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

# Akenerji Elektrik Üretim A.Ş.

## Condensed consolidated financial statements for the interim period ended 1 January - 30 June 2019 together with independent auditor's review report

Building a better
working world

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

# Report on Review of Interim Condensed Consolidated Financial Statements

**To the Board of Directors of Akenerji Elektrik Üretim A.Ş.:**

## Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Akenerji Elektrik Üretim A.Ş. ("the Company") and its subsidiaries ("the Group") as of June 30, 2019 and the interim condensed consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended, and explanatory notes. Group management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting ("TAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

## Scope of Review

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Material Uncertainty Related to Going Concern

We draw attention to Note 2.7 to the accompanying financial statements which indicates that has current period loss of the Company is TL 375.483.440 TL and its retained earnings amount is TL 2.884.667.439 as of of June 30, 2019 and the current liabilities exceeded current assets by 1.392.152.858 TL as of same date. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company management's plans in connection with these matters are disclosed in Note 2.7 to the accompanying financial statements. Our opinion is not modified in respect of this matter.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with TAS 34.

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

Sinem Arı Öz, SMMM
Partner

August 8, 2019
İstanbul, Türkiye

## AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2019 AND 31 DECEMBER 2018**

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

| | | Current period | Prior period |
|---|---|---|---|
| | | **Reviewed** | **Audited** |
| | **Notes** | **30 June 2019** | **31 December 2018** |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 270.105.318 | 19.319.811 |
| Trade receivables | | | |
| *- Due from related parties* | *15* | *7.181.614* | *7.704.996* |
| *- Due from third parties* | | *125.786.352* | *164.813.897* |
| Inventories | | 619.698 | 674.399 |
| Other receivables | | | |
| *- Due from third parties* | | *13.763.361* | *13.753.685* |
| Prepaid expenses | | 13.532.693 | 13.571.389 |
| Derivative financial instruments | 7 | - | 24.345 |
| Current income tax assets | 9 | 958.913 | 534.121 |
| Other current assets | | 61.430.567 | 105.060.349 |
| **Total current assets** | | **493.378.516** | **325.456.992** |
| Assets held for sale | | 1.509.975 | - |
| **Non-current assets** | | | |
| Other receivables | | | |
| *- Due from related parties* | *15* | *1.310.140* | *602.800* |
| *- Due from third parties* | | *1.648.644* | *336.824* |
| Inventories | | 20.233.561 | 18.769.298 |
| Financial investments | | 100.000 | 100.000 |
| Property, plant and equipment | 4 | 5.105.532.147 | 5.227.937.915 |
| Intangible assets | 5 | 109.683.081 | 110.933.961 |
| Right of use assets | | 22.571.064 | - |
| Deferred tax assets | 9 | 642.860 | 741.959 |
| Prepaid expenses | | 7.133.197 | 590.860 |
| Other non-current assets | | - | 19.098.093 |
| **Total non-current assets** | | **5.268.854.694** | **5.379.111.710** |
| **TOTAL ASSETS** | | **5.763.743.185** | **5.704.568.702** |

## AKENERJİ ELEKTRİK ÜRETİM A.Ş.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2019 AND 31 DECEMBER 2018

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

| | Notes | Current period<br>Reviewed<br>30 June 2019 | Prior period<br>Audited<br>31 December 2018 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Short term borrowings | 3 | 161.189.063 | 236.637.968 |
| Short term portion of long term borrowings | | | |
| *- Bank loans* | *3* | *1.356.186.398* | *873.780.809* |
| *- Lease liabilities* | *3* | *8.902.902* | *6.711.449* |
| Trade payables | | | |
| *- Due to related parties* | *15* | *7.179.951* | *26.945.006* |
| *- Due to third parties* | | *312.405.708* | *286.266.440* |
| Current income tax liabilities | 9 | 124.507 | 107.071 |
| Other payables | | | |
| *- Other payables to third parties* | | *1.860.029* | *2.341.912* |
| Derivative financial instruments | 7 | *14.309.887* | *12.919.531* |
| Employee benefit obligations | | *1.279.317* | *581.002* |
| Short term provisions | | | |
| *- Provisions for employee benefits* | | *1.409.765* | *3.340.000* |
| *- Other short term provisions* | *6* | *20.683.847* | *18.338.205* |
| **Total current liabilities** | | **1.885.531.374** | **1.467.969.393** |
| **Non-current liabilities** | | | |
| Long term borrowings | | | |
| *- Bank loans* | *3* | *3.391.548.263* | *3.333.605.645* |
| *- Lease liabilities* | *3* | *83.382.264* | *61.151.542* |
| Derivative financial instruments | 7 | 29.709.374 | 17.282.246 |
| Trade payables | | | |
| *- Due to third parties* | | *147.138.604* | *177.807.845* |
| Other payables | | | |
| *- Due to third parties* | | *16.521* | *16.324* |
| Long term provisions | | | |
| *- Provisions for employee benefits* | | *5.340.275* | *4.331.412* |
| Deferred tax liabilities | 9 | 122.991.431 | 181.839.302 |
| **Total non-current liabilities** | | **3.780.126.732** | **3.776.034.316** |
| **EQUITY** | | | |
| Share capital | 8 | 729.164.000 | 729.164.000 |
| Adjustments to share capital | 8 | 101.988.910 | 101.988.910 |
| Share premiums | | 50.220.043 | 50.220.043 |
| Other comprehensive income/expense to be reclassified to profit/loss | | | |
| *- Gains/(losses) on cash flow hedging* | | *(10.660.259)* | *(11.891.988)* |
| Restricted reserves | | | |
| *- Legal reserves* | *8* | *12.053.172* | *12.053.172* |
| *- Other reserves* | | *(4.322.722)* | *(4.322.722)* |
| Other comprehensive income/expense not to be reclassified to profit/loss | | | |
| *- Increase on revaluation of property, plant and equipment* | | *2.480.898.402* | *2.548.936.335* |
| *- Gains/(losses) on re-measurement of defined benefit plans* | | *(1.105.588)* | *(1.045.003)* |
| Retained earnings/(losses) | | (2.884.667.439) | (1.408.141.204) |
| Net profit/(loss) for the period | | (375.483.440) | (1.556.396.550) |
| **Total equity** | | **98.085.079** | **460.564.993** |
| **TOTAL LIABILITIES AND EQUITY** | | **5.763.743.185** | **5.704.568.702** |

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

## AKENERJİ ELEKTRİK ÜRETİM A.Ş.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OF LOSS FOR THE INTERIM PERIODS BETWEEN 1 JANUARY - 30 JUNE 2019 AND 2018

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

| | | Current period | Prior period | | |
|---|---|---|---|---|---|
| | | | *Restated (Note 2.5)* | | *Restated (Note 2.5)* |
| | | **Reviewed** | **Reviewed** | | |
| | **Notes** | **1 January - 30 June 2019** | **1 January - 30 June 2018** | **1 April - 30 June 2019** | **1 April - 30 June 2018** |
| Revenue | 10 | 895.998.547 | 932.962.996 | 429.756.479 | 435.848.645 |
| Cost of sales (-) | 11 | (672.267.948) | (887.280.887) | (314.155.270) | (419.083.494) |
| **GROSS PROFIT** | | **223.730.599** | **45.682.109** | **115.601.209** | **16.765.151** |
| General administrative expenses (-) | 11 | (27.204.548) | (26.590.276) | (12.697.100) | (13.385.225) |
| Other operating income | 12 | 15.262.420 | 15.753.808 | 10.092.278 | 10.630.709 |
| Other operating expenses (-) | 12 | (27.277.739) | (19.294.233) | (13.618.081) | (14.270.334) |
| **OPERATING PROFIT / (LOSS)** | | **184.510.732** | **15.551.408** | **99.378.306** | **(259.699)** |
| Income from investing activities | 13 | 17.020 | 166.102 | 16.871 | 127.119 |
| Expenses from investing activities | 13 | (130.291) | - | - | - |
| **OPERATING PROFIT / (LOSS) BEFORE FINANCIAL INCOME/ (EXPENSE)** | | **184.397.461** | **15.717.510** | **99.395.177** | **(132.580)** |
| Financial income | 14 | 12.489.251 | 29.441.505 | (217.339) | 7.631.592 |
| Financial expenses (-) | 14 | (619.454.815) | (765.047.011) | (231.200.908) | (544.528.000) |
| **PROFIT / (LOSS) BEFORE TAX** | | **(422.568.103)** | **(719.887.996)** | **(132.023.070)** | **(537.028.988)** |
| **Tax (Expense)/Income** | | | | | |
| Current income tax expense | 9 | (124.507) | (1.433.056) | (73.526) | (785.780) |
| Deferred tax (expense) / income | 9 | 47.209.170 | 126.032.682 | 16.011.154 | 88.563.762 |
| **NET PROFIT / (LOSS) FOR THE PERIOD** | | **(375.483.440)** | **(595.288.370)** | **(116.085.442)** | **(449.251.006)** |
| **Net loss attributable to:** | | | | | |
| Equity holders of the parent | | (375.483.440) | (595.288.370) | (116.085.442) | (449.251.006) |
| | | **(375.483.440)** | **(595.288.370)** | **(116.085.442)** | **(449.251.006)** |
| **Earnings/(losses) per share (1.000 shares)** | | **(5,15)** | **(8,16)** | **(1,59)** | **(6,16)** |

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

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIODS BETWEEN 1 JANUARY - 30 JUNE 2019 AND 2018**

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

| | **Current period** | **Prior period** | | |
|---|---|---|---|---|
| | *Restated (Note 2.5)* | *Restated (Note 2.5)* | | *Restated (Note 2.5)* |
| | **Reviewed** | **Reviewed** | | |
| | **1 January - 30 June 2019** | **1 January - 30 June 2018** | **1 April - 30 June 2019** | **1 April - 30 June 2018** |
| **Net profit/(loss) for the period** | **(375.483.440)** | **(595.288.370)** | **(116.085.442)** | **(449.251.006)** |
| **Other comprehensive income/(expense)** | | | | |
| **To be reclassified to profit or loss** | | | | |
| Gains/(losses) on cash flow hedging | 1.539.661 | 2.519.596 | 774.079 | 1.530.086 |
| Deferred tax effect | (307.932) | (503.823) | (154.815) | (305.921) |
| **Not to be reclassified to profit or loss** | | | | |
| Increase on revaluation of property, plant and equipment | - | - | - | - |
| Deferred tax effect | 11.832.382 | - | - | - |
| Actuarial gain/(loss) arising from defined benefit plans | (75.731) | 388.196 | 6.435 | 37.509 |
| Deferred tax effect | 15.146 | (77.639) | (1.287) | (7.502) |
| **OTHER COMPREHENSIVE INCOME/(EXPENSE)** | **13.003.526** | **2.326.330** | **624.412** | **1.254.172** |
| **TOTAL COMPREHENSIVE INCOME/(LOSS)** | **(362.479.914)** | **(592.962.040)** | **(115.461.030)** | **(447.996.834)** |

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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIODS BETWEEN 1 JANUARY - 30 JUNE 2019 AND 2018

