	**-**	**19**	**95**
	132.484	**47.620**	**53**	**3.440**

	January 1 - December 31, 2018			
Financial and other transactions with related parties	Financial income	Financial expense	Other income	Other expense
Group companies (*)				
Yapı Kredi Bankası A.Ş.	117.393	49.160	-	-
Vehbi Koç Vakfı	-	-	-	711
Opet Petrolcülük A.Ş.	-	-	72	-
Türkiye Petrol Rafinerileri A.Ş.	-	-	533	-
Ram Dış Ticaret A.Ş.	-	-	550	364
Tat Gıda Sanayi A.Ş.	-	-	22	-
Rahmi Koç Müzesi	-	-	-	1.800
Koç Üniversitesi	-	-	-	415
Other	-	-	360	75
	117.393	49.160	1.537	3.365

Cash at banks	**December 31, 2019**	December 31, 2018
Group companies (*)		
Yapı Kredi Bankası A.Ş.	**489.741**	545.618

Credit card receivables	**December 31, 2019**	December 31, 2018
Group companies (*)		
Yapı Kredi Bankası A.Ş.	**46.284**	58.286

Bank loans	**December 31, 2019**	December 31, 2018
Grup şirketleri (*)		
Yapı Kredi Bankası A.Ş.	**46.058**	90.613

(*) Group companies include Koç Group companies.

Benefits to Top Management:

The Company has determined senior manager squad as Board of Directors' members, General Manager, Vice General Managers and Directors directly reporting to General Manager.

Benefits to top management personnel includes salaries, premiums, SSI employer's contribution, employer's contribution of unemployment insurance and the attendance fees of board of directors.

As of December 31, 2019, total benefit provided to senior management of the Company is TL 43.847 thousand (December 31, 2018: TL 41.496 thousand). The total amount is consist of short-term benefits. No payment is made to senior management due to their leave in 2019 (December 31, 2018: TL 1.581).

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. Nature and level of risk derived from financial instruments

a) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or rearrange capital structure, the Company can return back capital to shareholders, issue new shares and sale assets in order to decrease debt requirement.

The Group controls its capital using the net financial debt/total equity ratio parallel to other companies in the sector. This ratio is the calculated as net debt divided by the equity amount. Net debt is calculated as total financial borrowings amount less cash and cash equivalents.

Risk management is applied based on the policies approved by the Board of Directors by treasury department. Group's treasury department defines and reviews the financial risk and uses tools to minimize the risk by collaborating with Group's operational units based on such risk policies. Board of Directors prepares written procedures or general policies related with the risk management including currency risk, interest risk, using of derivative and non-derivative instruments and to evaluate cash surplus.

	December 31, 2019	December 31, 2018
Total short-term and long-term borrowings	**1.247.763**	1.401.015
Less: Cash and cash equivalents	**(665.391)**	(648.010)
Net financial debt	**582.372**	753.005
Total shareholder's equity	**2.478.083**	2.502.410
Net financial debt/equity ratio	**23,5%**	30,1%

b) Financial risk factors

The risks of the Group resulted from the operations, include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's risk management program generally seeks to minimize the effects of uncertainty in financial market on financial performance of the Group. The Group uses derivative financial instruments in order to safeguard itself from different financial risks.

b.1) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group manages this risk by the credit limits up to the guarantees received from customers. The usage of credit limits is monitored by the Group according to the customer's credibility is evaluated continuously.

Trade receivables consist of many customers that operate in various industries and locations. Credit risk of the receivables from counterparties is evaluated perpetually.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. Nature and level of risk derived from financial instruments (Continued)

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
December 31, 2019	**Related party**	**Third party**	**Related party**	**Third Party**	**Deposits in banks**	**Credit card receivables**
Maximum exposed credit risk as of reporting date (*)	**131.194**	**443.180**	**-**	**3.396**	**617.106**	**47.911**
- The part of maximum risk under guarantee with collateral etc.	**-**	**277.614**	**-**	**-**	-	-
A. Net book value of financial assets that are neither past due nor impaired	**131.194**	**357.790**	**-**	**3.396**	**617.106**	**47.911**
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	**-**	**-**	**-**	**-**	-	-
C. Carrying value of financial assets that are past due but not impaired	**-**	**86.025**	**-**	**-**	-	-
- The part under guarantee with collateral etc.	**-**	**34.896**	**-**	**-**	-	-
D. Net book value of impaired assets						
- Past due (gross carrying amount)	**-**	**27.656**	**-**	**-**	-	-
- Impairment (-)	**-**	**(27.656)**	**-**	**-**	-	-
- The part of net value under guarantee with collateral etc.	**-**	**-**	**-**	**-**	-	-
E. Expected credit loss (-)	**-**	**(635)**	**-**	**-**	-	-

(*) Amounts show the maximum credit risk as of balance sheet date, without considering the guarantees or other items increasing credit security.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. Nature and level of risk derived from financial instruments (Continued)

Credit risk of financial instruments

	Receivables					
	Trade receivables		Other receivables			
December 31, 2018	Related party	Third party	Related party	Third Party	Deposits in banks	Credit card receivables
Maximum exposed credit risk as of reporting date (*)	30.461	418.422	-	3.146	589.377	58.410
- The part of maximum risk under guarantee with collateral etc.	-	223.988	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	30.461	356.959	-	3.146	589.377	58.410
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	62.003	-	-	-	-
- The part under guarantee with collateral etc.	-	3.313	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)	-	27.398	-	-	-	-
- Impairment (-)	-	(27.398)	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
E. Expected credit loss (-)	-	(540)	-	-	-	-

(*) Amounts show the maximum credit risk as of balance sheet date, without considering the guarantees or other items increasing credit security.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. Nature and level of risk derived from financial instruments (Continued)

December 31, 2019	**Trade receivables**	**Other receivables**	**Deposits in banks**	**Derivative instruments**	**Other**	**Total**
Past due 1-30 days	**73.497**	-	-	-	-	**73.497**
Past due 1-3 months	**9.111**	-	-	-	-	**9.111**
Past due 3-12 months	**3.127**	-	-	-	-	**3.127**
Past due 1-5 years	**290**	-	-	-	-	**290**
Total past due	**86.025**	-	-	-	-	**86.025**
The part under guarantee with collateral	**34.896**	-	-	-	-	**34.896**

December 31, 2018	Trade receivables	Other receivables	Deposits in banks	Derivative instruments	Other	Total
Past due 1-30 days	51.477	-	-	-	-	51.477
Past due 1-3 months	7.700	-	-	-	-	7.700
Past due 3-12 months	2.544	-	-	-	-	2.544
Past due 1-5 years	282	-	-	-	-	282
Total past due	62.003	-	-	-	-	62.003
The part under guarantee with collateral	3.313	-	-	-	-	3.313

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. Nature and level of risk derived from financial instruments (Continued)

b.2) Liquidity risk management

Liquidity risk management responsibility mainly belongs to the Board of Directors. The 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 forecasts and actual cash flows, by monitoring continuously and by maintaining adequate funds and reserve borrowings as matching the maturity profile of financial assets and liabilities.

The following table presents the maturity of Group's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. Derivative financial liabilities are presented according to undiscounted net cash inflow and cash outflow. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows/(outflows) on those derivatives that require gross settlement. When the amounts of the payables or receivables are not fixed, the disclosed amount has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

December 31, 2019

Contractual maturity analysis	Book value	Total cash flow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Short term and long term borrowings(*)	**1.247.763**	**1.547.277**	**342.705**	**181.706**	**1.019.221**	**3.645**
Trade payables	**578.783**	**578.783**	**578.783**	**-**	**-**	**-**
Liabilities for employee benefits	**54.042**	**54.042**	**54.042**	**-**	**-**	**-**
Other payables	**108.768**	**108.768**	**1.555**	**-**	**-**	**107.213**
Other liabilities	**98.167**	**98.167**	**98.167**	**-**	**-**	**-**
	2.087.523	**2.387.037**	**1.075.252**	**181.706**	**1.019.221**	**110.858**

Derivative instruments (*)	Carrying value	Total cash flow according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative cash inflows		**97.926**	**37.051**	**56.281**	**4.594**	**-**
Derivative cash outflows		**(83.526)**	**(39.041)**	**(30.550)**	**(13.935)**	**-**
Derivative instruments, net	**15.557**	**14.400**	**(1.990)**	**25.731**	**(9.341)**	**-**