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

| | | | | Other comprehensive income /(expenses) to be reclassified to profit or loss | Restricted reserves | | Other comprehensive income /(expenses) not to be reclassified to profit or loss | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Adjustments to share capital | Share premiums | Gains / (losses) on cash flow hedging (**) | Other reserves | Legal reserves | Increase on revaluation of property, plant and equipment | Gains/(losses) on re-measurement of defined benefit plans | Retained earnings/ (losses) | Net profit/(loss) for the period | Total equity |
| **1 January 2018 – previously reported** | **729.164.000** | **101.988.910** | **50.220.043** | **(15.159.903)** | **(4.322.722)** | **12.053.172** | **2.526.950.583** | **(1.349.827)** | **(1.090.945.284)** | **(505.044.383)** | **1.803.554.589** |
| Restatement effect (Note 2.5) | - | - | - | - | - | - | 36.783.975 | - | 30.247.342 | (2.152.770) | 64.878.547 |
| **1 January 2018 - restated** | **729.164.000** | **101.988.910** | **50.220.043** | **(15.159.903)** | **(4.322.722)** | **12.053.172** | **2.563.734.558** | **(1.349.827)** | **(1.060.697.942)** | **(507.197.153)** | **1.868.433.136** |
| Transfers | - | - | - | - | - | - | - | - | (507.197.153) | 507.197.153 | - |
| Other adjustments (*) | - | - | - | - | - | - | (60.447.337) | - | 60.447.337 | - | - |
| Total comprehensive Income/(loss) | - | - | - | 2.015.773 | - | - | - | 310.557 | - | (595.288.370) | (592.962.040) |
| **30 June 2018** | **729.164.000** | **101.988.910** | **50.220.043** | **(13.144.130)** | **(4.322.722)** | **12.053.172** | **2.503.287.221** | **(1.039.270)** | **(1.507.447.758)** | **(595.288.370)** | **1.275.471.096** |
| **1 January 2019** | **729.164.000** | **101.988.910** | **50.220.043** | **(11.891.988)** | **(4.322.722)** | **12.053.172** | **2.548.936.335** | **(1.045.003)** | **(1.408.141.204)** | **(1.556.396.550)** | **460.564.993** |
| Transfers | - | - | - | - | - | - | - | - | (1.556.396.550) | 1.556.396.550 | - |
| Other adjustments (*) | - | - | - | - | - | - | (79.870.315) | - | 79.870.315 | - | - |
| Total comprehensive Income/(loss) | - | - | - | 1.231.729 | - | - | 11.832.382 | (60.585) | - | (375.483.440) | (362.479.914) |
| **30 June 2019** | **729.164.000** | **101.988.910** | **50.220.043** | **(10.660.259)** | **(4.322.722)** | **12.053.172** | **2.480.898.402** | **(1.105.588)** | **(2.884.667.439)** | **(375.483.440)** | **98.085.079** |

(*) As of 30 June 2019, the depreciation difference between the acquisition cost and the carrying values of the assets subject to revaluation method amounting to TL 79.870.315 (30 June 2018: TL 75.559.172) without a deferred tax effect, provided in increase on revaluation of property, plant and equipment were reclassified under retained earnings / (losses) in full amounts (30 June 2018: net of the deferred tax impact amounting to 60.447.337 TL has been transferred from the increase on revaluation of property, plant and equipment to retained earnings).

(**) Since the Group has ceased to apply hedge accounting on 30 September 2015, the " Gains / (losses) on cash flow hedging ", which is included in equity, has been recorded in the statement of profit or loss for the duration of related contracts.

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE INTERIM PERIODS BETWEEN 1 JANUARY - 30 JUNE 2019 AND 2018

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

| | Notes | Current period<br>Reviewed<br>1 January -<br>30 June 2019 | Prior period<br>Reviewed<br>1 January -<br>30 June 2018 |
|---|---|---|---|
| **A. Cash flows from operating activities** | | **354.301.210** | **(54.960.272)** |
| Net profit / (loss) for the period | | (375.483.440) | (595.288.370) |
| **Adjustments to reconcile net profit / (loss) for the period** | | **682.706.433** | **639.750.135** |
| Adjustments for depreciation and amortization expenses | 11 | 130.551.745 | 129.354.056 |
| Adjustments for provisions | | | |
| - Adjustments for litigation provisions | 6 | 202.271 | (103.604) |
| - Adjustments for other provisions | 6 | 2.143.371 | 72.220 |
| - Adjustment for provision for employee benefits | | 2.254.292 | 546.324 |
| Adjustment for unrealized foreign exchange difference | | 372.390.061 | 548.565.460 |
| Adjustment for tax (income) / expense | | (47.084.663) | (124.599.626) |
| Adjustment for (gain)/loss on sale of property, plant and equipment | 13 | 130.142 | (166.102) |
| Fair value of derivative financial instruments | | 15.562.723 | (17.642.507) |
| Adjustment for interest (income)/expense, net | | 206.556.491 | 103.723.914 |
| **Changes in working capital** | | **50.861.474** | **(98.776.411)** |
| Increase / decrease in trade receivables from related parties | | 523.382 | (31.770.308) |
| Increase / decrease in trade receivables from third parties | | 37.517.570 | (36.113.297) |
| Increase / decrease in other receivables from related parties | | (707.340) | - |
| Increase / decrease in other receivables from third parties | | (1.321.496) | (7.854.723) |
| Increase / decrease in inventories | | (1.409.562) | (562.143) |
| Increase / decrease in prepaid expenses | | (7.167.885) | (8.711.420) |
| Increase / decrease in other assets | | 62.727.868 | 5.917.328 |
| Increase / decrease in trade payables to related parties | | (19.765.055) | (9.884.477) |
| Increase / decrease in trade payables to third parties | | (18.031.743) | (14.240.850) |
| Increase / decrease in derivative financial instruments | | (1.720.894) | 497.924 |
| Increase / decrease in employee benefit obligations | | 698.315 | 183.874 |
| Increase / decrease in other payables to third parties | | (481.686) | 3.761.681 |
| **Cash flows from operating activities** | | **358.084.467** | **(54.314.646)** |
| Payments related to provisions for employee benefits | | (3.251.394) | (1.433.482) |
| Tax (payments) / receipts | | (531.863) | 787.856 |
| **B. Cash flows from investing activities** | | **(6.014.261)** | **(3.497.544)** |
| Cash outflows due to purchase of property, plant and equipment | 4 | (6.006.977) | (3.652.516) |
| Cash outflows due to purchase of intangible assets | 5 | (33.684) | (12.003) |
| Cash inflows due to sale of property, plant and equipment | | 26.400 | 166.975 |
| **C. Cash flows from financing activities** | | **(102.160.959)** | **22.856.195** |
| Cash inflows on borrowings received | 3 | 152.700.000 | 268.274.320 |
| Cash outflows due to repayment of borrowings | 3 | (233.200.000) | (175.934.977) |
| Cash outflows due to repayment of lease liabilities | 3 | (6.201.671) | (2.474.739) |
| Interest paid | 3 | (16.793.416) | (66.205.163) |
| Interest received | 14 | 5.993.645 | 1.622.115 |
| Other cash inflows / (outflows) (*) | | (4.659.517) | (2.425.361) |
| **Net increase / (decrease) in cash and cash equivalents** | | **246.125.990** | **(35.601.621)** |
| **Cash and cash equivalents at the beginning of the period (*)** | | **16.270.551** | **44.170.711** |
| **Cash and cash equivalents at the end of the period (*)** | | **262.396.541** | **8.569.090** |

(*) Cash and cash equivalents at the beginning of the period and at the end of the period does not include interest accruals and restricted deposits and changes in restricted deposits and interest accruals are disclosed in "Other cash inflows / (outflows)" line.

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

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

## NOTE 1 – GROUP'S ORGANISATION AND NATURE OF OPERATIONS

The Company was established by Akkök Sanayi Yatırım ve Geliştirme A.Ş. in 1989 (Akkök Sanayi Yatırım ve Geliştirme A.Ş. is registered as Akkök Holding A.Ş. on 13 May 2014). Akenerji Elektrik Üretim A.Ş. ("the Company" or "Akenerji") is engaged in establishing, renting and operating facilities of electrical energy production plant, producing electricity and trading electricity to the customers. Since 14 May 2009, the Company has become a joint venture between Akkök Holding A.Ş. and CEZ a.s.

The Company is registered in Turkey and its registered address is as follows;

Miralay Şefik Bey Sokak No:15 Akhan Kat: 3-4 Gümüşsuyu / Istanbul - Turkey

The Company is registered to the Capital Markets Board ("CMB"), and its shares are publicly traded in Istanbul Stock Exchange ("ISE"). As of 30 June 2019, 52,83% of its shares are open for trading (31 December 2018: 52,83%).

As of 30 June 2019, the number of employees employed Akenerji and its subsidiaries (Akenerji and its subsidiaries will be referred as the "Group") is 230 (31 December 2018: 200).

These condensed consolidated financial statements for the interim period of 1 January – 30 June 2019 have been approved for issue by the Board of Directors at 8 August 2019.

The nature of business and registered addresses of the entities included in the consolidation ("Subsidiaries") are presented below.

| **Subsidiary** | **Nature of business** | **Registered address** |
|---|---|---|
| Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret A.Ş. ("Akenerji Toptan") | Electricity trading | Gümüşsuyu / İstanbul |
| Ak-el Yalova Elektrik Üretim A.Ş. ("Ak-el") | Electricity production and trading | Gümüşsuyu / İstanbul |
| Ak-el Kemah Elektrik Üretim A.Ş. ("Akel Kemah") | Electricity production and trading | Gümüşsuyu / İstanbul |
| Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş. ("Akenerji Doğalgaz") | Natural gas trading | Gümüşsuyu / İstanbul |

## NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

### 2.1 Basis of Presentation

#### Principles of Preparation of Interim Condensed Consolidated Financial Statements

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards / Turkish Financial Reporting Standards, ("TAS/TFRS") issued 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") published on Official Gazette date 13 June 2013 and numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by POA.

The interim condensed consolidated financial statements are presented in accordance with "Revised Examples of Financial Statements and User Guide" issued by POA on 7 June 2019.

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

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

For the period ended 30 June 2019, the Group prepared its interim condensed consolidated financial statements in accordance with the Turkish Accounting Standard 34 Interim Financial Reporting. In accordance with the TAS 34, entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed consolidated financial statements in the interim periods. Accordingly, these interim condensed consolidated financial statements does not include all required explanatory notes as should be provided and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2018.

The Group and its subsidiaries registered in Turkey maintain their books of account and prepare their statutory financial statements in accordance with Turkish Commercial Code ("TCC"), tax legislations and Turkish Uniform Chart of Accounts issued by the Ministry of Finance. The interim condensed consolidated financial statements have been prepared with the historical cost principle and adjustments and reclassifications, required for the fair presentation of the consolidated financial statements in conformity with TAS/TFRS have been accounted for in the statutory financial statements.

With the decision taken on 17 March 2015, the CMB announced that, effective from 1 January 2015, the application of inflation accounting is no longer required for companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision.

### 2.2 Basis of Consolidation

**a.** The interim condensed consolidated financial statements include the accounts of the parent company, Akenerji, and its Subsidiaries on the basis set out in sections (b) to (c) below. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements and have been prepared in accordance with TAS by applying uniform accounting policies and presentation. The results of operations of Subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

**b.** Subsidiaries are companies in which Akenerji has the power to control the financial and operating policies for the benefit of itself, either through the power to exercise more than 50% of voting rights related to shares in the companies as a result of shares owned directly and/or indirectly by itself.

The table below sets out all Subsidiaries and demonstrates the proportion of ownership interest which is equal to the effective interest rate of the Group over the subsidiary as of 30 June 2019 and 31 December 2018:

| | **Direct and indirect ownership interest by the Company and its Subsidiaries (%)** | |
|---|---|---|
| **Subsidiaries** | **30 June 2019** | **31 December 2018** |
| Akenerji Toptan | 100,00 | 100,00 |
| Ak-el | 100,00 | 100,00 |
| Akel Kemah | 100,00 | 100,00 |
| Akenerji Doğalgaz | 100,00 | 100,00 |

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are deconsolidated from the date that the control ceases. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

Carrying values of the Subsidiaries' shares held by the Company are eliminated against the related equity of Subsidiaries. Intercompany transactions and balances between Akenerji and its Subsidiaries are eliminated on consolidation. Dividends arising from shares held by the Company in its Subsidiaries are eliminated from income for the period and equity, respectively.

**c.** The minority shareholders' share in the net assets and results of subsidiaries for the period are separately classified as non-controlling interest in the condensed consolidated balance sheets and statements of comprehensive income. There are no minority shares in subsidiaries of the Company.