(*) The amounts are cash flows based on contract, which have not been discounted.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. Nature and level of risk derived from financial instruments (Continued)

December 31, 2018

Contractual maturity analysis	Book value	Total cash flow according to the contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Short term and long term borrowings(*)	1.401.015	1.764.830	182.896	434.995	1.146.939	-
Trade payables	559.653	559.653	559.653	-	-	-
Liabilities for employee benefits	48.357	48.357	48.357	-	-	-
Other payables	107.625	107.625	1.511	-	-	106.114
Other liabilities	88.296	88.296	88.296	-	-	-
	2.204.946	2.568.761	880.713	434.995	1.146.939	106.114

Derivative instruments (*)	Carrying value	Total cash flow according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Derivative cash inflows		168.890	41.244	52.909	74.737	-
Derivative cash outflows		(118.705)	(40.135)	(34.085)	(44.485)	-
Derivative instruments, net	63.184	50.185	1.109	18.824	30.252	-

(*) The amounts are cash flows based on contract, which have not been discounted.

b.3) Market risk management

The Group's activities are exposed to a variety of financial risks including foreign currency risk and interest rate risk as explained below. The Group uses derivative financial instruments to hedge certain risk exposures in order to manage foreign currency and interest rate risks. These instruments are:

1. Foreign exchange forward purchase agreements to manage exposure to liabilities denominated in foreign currencies.
2. Foreign exchange purchase options to manage exposure to liabilities denominated in foreign currencies.
3. Principal and interest swap agreements to manage exposure to liabilities denominated in foreign currencies.

At the Group level market risk exposures are measured by sensitivity analysis and stress scenarios.

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

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. Nature and level of risk derived from financial instruments (Continued)

b.3) Market risk management (Continued)

b.3.1) Foreign currency risk management

Transactions in terms of foreign currency cause the Group expose to foreign exchange risk. The Group controls foreign currency risk coming from its operations and cash flows of finance contracts by using "foreign exchange forward contracts".

The Group's monetary and non-monetary assets and liabilities in terms of foreign currencies are as follows:

	December 31, 2019	**Total TL equivalent**	**TL equivalent of USD**	**TL equivalent of Euro**	**TL equivalent of other**
1.	Trade receivables	158.992	158.921	71	-
2.a	Monetary financial assets	321.786	320.995	448	343
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	10.822	7.120	122	3.580
4.	**Current assets**	**491.600**	**487.036**	**641**	**3.923**
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	**Non-current assets**	-	-	-	-
9.	**Total assets**	**491.600**	**487.036**	**641**	**3.923**
10.	Trade payables	(320.189)	(318.872)	(1.317)	-
11.	Financial liabilities	(138.378)	(132.155)	(6.223)	-
12.a	Other monetary financial liabilities	(201.672)	(201.672)	-	-
12.b	Other non-monetary financial liabilities	(1.075)	(1.074)	(1)	-
13.	**Current liabilities**	(661.314)	(653.773)	(7.541)	-
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(32.319)	(26.731)	(5.588)	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non-monetary financial liabilities	-	-	-	-
17.	**Non-current liabilities**	**(32.319)**	**(26.731)**	**(5.588)**	**-**
18.	**Total liabilities**	**(693.633)**	**(680.504)**	**(13.129)**	**-**
19.	Net asset/liability position of off balance sheet asset and liabilities (19a-19b)	50.492	50.492	-	-
19.a	Total derivative assets	80.193	80.193	-	-
19.b	Total derivative liabilities	(29.701)	(29.701)	**-**	**-**
20.	**Net foreign currency asset/liability position (9+18+19)**	**(151.541)**	**(142.976)**	**(12.488)**	**3.923**
21.	**Net foreign currency asset/liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)**	**(211.780)**	**(199.514)**	**(12.609)**	**343**
22.	Fair value of derivative instruments held for hedging	**-**	**-**	**-**	**-**
23.	Hedged foreign currency assets	**-**	**-**	**-**	**-**
24.	Hedged foreign currency liabilities				
25.	Export (*)	1.591.274	1.573.796	17.478	-
26.	Import (*)	4.079.191	4.071.910	6.064	1.217

(*) Transit sales and purchases are included.