### 2.3 The New Standards, Amendments and Interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 June 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and Turkey Financial Reporting Interpretations Committee ("TFRIC") interpretations effective as of 1 January 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

- TFRS 16 – Leases
- Amendments to TAS 28 – Investments in Associates and Joint Ventures (Amendments)
- TFRIC 23 – Uncertainty over Income Tax Treatments
- Plan Amendment, Curtailment or Settlement (Amendments to TAS 19)
- Prepayment Features with Negative Compensation (Amendments to TFRS 9)
- Annual Improvements to TFRSs – 2015 – 2017 Cycle

The standards, amendments and interpretations except for TFRS 16 – Leases, did not have a significant impact on the financial position or performance the Group and the impact of the transition to TFRS 16 – Leases is provided at Note 2.4.

**ii) Standards, amendments and improvements issued but not yet effective and not early adopted:**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim condensed consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRS 17 - The new Standard for insurance contracts
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

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

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

There are no standards, interpretations and amendments to existing IFRS standards issued by the IASB and not yet adapted / issued by the POA.

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

### 2.4 Restatement and errors in the accounting policies and estimates

Any change in the accounting policies resulted from the first time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

The Group has adopted TFRS 16 “Leases” as at 1 January 2019 for the first time, in line with the transition provisions of the standard.

Impacts of the first time adoption of TFRS 16 on the interim condensed consolidated financial statements of the Group are as below:

**TFRS 16 “Leases”**

***The Group – as a lessee***

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

At inception of a contract that contains a lease, the Group recognises a right of use asset and a lease liability in its financial statements.

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

*Right of use asset*

The right of use asset is initially recognized at cost comprising 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-measure 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 TAS 16 "Property, Plant and Equipment" to amortize the right of use asset and TAS 36 "Impairment of Assets" to asses for any impairment.

**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.

After initial recognition, the lease liability is measured:

a) increasing the carrying amount to reflect interest on lease liability
b) reducing the carrying amount to reflect the lease payments made and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. The Group adjusts the right of use asset in accordance with the reassessment f the lease liability.

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

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

### 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 remeasures the lease term, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

### Exemptions and simplifications

Short-term lease payments with a lease term below 12 months 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 exemptions provided in TFRS 16 "Leases". Lease payments of these contracts are continued to be recognised in profit or loss in the related period. The Group applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

### *The Group – as a lessor*

The Group does not have significant operations as a lessor.

### *First time adoption of TFRS 16 "Leases"*

The Group has applied TFRS 16 "Leases", which replaces TAS 17 "Leases", for the effective period beginning on 1 January 2019. The cumulative impact of applying TFRS 16 is accounted in the interim condensed 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.

With the transition to TFRS 16 "Leases", a "lease liability" is recognized in the interim condensed consolidated financial statements for the lease contracts which were previously measured under TAS 17 "Leases" 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 right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under TFRS 16 simplified transition approach.

The effects of transition to TFRS 16 are provided below:

| | **1 January 2019** |
|---|---|
| **Assets** | **22.384.883** |
| Right of use asset | 23.049.127 |
| Prepaid expenses | (664.244) |
| **Liabilities** | **22.384.883** |
| Lease liability | 22.684.883 |
| Trade payables | (300.000) |

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

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

The details of right of use assets provided in the interim condensed consolidated financial statements as of 1 January 2019 and 30 June 2019 and related depreciations by asset groups are provided below:

| | 1 January 2019 | Additions | Disposals | 30 June 2019 |
|---|---|---|---|---|
| **Cost** | | | | |
| Land | 19.541.243 | - | - | 19.541.243 |
| Building | 2.470.082 | - | - | 2.470.082 |
| Motor vehicles | 1.037.802 | 532.915 | - | 1.570.717 |
| | **23.049.127** | **532.915** | **-** | **23.582.042** |
| **Accumulated depreciation** | | | | |
| Land | - | 266.676 | - | 266.676 |
| Buildings | - | 473.680 | - | 473.680 |
| Motor vehicles | - | 270.622 | - | 270.622 |
| | **-** | **1.010.978** | **-** | **1.010.978** |
| **Net book value** | **23.049.127** | | | **22.571.064** |

Current period depreciation expense of amounting to TL 266.674 TL has been included in cost of sales and TL 744.304 has been included in general administrative expenses.

The weighted average of the Group's incremental borrowing rates for all currencies applied as at 1 January 2019 are provided in Note 3.

### 2.5 Comparatives and restatement of prior year financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements and the significant changes are explained.

The Group evaluated the effect of elimination adjustment of the borrowing costs capitalized on property plant and equipment at stand-alone financial statements and identified that, these elimination adjustments booked at consolidated level should be recorded on the stand-alone financial statements those are included consolidation in order to have land, land improvements, buildings, machinery and equipment belonging to the power plants, which are accounted at fair value, are correctly presented with their respective fair values. The restatement resulted with an impact of increase in depreciation and amortisation expenses provided in cost sales for an amount of TL 4.321.049 and deferred tax expense for and amount of TL 864.210 provided in the accompanying consolidated statement of profit or loss as at 30 June 2018.

As a result of the assessments made by the Group, income on risk sharing contracts previously reported net of losses on risk sharing contracts in other operating expenses amounting to TL 3.975.593 provided in the consolidated statement of profit or loss as of 30 June 2018 has been reclassified to other operating income in the accompanying consolidated statement of profit or loss as of 30 June 2018.

As a result of the assessments made by the Group, gain on futures and options market transactions previously reported net of gain on futures and options market transactions provided in other operating expenses amounting to TL 59.453 provided in the consolidated statement of profit or loss as of 30 June 2018 has been reclassified to other operating income in the accompanying consolidated statement of profit or loss as of 30 June 2018.

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

As a result of the assessments made by the Group, income on energy services previously reported net of expenses on energy services provided in other operating expenses amounting to TL 359.200 provided in the consolidated statement of profit or loss as of 30 June 2018 has been reclassified to other operating income in the accompanying consolidated statement of profit or loss as of 30 June 2018.

As a result of the assessments made by the Group, gain on derivative financial instruments previously reported net of losses on derivative financial instruments provided in financial expenses amounting to TL 2.977.034 provided in the consolidated statement of profit or loss as of 30 June 2018 has been reclassified to financial income in the accompanying consolidated statement of profit or loss as of 30 June 2018.

### 2.6 Critical accounting estimates and judgments

The preparation of consolidated financial statements required estimates and assumptions to be made regarding the amounts for the assets and liabilities at the balance sheet date, and explanations for the contingent assets and liabilities as well as the amounts of income and expenses realized in the reporting period. Although, the estimates and assumptions are based on the best of knowledge of events and transactions of the Group management, those may not be equal to the related actual results. The estimates and assumptions that may cause a material adjustment to the carrying amounts of assets and liabilities are addressed below:

*Deferred tax assets for the carry forward tax losses*

Deferred tax assets are accounted for only where it is likely that related temporary differences and accumulated losses will be recovered through expected future profits or will be offsetted from the deferred tax liabilities incurred on the temporary differences will be recovered at the same date.

As a result of the studies performed, the Group recognized deferred tax assets on carry forward tax losses amounting to TL 17.712.610 (31 December 2018: TL 3.501.950) as of 30 June 2019. The related deferred tax asset is calculated based on the net income projections of the Group and deferred tax liabilities will be recovered for the foreseeable future. If the net income projections which are explained in are not realized or temporary differences of deferred tax assets and liabilities are recovered in a different period, related deferred tax assets for the carry forward tax losses will be accounted as an expense in the consolidated statements of profit or loss. For the remaining carry forward tax losses amounting to TL 649.316.570 (31 December 2018: TL 649.299.029), the Group did not recognize deferred tax assets since the Group believes those will not be utilized in the foreseeable future.

*Fair value of derivative financial instruments*

Fair value of derivative financial instruments are determined using the appropriate valuation techniques. At each balance sheet date, the Group estimates the future changes on derivative financial instruments based on market data.

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

*Explanations for revaluation method and fair value measurement*

The Group has chosen the revaluation method as an accounting policy among application methods mentioned under TAS 16 for lands, land improvements, buildings, machinery and equipment belonging its power plants (Uluabat hydroelectric power plant (HEPP), Ayyıldız wind power plant (WEPP), Burç HEPP, Feke I HEPP, Feke II HEPP, Bulam HEPP, Gökkaya HEPP, Himmetli HEPP and Erzin natural gas combined cycle power plant commencing from 30 September 2015. The Group has applied revaluation method initially at 31 December 2015 and then 31 December 2017. The critical accounting estimates and judgments related to revaluation have been disclosed in financial statements of 30 September 2015 and 31 December 2017. As of 31 December 2018, the Group performed an impairment analysis on the revalued amounts of the property, plant and equipment and did not identify any impairment. As of 30 June 2019, the Group does not expect any significant change in impairment analysis studies which were previously performed.

The related revaluation and impairment studies are carried out by using "income approach - discounted cash flow analysis". Long-term electricity market prices are the most significant factor of the income approach, for this reason, the Group received services for the determination of market prices from an independent consultant and technology firm specialized on the services provided to the energy companies. While determining the long term electricity prices, the most significant inputs in the model are; demand forecast of following years, new power plants stepped in, deactivation of existed power plants, renewable energy capacity and capacity development, prices of natural gas and coal, development of exportation and importation and development of efficiency of thermic power plants. The increase in the forward prices of electricity used in the model will lead to an increase in production at Erzin natural gas combined cycle power plant and increase in the fair value. In addition, the production estimated in the calculation of fair values of HEPPs are based on production used in the feasibility works and past 50 years of hydrology history. The related production amounts are approximately 10–12% higher than then production realized since the plants became operational.

### 2.7 Going concern

The Group prepares its consolidated financial statements on a going concern basis in a foreseeable future.

The Group continuously monitors the financial and operational risks (changes in natural gas prices and supply conditions and their impact on the electricity market, changes in foreign exchange rates and etc.) through its risk inventory and takes necessary actions to reduce the possible effects of risks.

With the effect of revenue generated in USD indexed sales as part of the Renewable Energy Resources Support Mechanism ("YEKDEM"), increase in power generation of renewable energy resources power plants with the impact of environmental factors and high operational availability and revenue on ancillary services (Primary Frequency Control and Secondary Frequency Control services), the consolidated operating profit of the Group significantly increased for the interim period ended 30 June 2019.

The cost of natural gas constitutes a significant portion of the cost of production of the Group and historically constituted a high cost input due to operations of Erzin combined natural gas cycle power plant. The Group benefits and maintains its cost advantage by purchase of natural gas with lower prices compared to BOTAŞ's tariff by from private sector following the permission of BOTAŞ for the spot nature gas purchases from private sector since 1 February 2018. In addition, the Group management is in the opinion that, the impact of the increase in natural gas prices on the total consolidated cost of production will be limited through the Group's differentiation strategy of balanced, flexible and efficient portfolio by having different type of power plants and taking advantage of YEKDEM mechanism.

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

Erzin combined natural gas cycle power plant has the significant advantage on competition compared to similar plants under favor of its largest amount of reserves in Turkey in its daily operations where the maximum amount of benefit derived from the ancillary services. Additionally, "Revenue on Capacity Mechanism", which was introduced in 2018 to support primary level electricity generation sources, contributes positively to the financial position of the Group.

The Group management anticipates that, when cost-based pricing becomes the basis, low-efficient power plants come out of the system and the purchase guarantees for the Build-Operate plants terminates, electricity prices will be set at a more rational basis and level of predictability will increase and the Group management believes that, the potential adverse effects of increase on natural gas prices on the consolidated financial statements increase will be eliminated through the increases on electricity prices on spot and futures electricity markets. The Group management is in the opinion that, Erzin combined natural gas cycle power plant has an advantageous position in terms of efficiency, operation and location, has high financial potential in mid and long term.

With the refinancing loan agreement signed between the Group and Yapı ve Kredi Bankası A.Ş. on 30 September 2015, the maturity of short-term liabilities of the Group extended to long-term by having a 12 years termed payment period with a one year nonrefundable period and the exposure to foreign exchange rate risk is reduced by utilizing some portion of the refinanced loan in TL. The Group started negotiations with Yapı ve Kredi Bankası A.Ş. to extend the maturity of the borrowings to long-term with a comprehensive manner where the Group signed an Amendment Agreement with Yapı ve Kredi Bankası A.Ş. on 28 March 2019 and deferred payment of short-term portion of the related borrowings to October 2019 and maintained a positive impact on short-term cash flows. Total current liabilities of the Group surpassed its total current assets by TL 1.392.152.858 TL (31 December 2018: TL 1.142.512.401) as of 30 June 2019 which is mainly stemmed from bank loans. Although as per TAS 1 this indicates the existence of an uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, the Group is in the opinion that with the effect of the actions taken and the constructive negations on-going with Yapı ve Kredi Bankası A.Ş., it is appropriate to prepare consolidated financial statements on a going concern basis in foreseeable future. The negotiations with Yapı ve Kredi Bankası A.Ş. are ongoing to extending the remaining balance of borrowings to a longer-term with a comprehensive manner.

The Group recognised a net loss for the interim period 1 January – 30 June 2019 amounting to TL 375.483.440 TL (1 January – 30 June 2018: TL 595.288.370). Retained earnings/(losses) of the Group as of 30 June 2019 is TL 2.884.667.439 TL (31 December 2018: TL 1.408.141.204). With the Communique of Ministry of Commerce issued on the official gazette dated 15 September 2018 regarding the regulation on loss of capital and excess of liabilities over assets in relation to Article 376 of Turkish Commercial Code numbered 6102, it has been decided that, unrealized foreign exchange losses incurred from the foreign exchange based financial liabilities which are not yet fulfilled can be excluded on the calculation of loss of capital and excess of liabilities over assets. In relation to this regulation, it is calculated that, unrealized foreign exchange losses recognised under retained earnings/(losses) amounting to TL 1.650.633.682 and recognised under consolidated statement of profit or loss amounting to TL 357.208.964, in total amounting to TL 2.007.842.646 will be excluded on the calculation of loss of capital and excess of liabilities over assets by adding back to the total equity. Accordingly, there is no either issue of loss of capital or excess of liabilities over assets for the Group. The Group, as aware of all of its short term and long term liabilities, has been taking the necessary actions maintain its operations in a healthy financial structure within the framework of proactive approach.

### 2.8 Seasonality of Group's operations

The results of Group's operations are not significant effected by season.

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

## NOTE 3 - BORROWINGS

The details of borrowings of the Group as of 30 June 2019 and 31 December 2018 is as follows:

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| **Short term borrowings** | | |
| -Bank loans | 161.189.063 | 236.637.968 |
| **Total short term borrowings** | **161.189.063** | **236.637.968** |
| | | |
| **Short-term portion of long term borrowings** | | |
| -Bank loans (*) | 1.356.186.398 | 873.780.809 |
| -Financial lease payables (**) | 7.349.016 | 6.711.449 |
| -Operational lease liabilities | 1.553.886 | - |
| **Total short-term portion of long term borrowings** | **1.365.089.300** | **880.492.258** |
| | | |
| **Long term borrowings** | | |
| -Bank loans (*) | 3.391.548.263 | 3.333.605.645 |
| -Financial lease payables (**) | 63.291.471 | 61.151.542 |
| -Operational lease liabilities | 20.090.793 | - |
| **Total long term borrowings** | **3.474.930.527** | **3.394.757.187** |
| | | |
| **Total short term and long term borrowings** | **5.001.208.890** | **4.511.887.413** |

(*) The loan obtained pursuant to the loan agreement ("Loan Agreement") signed with Yapı ve Kredi Bankası A.Ş. on 30 September 2015, amounts to TL 4.810.577.484 (TL 500.402.223 and USD 748.931.428). Commissions amounting to TL 62.842.823, including the new loan arrangement commission of TL 22.679.636 arrangement commission for paid-off loans amounting to TL 16.170.288, early payment commission amounting to TL 23.116.479 and "Amendment Agreement" signed with Yapı ve Kredi Bankası A.Ş. on 28 March 2019, amounting to TL 876.420 extension commision for rearranging the loan repayment schedule were paid and deducted from the total loan amount. Such commissions are amortized during the term of the loans. As the loan agreement signed on 30 September 2015 is the modification of the loan agreement signed with the bank consortium consisting of T. Garanti Bankası A.Ş., Yapı ve Kredi Bankası A.Ş. and T. Vakıflar Bankası T.A.O. on 11 October 2011, commissions paid for the loans used pursuant to this agreement is also deducted from the loan amount as of 30 June 2019.

(**) Financial leasing is related to machinery and equipment with a leasing period of 12 years. The ownership of the machinery and equipments will transfer to the Group at the end of the 12 year leasing term. The Group's financial lease liabilities are secured by the lessor's ownership interest on the leased asset.

As of 30 June 2019, the accrued interest expense on short-term and long-term bank borrowings is TL 447.345.807 (31 December 2018: TL 243.174.001).

Letters of guarantee given, pledges and mortgages related to borrowings are disclosed in Note 6.

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

## NOTE 3 – BORROWINGS (Continued)

The details of borrowings of the Group as of 30 June 2019 and 31 December 2018 are as follows:

| | | | | **30 June 2019** |
|---|---|---|---|---|
| | **Currency** | **Effective interest rate %** | **Original amount** | **TL equivalent** |
| Short-term bank loans | TL | 27,50 | 161.189.063 | 161.189.063 |
| **Total short-term bank loans** | | | | **161.189.063** |
| Short-term portion of long-term bank loans | USD | 7,72 | 207.627.080 | 1.194.914.611 |
| Short-term portion of long-term bank loans | TL | 14,00 | 161.271.787 | 161.271.787 |
| Short-term portion of long-term finance lease liabilities | EURO | 3,40 | 1.474.353 | 9.658.044 |
| Interest cost of short-term portion of long-term finance lease liabilities (-) | EURO | 3,40 | (352.486) | (2.309.028) |
| Short-term portion of long-term operational lease liabilities | EURO | 4,07 | 73.671 | 482.600 |
| Short-term portion of long-term operational lease liabilities | TL | 17,79 | 1.071.286 | 1.071.286 |
| **Total short-term borrowings** | | | | **1.365.089.300** |
| Long term bank loans | USD | 7,72 | 541.304.348 | 3.052.417.827 |
| Long term bank loans | TL | 14,00 | 339.130.436 | 339.130.436 |
| Long-term finance lease liabilities | EURO | 3,40 | 11.810.149 | 77.364.742 |
| Interest cost of long-term finance lease liabilities (-) | EURO | 3,40 | (2.148.361) | (14.073.271) |
| Long-term operational lease liabilities | EURO | 4,07 | 57.565 | 377.088 |
| Long-term operational lease liabilities | TL | 17,79 | 19.713.705 | 19.713.705 |
| **Total long-term borrowings** | | | | **3.474.930.527** |

| | | | | **31 December 2018** |
|---|---|---|---|---|
| | **Currency** | **Effective interest rate %** | **Original amount** | **TL equivalent** |
| Short-term bank loans | TL | 31,46 | 236.637.968 | 236.637.968 |
| **Total short-term bank loans** | | | | **236.637.968** |
| Short-term portion of long-term bank loans | USD | 6,72 | 145.342.360 | 764.631.622 |
| Short-term portion of long-term bank loans | TL | 11,95 | 109.149.187 | 109.149.187 |
| Short-term portion of long-term finance lease liabilities | EURO | 3,40 | 1.481.848 | 8.932.581 |
| Interest cost of short-term portion of long-term finance lease liabilities (-) | EURO | 3,40 | (368.469) | (2.221.132) |
| **Total short-term borrowings** | | | | **880.492.258** |
| Long term bank loans | USD | 6,72 | 577.391.304 | 2.971.866.515 |
| Long term bank loans | TL | 11,95 | 361.739.130 | 361.739.130 |
| Long-term finance lease liabilities | EURO | 3,40 | 12.465.157 | 75.139.967 |
| Interest cost of long-term finance lease liabilities (-) | EURO | 3,40 | (2.320.575) | (13.988.425) |
| **Total long-term borrowings** | | | | **3.394.757.187** |

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

## NOTE 3 – BORROWINGS (Continued)

As of 30 June 2019, USD bank borrowings of the Group amounting to TL 1.565.225.472 are subject to floating interest rate of USD Libor + 5,5% (31 December 2018: USD bank borrowings of the Group amounting to TL 1.378.347.001 are subject to floating interest rate of USD Libor + 4,5%).

As of 30 June 2019, all of the Euro finance lease liabilities of the Group are subject to floating interest rate of Eurbior + 3,4% (31 December 2018: All of the Euro finance lease liabilities of the Group are subject to floating interest rate of Eurbior + 3,4%).

The details of redemption schedule of the long term bank borrowings as of 30 June 2019 and 31 December 2018 are as follows:

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Up to 1 - 2 years | 452.206.435 | 416.700.705 |
| Up to 2 - 3 years | 452.206.435 | 416.700.705 |
| Up to 3 - 4 years | 452.206.435 | 416.700.705 |
| Up to 4 - 5 years | 452.206.435 | 416.700.705 |
| More than 5 years | 1.582.722.523 | 1.666.802.825 |
| | **3.391.548.263** | **3.333.605.645** |

The repayment schedule of the Group's long-term finance lease obligations as at 30 June 2019 and 31 December 2018 is as follows:

| | Minimum rent payments | | Present value of financial leasing payables | |
|---|---|---|---|---|
| | 30 June 2019 | 31 December 2018 | 30 June 2019 | 31 December 2018 |
| Up to 1-2 years | 8.581.524 | 7.896.778 | 6.487.263 | 5.869.978 |
| Up to 2-3 years | 8.581.524 | 7.896.778 | 6.709.384 | 6.070.964 |
| Up to 3-4 years | 8.581.524 | 7.896.778 | 6.939.112 | 6.278.831 |
| Up to 4-5 years | 8.581.524 | 7.896.778 | 7.176.706 | 6.493.817 |
| Up to 5-6 years | 8.581.524 | 7.896.778 | 7.422.436 | 6.716.165 |
| Up to 6-7 years | 8.581.524 | 7.896.778 | 7.676.581 | 6.946.126 |
| Up to 7-8 years | 8.581.524 | 7.896.778 | 7.939.428 | 7.183.962 |
| Up to 8-9 years | 8.581.524 | 7.896.778 | 8.211.276 | 7.429.943 |
| Up to 9-10 years | 8.712.550 | 7.896.778 | 4.729.285 | 7.684.346 |
| More than 10 years | - | 4.068.965 | - | 477.410 |
| | **77.364.742** | **75.139.967** | **63.291.471** | **61.151.542** |

As of 30 June 2019 and 2018, the movements of borrowings are as follows:

| | 2019 | 2018 |
|---|---|---|
| **1 January** | **4.511.887.413** | **3.216.578.347** |
| Transition to TFRS 16 (Note 2) | 22.684.883 | - |
| Cash flow impact | (102.322.790) | 23.659.441 |
| Unrealized foreign exchange differences | 372.390.061 | 548.565.457 |
| Change in interest accruals | 196.036.408 | 81.311.594 |
| Change in lease liabilities (Note 2) | 532.915 | - |
| **30 June** | **5.001.208.890** | **3.870.114.839** |

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

## NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

| | 1 January 2019 | Additions | Transfers (***) | Disposals | 30 June 2019 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Land | 159.340 | - | - | - | 159.340 |
| Land improvements (*) | 2.375.272.846 | 3.197.247 | - | - | 2.378.470.093 |
| Buildings | 673.291.034 | 572.950 | - | - | 673.863.984 |
| Machinery and equipment (**) | 2.802.613.464 | 1.354.828 | 13.283 | (26.400) | 2.803.955.175 |
| Motor vehicles | 1.392.418 | 303.664 | - | - | 1.696.082 |
| Furnitures and fixtures | 10.985.288 | 184.725 | - | (7.787) | 11.162.226 |
| Leasehold improvements | 1.759.706 | - | - | - | 1.759.706 |
| Construction in progress | 30.306.034 | 393.563 | (192.533) | - | 30.507.064 |
| | **5.895.780.130** | **6.006.977** | **(179.250)** | **(34.187)** | **5.901.573.670** |
| **Accumulated depreciation** | | | | | |
| Land improvements | 239.838.433 | 40.903.811 | - | - | 280.742.244 |
| Buildings | 44.506.973 | 9.041.723 | - | - | 53.548.696 |
| Machinery and equipment | 374.189.706 | 77.760.932 | - | (149) | 451.950.489 |
| Motor vehicles | 620.240 | 99.284 | - | - | 719.524 |
| Furnitures and fixtures | 7.824.060 | 356.455 | - | (7.787) | 8.172.728 |
| Leasehold improvements | 862.803 | 45.039 | - | - | 907.842 |
| | **667.842.215** | **128.207.244** | **-** | **(7.936)** | **796.041.523** |
| **Net book value** | **5.227.937.915** | | | | **5.105.532.147** |

(*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through finance lease on 27 January 2017 is amounting to TL 495.485. As of 30 June 2019, the total amount of accumulated depreciation of related land improvement is TL 32.598.