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. Nature and level of risk derived from financial instruments (Continued)

	December 31, 2018	Total TL equivalent	TL equivalent of USD	TL equivalent of Euro	TL equivalent of other
1.	Trade receivables	75.344	72.588	2.756	-
2.a	Monetary financial assets	207.243	206.415	659	169
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	2.540	2.441	99	-
4.	Current assets	285.127	281.444	3.514	169
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Non-current assets	-	-	-	-
9.	Total assets	285.127	281.444	3.514	169
10.	Trade payables	(355.212)	(353.592)	(1.540)	(80)
11.	Financial liabilities	(67.592)	(67.592)	-	-
12.a	Other monetary financial liabilities	(178.610)	(178.610)	-	-
12.b	Other non-monetary financial liabilities	(1.291)	(1.291)	-	-
13.	Current liabilities	(602.705)	(601.085)	(1.540)	(80)
14.	Trade payables	-	-	-	-
15.	Financial liabilities	(139.414)	(139.414)	-	-
16.a	Other monetary financial liabilities	-	-	-	-
16.b	Other non-monetary financial liabilities	-	-	-	-
17.	Non-current liabilities	(139.414)	(139.414)	-	-
18.	Total liabilities	(742.119)	(740.499)	(1.540)	(80)
19.	Net asset/liability position of off balance sheet asset and liabilities (19a-19b)	118.370	118.370	-	-
19.a	Total derivative assets	118.370	118.370	-	-
19.b	Total derivative liabilities	-	-	-	-
20.	Net foreign currency asset/liability position (9+18+19)	(338.622)	(340.685)	1.974	89
21.	Net foreign currency asset/liability position of monetary items (1+2a+5+6a+10+11+12a+14+15+16a)	(458.241)	(460.205)	1.875	89
22.	Fair value of derivative instruments held for hedging	-	-	-	-
23.	Hedged foreign currency assets	-	-	-	-
24.	Hedged foreign currency liabilities	-	-	-	-
25.	Export (*)	1.506.236	1.488.788	17.448	-
26.	Import (*)	4.700.470	4.691.371	8.450	649

(*) Transit sales and purchases are included.

Group's consolidated assets and liabilities denominated in foreign currency are as follows:

	December 31, 2019	**December 31, 2018**
Assets	491.600	285.127
Liabilities	(693.633)	(742.119)
Net asset/liability position	**(202.033)**	**(456.992)**
Derivative instruments net position	50.492	118.370
Net foreign currency asset/liability position	**(151.541)**	**(338.622)**
Inventories under the natural hedge (*)	196.810	320.769
Net foreign currency position after the natural hedge	**45.269**	**(17.853)**

(*) The Group manages its foreign currency risk by regularly considering and reflecting the foreign exchange rate changes in the determination of product prices (natural hedge). As of December 31, 2019, the Group has LPG amounting to TL 196.810 thousand (December 31, 2018: TL 320.769 thousand).

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. Nature and level of risk derived from financial instruments (Continued)

Foreign currency sensitivity:

The Group is mainly exposed to foreign currency risk in USD and EURO.

The following table details the Group's sensitivity to a 10% increase and decrease in the USD and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

A positive number indicates an increase in profit/loss and other equity accounts.

				December 31, 2019
		Income/(Expense)		**Equity**
	Foreign exchange appreciation	**Foreign exchange depreciation**	**Foreign exchange appreciation**	**Foreign exchange depreciation**
10% fluctuation of USD rate				
USD net asset/(liability)	**(19.951)**	**19.951**	**(19.951)**	**19.951**
Secured portion from USD risk	**5.049**	**(5.049)**	**5.049**	**(5.049)**
USD net effect	**(14.902)**	**14.902**	**(14.902)**	**14.902**
10% fluctuation of Euro rate				
Euro net asset/(liability)	**(1.261)**	**1.261**	**(1.261)**	**1.261**
Secured portion from Euro risk	**-**	**-**	**-**	**-**
Euro net effect	**(1.261)**	**1.261**	**(1.261)**	**1.261**
Total	**(16.163)**	**16.163**	**(16.163)**	**16.163**