(**) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through finance lease on 27 January 2017 is amounting to TL 49.219.854. As of 30 June 2019, the total amount of accumulated depreciation of the related machinery and equipment is TL 12.304.964.

(***) Comprised of transfers to intangible assets.

Current period depreciation expense amounting to TL 127.961.436 has been included in cost of sales and TL 245.808 has been included in general administrative expenses.

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

## NOTE 4 – PROPERTY, PLANT AND EQUIPMENT (Continued)

| | 1 January 2018 – previously reported | Restatement effect | 1 January 2018 – restated | Additions | Transfers | Disposals | 30 June 2018 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Land | 159.340 | - | 159.340 | - | - | - | 159.340 |
| Land improvements (*) | 2.363.244.144 | 8.329.827 | 2.371.573.971 | 180.800 | - | - | 2.371.754.771 |
| Buildings | 652.618.266 | 20.643.968 | 673.262.234 | - | - | - | 673.262.234 |
| Machinery and equipment (**) | 2.714.836.619 | 85.063.970 | 2.799.900.589 | 49.816 | - | - | 2.799.950.405 |
| Motor vehicles | 1.048.929 | - | 1.048.929 | 111.438 | - | (259.653) | 900.714 |
| Furnitures and fixtures | 10.276.857 | - | 10.276.857 | 314.249 | - | - | 10.591.106 |
| Leasehold improvements | 1.082.778 | - | 1.082.778 | 97.225 | - | - | 1.180.003 |
| Construction in progress | 28.843.107 | - | 28.843.107 | 2.898.988 | - | - | 31.742.095 |
| | **5.772.110.040** | **114.037.765** | **5.886.147.805** | **3.652.516** | **-** | **(259.653)** | **5.889.540.668** |
| **Accumulated depreciation** | | | | | | | |
| Land improvements | 156.299.676 | 1.879.367 | 158.179.043 | 40.821.129 | - | - | 199.000.172 |
| Buildings | 24.651.424 | 1.789.906 | 26.441.330 | 9.032.582 | - | - | 35.473.912 |
| Machinery and equipment | 192.289.165 | 26.578.070 | 218.867.235 | 77.655.123 | - | - | 296.522.358 |
| Motor vehicles | 745.728 | - | 745.728 | 63.151 | - | (258.780) | 550.099 |
| Furnitures and fixtures | 7.009.494 | - | 7.009.494 | 412.607 | - | - | 7.422.101 |
| Leasehold improvements | 755.235 | - | 755.235 | 53.298 | - | - | 808.533 |
| | **381.750.722** | **30.247.343** | **411.998.065** | **128.037.890** | **-** | **(258.780)** | **539.777.175** |
| **Net book value** | **5.390.359.318** | | **5.474.149.740** | | | | **5.349.763.493** |

(*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through finance lease on 27 January 2017 is amounting to TL 495.485. As of 30 June 2018, the total amount of accumulated depreciation of related land improvement is TL 19.559.

(**) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through finance lease on 27 January 2017 is amounting to TL 49.219.854. As of 30 June 2018, the total amount of accumulated depreciation of the related machinery and equipment is TL 7.382.979.

Current period depreciation expense amounting to TL 127.781.491 has been included in cost of sales and TL 256.399 has been included in general administrative expenses.

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

## NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (Continued)

There are no borrowing costs capitalized in the cost of construction in progress for the period ended 30 June 2019 (31 December 2018: None).

Details of the guarantees, pledges and mortgages on property, plant and equipment as of 30 June 2019 and 31 December 2018 are disclosed in Note 6.

## NOTE 5 - INTANGIBLE ASSETS

| | 1 January 2019 | Additions | Transfers (*) | Disposals | 30 June 2019 |
|---|---|---|---|---|---|
| **Costs** | | | | | |
| Rights | 7.369.288 | 33.684 | 179.250 | (163.350) | 7.418.872 |
| Licences | 126.170.949 | - | - | - | 126.170.949 |
| | **133.540.237** | **33.684** | **179.250** | **(163.350)** | **133.589.821** |
| **Accumulated amortisation** | | | | | |
| Rights | 4.369.157 | 463.878 | - | - | 4.833.035 |
| Licences | 18.237.119 | 869.645 | - | (33.059) | 19.073.705 |
| | **22.606.276** | **1.333.523** | **-** | **(33.059)** | **23.906.740** |
| **Net book value** | **110.933.961** | | | | **109.683.081** |

(*) Comprised of transfers from property, plant and equipment.

| | 1 January 2018 | Additions | Transfers | Disposals | 30 June 2018 |
|---|---|---|---|---|---|
| **Costs** | | | | | |
| Rights | 7.339.785 | 12.003 | - | - | 7.351.788 |
| Licences | 125.931.583 | - | - | - | 125.931.583 |
| | **133.271.368** | **12.003** | **-** | **-** | **133.283.371** |
| **Accumulated amortisation** | | | | | |
| Rights | 3.472.262 | 449.124 | - | - | 3.921.386 |
| Licences | 16.490.947 | 867.042 | - | - | 17.357.989 |
| | **19.963.209** | **1.316.166** | **-** | **-** | **21.279.375** |
| **Net book value** | **113.308.159** | | | | **112.003.996** |

Current period amortization expense amounting to TL 80.344 (30 June 2018: TL 80.861) has been included in cost of sales and remaining TL 1.253.179 (30 June 2018: TL 1.235.305) has been included in general administrative expenses.

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

## NOTE 6 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

### a. Other short-term provisions

As of 30 June 2019, there are various lawsuits against or in favor of the Group. The Group management estimates the outcomes of these lawsuits and the financial effects thereof, and the required provisions are accounted for based on these estimates. The amount of provisions for the lawsuits as of 30 June 2019 is TL 18.540.476 (31 December 2018: TL 18.338.205).

| | 30 June 2019 | 31 December 2018 |
|---|---:|---:|
| Litigation provision | 18.540.476 | 18.338.205 |
| Periodical maintenance provisions | 2.143.371 | - |
| | **20.683.847** | **18.338.205** |

The movements of litigation provision are as follows:

| | 2019 | 2018 |
|---|---:|---:|
| **1 January** | **18.338.205** | **16.355.919** |
| Current period charges (Note 12) | 1.477.363 | 73.657 |
| Interest charges of litigation provision | 135.081 | 296.489 |
| Released provisions (Note 12) | (1.410.173) | (473.750) |
| **30 June** | **18.540.476** | **16.252.315** |

### b. Contingent Liabilities

- **Guarantees given**

The commitments and contingent liabilities of the Group those are not expected to be resulted in a significant loss or liability to the Group are summarized below:

| | | 30 June 2019 | | 31 December 2018 | |
|---|---:|---:|---:|---:|---:|
| | **Currency** | **Original currency** | **TL equivalent** | **Original currency** | **TL equivalent** |
| Letters of guarantees given | TL | 113.752.361 | 113.752.361 | 124.487.592 | 124.487.592 |
| | Avro | 200.000 | 1.310.140 | 400.000 | 2.411.200 |
| | | | **115.062.501** | | **126.898.792** |

Guarantees given, in general, are comprised of the letters of guarantees given to several institutions and organizations within the operations of the Group (to EMRA, vendors whom electricity purchased and electricity transmission and distribution related government authorities, to tax offices for VAT return) and to the judicial authorities for some of the on-going lawsuits.

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

## NOTE 6 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Guarantees, pledges, mortgages ("GPM") given by the Group as of 30 June 2019 and 31 December 2018 are as follows:

| | | | **30 June 2019** | | **31 December 2018** |
|---|---|---|---|---|---|
| | **Currency** | **Original currency** | **TL equivalent** | **Original currency** | **TL equivalent** |
| **GPMs given by the Group** | | | | | |
| A. GPMs given for companies' own legal entity | TL | 5.723.752.361 | 5.723.752.361 | 5.734.487.592 | 5.734.487.592 |
| | EURO | 200.000 | 1.310.140 | 400.000 | 2.411.200 |
| B Total amount of GPM given for the subsidiaries and associates in the scope of consolidation | | - | - | - | - |
| C.Total amount of GPM given for the purpose of maintaining operating activities | | - | - | - | - |
| D.Total other GPMs given | | - | - | - | - |
| i) Total amount of CPMB's given on behalf of the majority shareholder | | - | - | - | - |
| i) Total amount of CPMB's given to on behalf of other which are not in scope of B and C. | | - | - | - | - |
| ii) Total amount of CPMB's given on behalf of third parties which are not in scope of C. | | - | - | - | - |
| | | | **5.725.062.501** | | **5.736.898.792** |

Details of the guarantees given by Akenerji for its own legal entity as of 30 June 2019 are as follows:

On 30 September 2015, a Refinancing Loan Agreement of USD 1.1 billion was concluded by and between Yapı ve Kredi Bankası A.Ş. ("Bank") and Akenerji ("Borrower") for a total period of 12 years, 1 year of which is nonrefundable, in order to ensure refinancing and extension of term for all current debts of our the Group. In addition to the related Loan Agreement to provide guarantees for the loans that it has used under the loan contract, Akenerji has signed the following agreements: Loan Settlement (Trade receivables including EPİAŞ, insurance, shareholder receivables, etc.), Account Pledge, and Mortgage Agreements. In accordance with the Commercial Business Pledge Agreements signed between Akenerji and the Bank, a commercial enterprise pledge amounting to TL 5.610.000.000 has been established in order to create an upper limit for Akenerji. In addition, Yapı ve Kredi Bankası A.Ş. is defined as a pledge creditor in insurance policies of power plants.

As of 30 June 2019, GPMs given by the Group to equity ratio is 5.837% (31 December 2018: 1.246%).

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

## NOTE 6 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

- **Sales and purchase commitments**

*Electricity sales and purchase commitments:*

The Group has entered into contracts to sell electricity energy amounting to MWh 359.854 and to buy electricity energy amounting to MWh 54.617 which will be executed in 2019. As of 30 June 2019, sales of the electricity amounting to MWh 253.721 and purchase of the electricty amounting to MWh 47.448 has been completed.

There are no significant risk sharing sales and purchases contracts that the Group has entered into as of 30 June 2019 which will be executed in the following periods.

*Natural gas purchase commitments:*

The Group has a minimum purchase commitment in accordance with its contracts with natural gas suppliers in 2019 and as of 30 June 2019, there is a shortage of minimum purchase commitment. On the other hand, the Group has a right to compensate the shortage of the minimum purchase commitment within 2020 and 2021.

### c. Contingent Assets

- **Guarantees received**

| | | 30 June 2019 | | 31 December 2018 | |
|---|---|---|---|---|---|
| | **Currency** | **Original currency** | **TL Equivalent** | **Original currency** | **TL Equivalent** |
| Letters of guarantees received | TL | 23.175.219 | 23.175.219 | 76.664.407 | 76.664.407 |
| | EURO | 3.185.400 | 20.866.600 | 4.355.000 | 26.251.940 |
| | USD | 4.000 | 23.020 | 32.500 | 170.979 |
| Notes of guarantees received | TL | 4.045.209 | 4.045.209 | 4.130.209 | 4.130.209 |
| | USD | 4.656.023 | 26.795.880 | 4.656.023 | 24.494.873 |
| | EURO | 93.229 | 610.718 | 93.229 | 561.987 |
| | GBP | 5.675 | 41.345 | 5.675 | 37.755 |
| Cheques of guarantees received | TL | 108.500 | 108.500 | 108.500 | 108.500 |
| | USD | 100.559 | 578.727 | 100.559 | 529.031 |
| Mortgages received | TL | 3.242.000 | 3.242.000 | 3.242.000 | 3.242.000 |
| | | | **79.487.218** | | **136.191.681** |

Letters of guarantees received, in general, comprised of the letters of guarantees received from the customers in relation to the Group's electricity sales operations.

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

## NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

| | 30 June 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | **Contract amount** | **Fair value** | **Contract amount** | **Fair value** |
| Forward contracts | | | | |
| - Short term | - | - | 5.260.900 | 24.345 |
| **Derivative financial assets** | **-** | **-** | **5.260.900** | **24.345** |
| Interest rate swaps | | | | |
| - Short term | 190.591.647 | 7.315.047 | 168.112.060 | 3.648.843 |
| - Long term | 774.069.583 | 29.709.374 | 796.239.846 | 17.282.246 |
| Forward contracts | | | | |
| - Short term | 74.816.300 | 6.994.840 | 125.139.178 | 9.270.688 |
| **Derivative financial liabilities** | **1.039.477.530** | **44.019.261** | **1.089.491.084** | **30.201.777** |

At the time the derivative contract is concluded, the Group determines that a cash flow hedge is a cash flow hedge that arises from a particular risk in the cash flows of a recorded asset or liability or a transaction that is probable and a possible outcome of a particular risk.

Interest rate swap transactions that provided effective economic hedges under the Group risk management position and carrying the necessary conditions for hedge accounting, were accounted as hedging derivative financial instruments in the consolidated financial statements. The effective portion of the gains and losses of the derivative instruments designated as hedging instrument were accounted under equity as "Gains/(losses) on cash flow hedging". Due to the change in principle amount and repayment dates of Group's borrowings following the Loan Agreement signed on 30 September 2015, the Group ceased the hedge accounting for interest rate swap contracts.

When a hedging instrument sold, expired or when hedge no longer met the criteria for hedge accounting or when a pledged or forecasted transaction is no longer expected to be occurred, the Group continues to classify separately within equity as far as the commitments or possible future transactions will be realized.

The realization of promised or probable future transactions are recorded in the statement of profit or loss, if not realized, accumulated gains or losses are recognized as profit or loss in the consolidated financial statements. Since the Group has ceased to apply hedge accounting on 30 September 2015, the "Gains / (losses) on cash flow hedging", which is included in equity, has been recorded in the profit or loss statement for the duration of related contracts.

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

## NOTE 8 - EQUITY

### Share capital

Akenerji adopted the registered capital system applicable to the companies registered on the CMB and defined a limit to its registered capital for shares whose nominal value is TL1 ("One Turkish Lira"). As of 30 June 2019 and 31 December 2018 the share capital held is as follows:

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Limit on registered share capital (historical) | 1.500.000.000 | 1.500.000.000 |
| Issued capital | 729.164.000 | 729.164.000 |

The Company's shareholders and shareholding structure as of 30 June 2019 and 31 December 2018 are as follows:

| | 30 June 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | **Share (%)** | **Amount** | **Share (%)** | **Amount** |
| CEZ a.s. | 37,36 | 272.425.943 | 37,36 | 272.425.943 |
| Akkök Holding A.Ş. | 20,43 | 148.989.090 | 20,43 | 148.989.090 |
| Akarsu Enerji Yatırımları San. ve Ticaret A.Ş. | 16,93 | 123.436.852 | 16,93 | 123.436.852 |
| Publicly held | 25,28 | 184.312.115 | 25,28 | 184.312.115 |
| | **100,00** | **729.164.000** | **100,00** | **729.164.000** |
| Adjustment to share capital | | 101.988.910 | | 101.988.910 |
| **Total paid-in capital** | | **831.152.910** | | **831.152.910** |

The share capital of the Company consists of 72.916.400.000 shares with a nominal value of 1 Kr and no privilege rights are provided for any kind of shares.

### Share Premium

Share premiums presented in the consolidated financial statements represent the proceeds from the excess of the amount of shares compared to their nominal values.

### Reserves

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Legal reserves | 12.053.172 | 12.053.172 |
| | **12.053.172** | **12.053.172** |

Turkish Commercial Code stipulates that the legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. Other legal reserve is appropriated out of 10% of the distributable income after 5% dividend is paid to shareholders. Under the TCC, legal reserves can only be used for compensating losses, continuing operations in severe conditions or preventing unemployment and taking actions for relieving its effects in case general legal reserves does not exceed half of paid-in capital or issued capital.

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

## NOTE 9 - TAX ASSETS AND LIABILITIES

| | **30 June 2019** | **31 December 2018** |
|---|---|---|
| Current income tax expense | 124.507 | 3.412.544 |
| Less: Prepaid taxes | (958.913) | (3.839.594) |
| **Current income tax liabilities / (Current income tax assets), net** | **(834.406)** | **(427.050)** |

*Corporation tax*

The Group is subject to corporate income tax effective in Turkey. Provisions are made in the accompanying financial statements for the estimated tax liabilities related to the Company's results for the current period.

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

In Turkey, there is no application with the tax authorities on the tax reconciliation. The corporate tax declaration is declared until the evening of the 30th day of the fourth month following the end of the accounting period and paid until the end of the month.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income (22% for the taxation periods 2018, 2019 and 2020). Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to offset against other liabilities to the government.

*Income tax withholding*

Limited taxpayer that earn income through by a permanent establishment or permanent representative and paid to companies (dividends) resident in Turkey not subject to withholding tax. Dividend payments made to persons other than these are subject to 15% withholding tax. The profit included to the capital is not a profit distribution.

The details of tax income / expense for the period ended 30 June 2019 and 2018 are as follows:

| | **1 January - 30 June 2019** | **1 January - 30 June 2018** | **1 April - 30 June 2019** | **1 April - 30 June 2018** |
|---|---|---|---|---|
| Current year income tax expense | (124.507) | (1.433.056) | (73.526) | (785.780) |
| Deferred tax (expense)/income | 47.209.170 | 126.032.682 | 16.011.154 | 88.563.762 |
| | **47.084.663** | **124.599.626** | **15.937.628** | **87.777.982** |

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

## NOTE 9 - TAX ASSETS AND LIABILITIES (Continued)

*Deferred taxes*

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Deferred tax assets | 642.860 | 741.959 |
| Deferred tax liabilities | (122.991.431) | (181.839.302) |
| **Deferred tax assets, net** | **(122.348.571)** | **(181.097.343)** |

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising from its financial statements prepared in compliance with TAS/TFRS and its statutory tax financial statements. The temporary differences usually result from the recognition of revenue and expenses in different reporting periods according to TAS/TFRS and Tax Laws.

The tax rate applied in calculation of deferred tax asset and liabilities for the temporary differences expected to be closed by 2019 and 2020 is 22% and after 2020 is 20%. (2018: temporary differences expected to be closed in 2018, 2019 and 2020 22% and after 2020 is 20%).

The breakdown of cumulative temporary differences and the resulting deferred tax assets/liabilities provided using principal tax rates is as follows:

| | **Total temporary differences** | | **Deferred tax assets / (liabilities)** | |
|---|---|---|---|---|
| | **30 June 2019** | **31 December 2018** | **30 June 2019** | **31 December 2018** |
| Deferred tax assets on tax losses | (17.712.610) | (3.501.950) | 3.578.159 | 700.390 |
| Investment incentives (*) | (113.981.857) | (105.450.881) | 22.796.371 | 21.090.176 |
| Provision for litigations | (1.277.013) | - | 255.403 | - |
| Provision for employment termination benefit | (2.824.358) | (2.133.623) | 564.872 | 426.725 |
| Provision for unused vacations | (892.434) | (646.500) | 179.203 | 130.340 |
| Adjustments to property, plant and equipment | 721.016.723 | 1.006.655.643 | (144.203.344) | (201.331.129) |
| Adjustments to borrowings | 27.870.592 | 11.125.433 | (5.574.119) | (2.225.087) |
| Bonus provision | (251.949) | (510.823) | 54.884 | 111.242 |
| **Deferred tax assets/(liabilities), net** | | | **(122.348.571)** | **(181.097.343)** |

(*) Within the scope of former Article 19 of Income Taxation Law, the related amount of investment incentive is mainly due to investment expenditures of Uluabat HEPP.

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

## NOTE 9 - TAX ASSETS AND LIABILITIES (Continued)

Details of tax losses on which deferred taxes are recognized, along with the year it is incurred and the maximum year it can be utilized, are provided below:

| Year incurred | Year can be used | 30 June 2019 | 31 December 2018 |
|---|---|---|---|
| 2017 | 2022 | 1.781.864 | 3.501.950 |
| 2019 | 2024 | 15.930.746 | - |
| | | **17.712.610** | **3.501.950** |

Details of tax losses on which deferred taxes are not recognized, along with the year it is incurred and the maximum year it can be utilized, are provided below:

| Year incurred | Year can be used | 30 June 2019 | 31 December 2018 |
|---|---|---|---|
| 2014 | 2019 | 109.461.080 | 109.461.080 |
| 2015 | 2020 | 51.724.908 | 51.724.908 |
| 2016 | 2021 | 104.375.065 | 104.375.065 |
| 2017 | 2022 | 86.943.115 | 86.943.115 |
| 2018 | 2023 | 296.812.402 | 296.794.861 |
| | | **649.316.570** | **649.299.029** |

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

## NOTE 10 – REVENUE AND COST OF SALES

### a. Revenue

| | 1 January - 30 June 2019 | 1 January - 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|---|---|---|---|---|
| Electricity sales revenue | 670.656.499 | 802.309.399 | 303.455.533 | 363.254.377 |
| Revenue on sharing of instability savings | 79.329.682 | 53.482.728 | 34.624.453 | 30.304.317 |
| Revenue on seconder frequency control | 64.639.466 | 23.274.649 | 40.940.580 | 12.844.932 |
| Revenue on capacity mechanism | 35.176.353 | 31.130.881 | 20.846.856 | 20.659.862 |
| Revenue on loading instructions | 40.906.733 | 21.600.669 | 25.432.933 | 7.900.359 |
| Other | 5.289.814 | 1.164.670 | 4.456.124 | 884.798 |
| | **895.998.547** | **932.962.996** | **429.756.479** | **435.848.645** |

### b. Cost of sales

| | 1 January - 30 June 2019 | 1 January - 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|---|---|---|---|---|
| Direct raw materials consumed and cost of electricity purchased (*) | 506.286.662 | 726.718.231 | 228.174.604 | 336.553.579 |
| Depreciation and amortisation expenses | 128.308.454 | 127.862.352 | 64.306.468 | 64.028.848 |
| Personnel expenses | 14.624.735 | 10.998.560 | 7.652.615 | 5.615.034 |
| Maintenance and repair expenses | 7.363.718 | 10.045.778 | 3.538.366 | 5.600.973 |
| Insurance expenses | 6.223.804 | 5.997.894 | 3.139.784 | 3.015.591 |
| Other materials and spare parts consumed | 1.485.665 | 4.376.189 | 586.561 | 3.697.991 |
| Other | 7.974.910 | 1.281.883 | 6.756.872 | 571.478 |
| | **672.267.948** | **887.280.887** | **314.155.270** | **419.083.494** |

(*) Direct raw materials consumed comprised of cost of natural gas purchased, cost of energy purchased, imbalance sharing costs, system usage costs, and etc.