				December 31, 2018
		Income/(Expense)		Equity
	Foreign exchange appreciation	Foreign exchange depreciation	Foreign exchange appreciation	Foreign exchange depreciation
10% fluctuation of USD rate				
USD net asset/liability	(46.021)	46.021	(46.021)	46.021
Secured portion from USD risk	11.837	(11.837)	11.837	(11.837)
USD net effect	(34.184)	34.184	(34.184)	34.184
10% fluctuation of Euro rate				
Euro net asset/liability	188	(188)	188	(188)
Secured portion from Euro risk	-	-	-	-
Euro net effect	188	(188)	188	(188)
Total	(33.996)	33.996	(33.996)	33.996

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. Nature and level of risk derived from financial instruments (Continued)

Currency forward agreements

Currency forward agreements as of December 31, 2019 are summarized at the table below:
The Group had no currency forward agreement as of December 31, 2018.

					December 31, 2019
Maturity	Parity	Type of contract	Transactions	Total amount	Currency
17 days	5,97	Forward	Sells USD, Buys TL	5.000	USD

Swap agreements

As of December 31, 2019 the Group has swap agreement amounting to TL 39.150 thousand with fixed interest rate of 13,415% in return for USD 13.500 thousand with a floating interest rate of six-month USDLIBOR+2,4% (2018: USD 22.500 thousand). Swap transaction has half-yearly interest payments and principal payments amounting to USD 18.000 thousand have been made in 2019 (2018: USD 9.000). The maturity date of last principal repayments is June 24, 2021.

b.3.2) Interest rate risk management

The Group is exposed to interest rate risk due to the effect of changes in interest rates on the Group's assets and liabilities having interest returns. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and interest rate forward contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

Details of the Group's financial instruments that are sensitive to interest rates are as follows:

Interest rate position table

	December 31, 2019	December 31, 2018
Instruments with fixed interest rate		
Time deposits	**587.068**	550.367
Borrowings and bonds issued	**1.166.282**	1.188.028
Instruments with variable interest rate		
Borrowings and bond issued	**78.627**	207.006

If the interest rates in terms of all the currency units higher/lower by 100 basis points and all other variables held constant, profit before taxation would have been higher/lower by TL 886 thousand as of December 31, 2019 (2018: TL 1.414 thousand).

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. Nature and level of risk derived from financial instruments (Continued)

Financial instrument categories and fair values

December 31, 2019	Financial assets at amortized cost	Loans and receivables	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit loss	Financial liabilities at amortized cost	Book value	Note
Financial assets							
Cash and cash equivalents	**665.391**	**-**	**-**	**-**	**-**	**665.391**	**4**
Trade receivables	**-**	**574.374**	**-**	**-**	**-**	**574.374**	**8,31**
Other financial assets	**-**	**-**	**393.997**	**1.447**	**-**	**395.444**	**5**
Other receivables	**-**	**3.396**	**-**	**-**	**-**	**3.396**	**9**
Financial liabilities							
Short-term and long-term borrowings	**-**	**-**	**-**	**-**	**1.247.763**	**1.247.763**	**6**
Trade payables	**-**	**-**	**-**	**-**	**578.783**	**578.783**	**8,31**
Liabilities for employee benefits	**-**	**-**	**-**	**-**	**29.310**	**29.310**	**10**
Other payables	**-**	**-**	**-**	**-**	**108.768**	**108.768**	**9,31**
Other liabilities	**-**	**-**	**-**	**-**	**783**	**783**	**18**

December 31, 2018	Financial assets at amortized cost	Loans and receivables	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit loss	Financial liabilities at amortized cost	Book value	Note
Financial assets							
Cash and cash equivalents	648.010	-	-	-	-	648.010	4
Trade receivables	-	448.883	-	-	-	448.883	8,31
Other financial assets	-	-	285.647	1.449	-	287.096	5
Other receivables	-	3.146	-	-	-	3.146	9
Financial liabilities							
Short-term and long-term borrowings	-	-	-	-	1.401.015	1.401.015	6
Trade payables	-	-	-	-	559.653	559.653	8,31
Liabilities for employee benefits	-	-	-	-	27.021	27.021	10
Other payables	-	-	-	-	107.625	107.625	9,31
Other liabilities	-	-	-	-	2.505	2.505	18

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. Nature and level of risk derived from financial instruments (Continued)

<u>Fair value hierarchy table</u>

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

- First level: The fair value of financial assets and financial liabilities are determined with reference to actively traded market prices;
- Second level: Other than market prices specified at first level, the fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine directly or indirectly observable price in market;
- Third level: The fair value of financial assets and financial liabilities are evaluated with reference to inputs that used to determine fair value but not relying on observable data in the market.