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

## NOTE 11 – EXPENSES BY NATURE

| | 1 January - 30 June 2019 | 1 January - 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|---|---|---|---|---|
| Direct raw materials consumed and cost of electricity purchased | 506.286.662 | 726.718.231 | 228.174.604 | 336.553.579 |
| Depreciation and amortization expenses (*) | 130.551.745 | 129.354.056 | 65.406.713 | 64.668.950 |
| Personnel expenses (**) | 26.440.926 | 19.717.010 | 13.551.634 | 9.360.373 |
| Maintenance and repair expenses | 7.363.718 | 10.045.778 | 3.538.366 | 5.600.973 |
| Insurance expenses (***) | 6.266.678 | 6.097.343 | 3.154.908 | 3.063.735 |
| Taxes and duties | 3.668.002 | 1.578.673 | 1.705.731 | 790.938 |
| Consultancy expenses | 2.006.646 | 7.404.409 | 630.826 | 4.302.566 |
| IT expenses | 1.822.530 | 927.841 | 924.605 | 465.600 |
| Other materials and spare parts consumed | 1.485.665 | 4.376.189 | 586.561 | 3.697.991 |
| Office expenses | 1.159.554 | 951.136 | 584.811 | 429.689 |
| Vehicle expenses | 609.978 | 713.967 | 346.138 | 366.950 |
| Travel expenses | 492.794 | 343.427 | 233.918 | 181.955 |
| Other expenses | 11.317.598 | 5.643.103 | 8.013.555 | 2.985.420 |
| | **699.472.496** | **913.871.163** | **326.852.370** | **432.468.719** |

(*) Depreciation and amortization expenses amounting to TL 128.308.454 (30 June 2018: TL 127.862.352) is classified in cost of sales, TL 2.243.291 (30 June 2018: TL 1.491.704) of amortization and depreciation expenses is classified in general administrative expenses.

(**) Personnel expenses amounting to TL 14.624.735 (30 June 2018: TL 10.998.560) is classified in cost of sales, TL 11.816.191 (30 June 2018: TL 8.718.450) is classified in general and administrative expenses.

(***) Insurance expenses amounting to TL 6.223.804 (30 June 2018: TL 5.997.894) is classified in cost of sales, TL 42.874 (30 June 2018: TL 99.449) is classified in general and administrative expenses.

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

## NOTE 12 - OTHER OPERATING INCOME AND EXPENSES

### a. Other operating income

| | 1 January - 30 June 2019 | 1 January - 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|---|---|---|---|---|
| Gain on futures and options market transactions | 5.504.375 | 59.453 | 5.148.888 | 58.969 |
| Foreign exchange gains from trading activities | 3.904.504 | 4.460.544 | 1.633.214 | 3.397.200 |
| Provisions no longer required (*) | 1.814.147 | 2.277.550 | 1.272.573 | 109.554 |
| Income from delay interest (**) | 1.758.453 | 32.056 | 1.157.690 | 18.904 |
| Gain on risk sharing contracts (***) | 1.077.029 | 3.975.593 | 76.408 | 3.205.420 |
| Income from energy services | 432.500 | 359.200 | 281.582 | 174.000 |
| Income from insurance compensations | 353.937 | 448.126 | 303.629 | 447.392 |
| Gain on option premiums | - | 1.009.008 | - | 676.368 |
| Rediscount income from trading activities | - | 223.114 | - | (144.959) |
| Other | 417.475 | 2.909.164 | 218.294 | 2.687.861 |
| | **15.262.420** | **15.753.808** | **10.092.278** | **10.630.709** |

(*) As of 30 June 2019, TL 1.410.173 (30 June 2018: 473.750 TL) of the provisions no longer required comprised of released provisions of litigation provisions, TL 403.974 (30 June 2018: 1.802.175 TL) comprised of the released provisions of the personnel bonus provisions which is not realized and there are no released other provisions (30 June 2018: TL 1.625).

(**) Comprised of delay interests charges for trade receivables which are not collected at their due dates. As of 30 June 2019, the applied interest rate is 2,00% per month (30 June 2018: 1,40%).

### b. Other operating expenses

| | 1 January - 30 June 2019 | 1 January - 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|---|---|---|---|---|
| Foreign exchange losses from trading activities | 16.104.714 | 4.206.257 | 5.352.106 | 3.813.249 |
| Losses on futures and options market transactions | 6.952.433 | 89.191 | 6.510.942 | 1.771 |
| Rediscount expenses from trading activities | 1.686.555 | 1.450.111 | - | 1.428.008 |
| Provisions for litigations | 1.477.363 | 73.657 | 1.277.013 | 73.657 |
| Losses on risk sharing contracts (***) | 557.846 | 11.548.801 | 268.944 | 7.621.663 |
| Expenses from energy services | 316.563 | 399.285 | 168.562 | 151.732 |
| Losses on option premiums | - | 372.048 | - | 372.048 |
| Other | 182.265 | 1.154.883 | 40.514 | 808.206 |
| | **27.277.739** | **19.294.233** | **13.618.081** | **14.270.334** |

(***) Gain and losses on risk sharing contracts consists of the gains and losses incurred under the "Risk Sharing Agreements". Risk sharing agreements are financial assets signed between parties based on electricity Market Clearance Price. In these agreements, the difference between the contract price and the simple average of Market Clearance Price is invoiced as settlement price in cash between the parties depending on the direction of current position. The purpose of these agreements is to compensate financial losses to occur due to daily Market Clearance Price fluctuations.

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

## NOTE 13 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

### a. Income from investing activities

| | 1 January - 30 June 2019 | 1 January - 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|---|---|---|---|---|
| Dividend income | 16.871 | - | 16.871 | - |
| Gain on sale of property, plant and equipment | 149 | 166.102 | - | 127.119 |
| | **17.020** | **166.102** | **16.871** | **127.119** |

### b. Expenses from investing activities

| | 1 January - 30 June 2019 | 1 January - 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|---|---|---|---|---|
| Losses on sale of property, plant and equipment | 130.291 | - | - | - |
| | **130.291** | **-** | **-** | **-** |

## NOTE 14 - FINANCIAL INCOME AND EXPENSES

### a. Financial income

| | 1 January – 30 June 2019 | 1 January – 30 June 2018 | 1 April – 30 June 2019 | 1 April – 30 June 2018 |
|---|---|---|---|---|
| Interest income | 6.225.128 | 1.631.060 | 4.240.116 | 879.653 |
| Gain on derivative financial instruments | 3.934.924 | 19.968.697 | (4.814.963) | 4.879.028 |
| Foreign exchange gain | 2.329.199 | 7.841.748 | 357.508 | 1.872.911 |
| | **12.489.251** | **29.441.505** | **(217.339)** | **7.631.592** |

### b. Financial expenses

| | 1 January – 30 June 2019 | 1 January – 30 June 2018 | 1 April – 30 June 2019 | 1 April – 30 June 2018 |
|---|---|---|---|---|
| Foreign exchange losses | 345.567.530 | 582.017.002 | 76.725.584 | 442.381.701 |
| Interest and commission expenses | 236.031.655 | 158.713.107 | 133.470.621 | 86.576.490 |
| Losses on derivative financial instruments | 24.271.623 | 2.977.034 | 11.607.537 | 1.916.563 |
| Other financial expenses (*) | 13.584.007 | 21.339.868 | 9.397.166 | 13.653.246 |
| | **619.454.815** | **765.047.011** | **231.200.908** | **544.528.000** |

(*) For the period 1 January - 30 June 2019, TL 12.115.215 (1 January – 30 June 2018: TL 20.287.843) of the respective amount is comprised of the indexation difference of the liability due to Uluabat DSİ Water Use Agreement calculated by PPI.

(*) For the period 1 January - 30 June 2019, TL 1.633.398 is comprised of the interest expense due to the operational lease liabilities.

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

## NOTE 15 - RELATED PARTY DISCLOSURES

The related party balances and transactions with related parties of the Group are as follows:

### a. Transaction with related parties

- *Purchases from related parties*

| | 1 January - 30 June 2019 | 1 January - 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|---|---|---|---|---|
| Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş") (1) (****) | 10.117.029 | 20.344.013 | 3.741.822 | 15.098.925 |
| Aktek Bilgi İlet. Tekn. San. ve Tic. A.Ş. ("Aktek") (2) (**) | 2.494.605 | 1.753.753 | 1.628.746 | 1.155.019 |
| Aksa Akrilik Kimya Sanayi A.Ş. ("Aksa) (1) (**) | 2.431.740 | 1.580.004 | 1.055.117 | 429.004 |
| Ak-Han Bak.Yön.Serv.Hiz.Güv.Mal. A.Ş. ("Ak-Han") 3) (**) | 1.419.639 | 1.060.287 | 755.563 | 552.700 |
| Dinkal Sigorta Acenteliği A.Ş. ("Dinkal") (4) (**) | 1.102.122 | 16.507.162 | 16.985 | 15.785.388 |
| Cez a.s. (5) (*) | 379.691 | 7.137 | 60.466 | - |
| Cez Trade Bulgaria Ead. (6) (***) | 350.498 | - | 106.228 | - |
| Akkök Holding A.Ş. ("Akkök") (7) (*) | 302.253 | 2.797.029 | (130.955) | 1.326.098 |
| Cez a.s. Turkey Daimi Tem.(***) | - | 3.479.062 | (804.321) | 2.081.821 |
| Other | 53.978 | 40.358 | 26.989 | 19.725 |
| | **18.651.555** | **47.568.805** | **6.456.640** | **36.448.680** |

(1) Comprised of sharing of instability savings.
(2) Comprised of IT services received.
(3) Comprised of building maintenance and other cost sharing invoices.
(4) Comprised of the insurances purchased from several insurance companies by the intermediary of Dinkal.
(5) Comprised of purchases related to risk sharing contracts.
(6) Comprised of purchase of electricity and capacity.
(7) Comprised of the consultancy and rent services received.

- *Sales to related parties*

| | 1 January - 30 June 2019 | 1 January - 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|---|---|---|---|---|
| Sepaş (1) (****) | 21.539.864 | 134.465.814 | 10.850.289 | 85.721.920 |
| Cez Trade Bulgaria Ead. (2) (***) | 17.661.736 | - | 12.426.912 | - |
| Cez a.s (3) (*) | 15.387.917 | - | 6.143.337 | - |
| Aksa (1) (**) | 3.040.168 | 2.090.657 | 1.493.735 | 373.520 |
| Cez a.s. Turkey Daimi Tem. (4) (***) | 215.658 | 18.084 | 204.334 | 10.131 |
| Akcez (5) (****) | 65.692 | 123.306 | 48.573 | 109.311 |
| Other | 3.728 | 122.156 | - | 45.000 |
| | **57.914.763** | **136.820.017** | **31.167.180** | **86.259.882** |

(1) Comprised of sharing of instability savings.
(2) Comprised of sales of electricity and capacity.
(3) Comprised of sales of electricity and risk sharing contracts.
(4) Comprised of rent services provided and foreign exchange invoices issued.
(5) Comprised of consultancy services provided and cost sharing invoices issued.
(*) Shareholder.
(**) Akkök Holding group company.
(***) Cez a.s. group company.
(****) Akkök Holding and Cez a.s. group company.

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

## NOTE 15 - RELATED PARTY DISCLOSURES (Continued)

**b. Balances with related parties**

- *Short-term trade receivables from related parties*

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Sepaş (1) (****) | 5.425.852 | 6.495.163 |
| CEZ Trade Bulgaria Ead. (2) (***) | 857.358 | 793.429 |
| Cez a.s. (3) (*) | 445.728 | 117.727 |
| Aksa (1) (**) | 399.667 | 282.504 |
| Other | 53.009 | 16.173 |
| | **7.181.614** | **7.704.996** |

(1) Comprised of receivables from sharing of instability savings.
(2) Comprised of receivables from sales of electricity and capacity.
(3) Comprised of receivables from sales of electricity and risk sharing contracts.

The average maturity days of trade receivables from related parties is 20 days.

- *Other receivables from related parties*

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Cez a.s. (1) (*) | 1.310.140 | 602.800 |
| | **1.310.140** | **602.800** |

(1) Comprised of cash collateral given amounting to EUR 200.000 within the scope of electricity exported (31 December 2018: comprised of EUR 100.000 cash collateral given).

- *Short-term trade payables to related parties*

| | 30 June 2019 | 31 December2018 |
|---|---|---|
| Akkök (1) (*) | 2.358.115 | 2.253.504 |
| CEZ a.s. Turkey Daimi Tem. (2) (***) | 1.379.543 | 4.607.288 |
| Sepaş (3) (****) | 939.127 | 5.252.676 |
| Aktek (4) (**) | 646.050 | 626.247 |
| Dinkal (5) (**) | 549.323 | 13.398.127 |
| Ak-Han ((6) (**) | 520.281 | 256.486 |
| Aksa (3) (**) | 342.548 | 282.538 |
| Ak Havacılık ve Ulaştırma Hiz. A.Ş. ("Ak Havacılık") (7) (**) | 190.960 | 174.562 |
| Cez a.s. (2) (*) | 178.155 | - |
| Other | 75.849 | 93.578 |
| | **7.179.951** | **26.945.006** |

(1) Comprised of the payables related to consultancy and rent services received.
(2) Comprised of the payables related to consultancy services received.
(3) Comprised of the payables related to sharing of instability savings.
(4) Comprised of payables related to IT services received.
(5) Comprised of the payables will be made to Dinkal for the insurances purchased from several insurance companies by the intermediary of Dinkal.
(6) Comprised of the payables related to building maintenance and other cost sharing invoices received.
(7) Comprised of payables related to aviation services received.
(*) Shareholder.
(**) Akkök Holding group company.
(***) Cez a.s. group company.
(****) Akkök Holding and Cez a.s. group company.

The average maturity days of trade payables from related parties is 30 days.

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

## NOTE 15 - RELATED PARTY DISCLOSURES (Continued)

### c. Key management compensation

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

| | 1 January - 30 June 2019 | 1 January - 30 June 2018 | 1 April - 30 June 2019 | 1 April - 30 June 2018 |
|---|---|---|---|---|
| Salaries and benefits | 1.647.562 | 1.259.992 | 886.533 | 628.456 |
| Bonus | 1.531.960 | 337.895 | - | - |
| Attendance fee | 399.470 | 446.694 | 206.530 | 230.557 |
| | **3.578.992** | **2.044.581** | **1.093.063** | **859.013** |

## NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

- ***Foreign exchange risk***

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated assets and liabilities to local currency. Foreign exchange risk arises from future obligations as well as foreign currency denominated assets and liabilities. These risks are monitored and limited by the monitoring of the foreign currency position. In order to manage this risk, foreign exchange purchases are made from spot markets and derivative instruments are used. The management limits the foreign currency position of the Group through analyzing it.

The details of the foreign currency assets and liabilities as of 30 June 2019 and 31 December 2018 are as follows:

| | 30 June 2019 | 31 December 2018 |
|---|---|---|
| Assets | 135.455.945 | 29.823.951 |
| Liabilities | 4.570.901.824 | 4.052.146.871 |
| **Net foreign currency position** | **(4.435.445.879)** | **(4.022.322.920)** |

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

## NOTE 16 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

Assets and liabilities denominated in foreign currency held by the Group at 30 June 2019 and 31 December 2018 and their TL equivalent are as follows:

| | | | 30 June 2019 | | | | 31 December 2018 | |
|---|---|---|---|---|---|---|---|---|
| | **TL Equivalent** | **USD** | **Euro** | **Other** | **TL Equivalent** | **USD** | **Euro** | **Other** |
| Cash and cash equivalents | 119.166.401 | 15.474.603 | 4.596.225 | 3 | 9.860.630 | 489.375 | 1.208.476 | 208 |
| Trade receivables from related parties | 1.303.085 | - | 198.923 | - | 911.156 | - | 151.154 | - |
| Trade receivables from third parties | 1.311.208 | 50 | 200.119 | - | 8.319.357 | - | 1.380.119 | - |
| Other receivables from third parties | 11.035.404 | 1.917.500 | - | - | 10.087.776 | 1.917.500 | - | - |
| Derivative financial instruments | - | - | - | - | 24.345 | 4.628 | - | - |
| **Current assets** | **132.816.098** | **17.392.153** | **4.995.267** | **3** | **29.203.264** | **2.411.503** | **2.739.749** | **208** |
| Other receivables from related parties | 1.310.140 | - | 200.000 | - | 602.800 | - | 100.000 | - |
| Other receivables from third parties | 1.329.707 | 3.400 | 200.000 | - | 17.887 | 3.400 | - | - |
| **Non-current assets** | **2.639.847** | **3.400** | **400.000** | **-** | **620.687** | **3.400** | **100.000** | **-** |
| **Total assets** | **135.455.945** | **17.395.553** | **5.395.267** | **3** | **29.823.951** | **2.414.903** | **2.839.749** | **208** |
| Derivative financial instruments | 14.309.887 | 2.486.471 | - | - | 12.919.531 | 2.455.764 | - | - |
| Short-term portion of long term borrowings | 1.194.914.611 | 207.627.080 | - | - | 764.631.622 | 145.342.360 | - | - |
| Leasing liabilities | 7.831.616 | - | 1.195.538 | - | 6.711.449 | - | 1.113.379 | - |
| Trade payables to related parties | 2.389.316 | 48.512 | 322.122 | - | 18.032.492 | 2.453.577 | 850.111 | - |
| Trade payables to third parties | 142.815.509 | 24.655.834 | 140.247 | - | 80.791.171 | 15.114.065 | 211.942 | - |
| **Current liabilities** | **1.362.260.939** | **234.817.897** | **1.657.907** | **-** | **883.086.265** | **165.365.766** | **2.175.432** | **-** |
| Derivative financial instruments | 29.709.374 | 5.162.269 | - | - | 17.282.246 | 3.285.036 | - | - |
| Borrowings | 3.115.260.650 | 541.304.348 | - | - | 3.037.597.911 | 577.391.304 | - | - |
| Leasing liabilities | 63.668.559 | - | 9.719.353 | - | 61.151.542 | - | 10.144.582 | - |
| Trade payables to third parties | - | - | - | - | 53.026.803 | 10.079.417 | - | - |
| Other payables to third parties | 2.302 | 400 | - | - | 2.104 | 400 | - | - |
| **Non-current liabilities** | **3.208.640.885** | **546.467.017** | **9.719.353** | **-** | **3.169.060.606** | **590.756.157** | **10.144.582** | **-** |
| **Total liabilities** | **4.570.901.824** | **781.284.914** | **11.377.260** | **-** | **4.052.146.871** | **756.121.923** | **12.320.014** | **-** |
| **Net foreign currency assets/(liabilities)** | **(4.435.445.879)** | **(763.889.361)** | **(5.981.993)** | **3** | **(4.022.322.920)** | **(753.707.020)** | **(9.480.265)** | **208** |

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

## NOTE 16 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

The Group is mainly exposed to foreign exchange risk through the impact of rate changes in the translation of USD and EUR denominated assets and liabilities to local currency. As of 30 June 2019 and 31 December 2018, had the TL appreciated or depreciated by 20% against USD and EUR with all other variables held constant, the effect over current period consolidated net income would be as follows:

| | | | | **30 June 2019** |
|---|---|---|---|---|
| | | **Profit /Loss** | | **Equity** |
| | **Appreciation of foreign currency** | **Depreciation of foreign currency** | **Appreciation of foreign currency** | **Depreciation of foreign currency** |
| **+/- 20% fluctuation of USD rate** | | | | |
| 1- USD net asset / liability | (879.251.932) | 879.251.932 | - | - |
| 2- Part of hedged from USD risk (-) | - | - | - | - |
| **3- USD net effect (1+2)** | **(879.251.932)** | **879.251.932** | **-** | **-** |
| **+/- 20% fluctuation of EUR rate** | | | | |
| 4- EUR net asset / liability | (7.837.248) | 7.837.248 | - | - |
| 5- Part of hedged from EUR risk (-) | - | - | - | - |
| **6- EUR net effect (4+5)** | **(7.837.248)** | **7.837.248** | **-** | **-** |
| **+/- 20% fluctuation of other currencies** | | | | |
| 7- Other currencies net asset / liability | 4 | (4) | - | - |
| 8- Part of hedged from other currencies risk (-) | - | - | - | - |
| **9- Other currencies net effect (7+8)** | **4** | **(4)** | **-** | **-** |
| **Total (3+6+9)** | **(887.089.176)** | **887.089.176** | **-** | **-** |

| | | | | **31 December 2018** |
|---|---|---|---|---|
| | | **Profit /Loss** | | **Equity** |
| | **Appreciation of foreign currency** | **Depreciation of foreign currency** | **Appreciation of foreign currency** | **Depreciation of foreign currency** |
| **+/- 20% fluctuation of USD rate** | | | | |
| 1- USD net asset / liability | (793.035.452) | 793.035.452 | - | - |
| 2- Part of hedged from USD risk (-) | - | - | - | - |
| **3- USD net effect (1+2)** | **(793.035.452)** | **793.035.452** | **-** | **-** |
| **+/- 20% fluctuation of EUR rate** | | | | |
| 4- EUR net asset / liability | (11.429.407) | 11.429.407 | - | - |
| 5- Part of hedged from EUR risk (-) | - | - | - | - |
| **6- EUR net effect (4+5)** | **(11.429.407)** | **11.429.407** | **-** | **-** |
| **+/- 20% fluctuation of other currencies** | | | | |
| 7- Other currencies net asset / liability | 277 | (277) | - | - |
| 8- Part of hedged from other currencies risk (-) | - | - | - | - |
| **9- Other currencies net effect (7+8)** | **277** | **(277)** | **-** | **-** |
| **Total (3+6+9)** | **(804.464.582)** | **804.464.582** | **-** | **-** |

## NOTE 17 – FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

**Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Group, using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realize 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 values of financial assets including cash and cash equivalents which are accounted with their costs are estimated to be their fair values since they are short term.

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

*Financial liabilities*

The fair values of floating rate and short-term bank borrowings and other financial liabilities are estimated to converge to their fair values.

**Fair value hierarchy table**

The Group classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs

Level 3: Valuation techniques does not contains observable market inputs

As of 30 June 2019, the Group has short-term liabilities from derivative financial instruments amounting to TL 14.309.887 (31 December 2018: TL 12.919.531) and long-term liabilities from derivative financial instruments amounting to TL 29.709.374 (31 December 2018: TL 17.282.246) classified as level 2 respectively and the Group does not have any assets from derivative financial instruments classified as level 2 as of 30 June 2019 (31 December 2018: TL 24.345).

Fair value of the lands, land improvements, buildings, machinery and equipment of the Group's power plants were measured by a professional independent valuation company on 31 December 2017 through other valuation techniques involving direct and indirect observable inputs (Level 3). In addition the related property, plant and equipment are carried with their fair values as of 30 June 2019 which are measured on 31 December 2017.

## NOTE 18 – EVENTS AFTER BALANCE SHEET DATE

None.

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