Level classifications of financial assets and liabilities at fair value are as follows:

Financial assets/(liabilities)		**Level of fair value as of reporting date**		
	December 31, 2019	**1st Level**	**2nd Level**	**3rd Level**
Financial assets measured at fair value	**395.444**	**654**	**394.084**	**706**
Derivative financial instruments	**15.557**	**-**	**15.557**	**-**

Financial assets/(liabilities)		Level of fair value as of reporting date		
	December 31, 2018	1st Level	2nd Level	3rd Level
Financial assets measured at fair value	287.096	53	286.067	976
Derivative financial instruments	63.184	-	63.184	-

Information for reflecting financial assets and liabilities at fair value:

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

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

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

Financial assets

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

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

(Amounts expressed in thousands of Turkish Lira ("TL") and in thousands for other currencies unless otherwise indicated.)

32. Nature and level of risk derived from financial instruments (Continued)

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

Financial Liabilities

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

33. Business combinations

On March 14, 2019, Kuleli, a subsidiary of the Group, has acquired total shares of Bal Kaynak Su İthalat İhracat Sanayi ve Ticaret A.Ş.,which has all business permits and licenses of the operations, the water filling plant that this company currently maintains its natural spring water operation and properties which this facility located on, amounting to TL 47.806 thousand. With this acquisition the Group has aimed to expand its water operations and ensure sustainable production in water business. In line with this objective, the Group conducts the necessary works for the coordination of the water activities with Bal Kaynak. The provisional fair value of the identifiable assets and liabilities arising from the acquisition in accordance with IFRS 3 is as follows:

	March 14, 2019
Cash and cash equivalents	4
Trade receivables	135
Inventories	651
Other current assets	809
Tangible assets	47.873
Intangible assets (*)	1.939
Total assets	**51.411**
Trade payables	467
Other current liabilities	1.789
Deferred tax liabilities	722
Total liabilities	**2.978**
Net assets acquired	**48.433**
Consideration amount - cash	47.806
Cash and cash equivalents – acquired	(4)
Net cash outflow due to acquisition	**47.802**
Negative goodwill	**(627)**

(*) Consists of the license value derived from the valuation model made within the scope of the distribution of the purchase price.

34. Other significant issues affecting the financial statements or the other issues required for clarification of financial statements

In line with the Group's growth strategy abroad, the Board of Directors of the Company resolved on March 5, 2019 to sign a Share Purchase Agreement (Contract),where the Company shall buy 50% of the shares of United LPG Ltd. - with a pre-license for LPG filling facility but no current operations yet - with United Enterprises & Co. Ltd., which is part of the United Group in Bangladesh, with a total value of 50.000 thousand Taka (approximately USD 625 thousand) to be paid in cash at the date of completion of Share Transfer Transactions (Closing) and establish a partnership ('Joint Venture Company') in order to operate in LPG supply, filling and distribution in the Bangladesh market and for the necessary investments. Closing shall be subject to the realization of certain conditions precedents set forth in the contract, including the acquisition of necessary permits. In the event that conditions precedents set forth in the contract cannot be completed by March 31, 2020, the contract will be terminated automatically. Work regarding the process is ongoing.

35. Subsequent events

After the end of the business partnership between Koç Group and UniCredit S.P.A on February 5, 2020, 100% of the shares representing the capital of Koç Finansal Hizmetler A.Ş. ("KFS") passed to Koç Group (Koç Holding, Koç companies, Koç Family, partnerships and related foundations controlled by Koç Family) in proportion to their shares in KFS; In addition, KFS's Yapı ve Kredi Bankası A.Ş. ("YKB") shares of 31.93% were transferred to UniCredit SPA and 9.02% to Koç Holding A.Ş. KFS's share in YKB decreased from 81.9% to 40.95%. Within this framework, the Company's share in KFS increased from 1.97% to 3.93%.