



AKENERJİ ELEKTRİK ÜRETİM A.Ş.

THE ACTIVITY REPORT OF THE BOARD OF DIRECTORS PREPARED
IN ACCORDANCE WITH THE COMMUNIQUE SERIAL II, No:14.1
PREPARED FOR THE PERIOD 1 JANUARY 2018 – 30 JUNE 2018

REVIEW REPORT ON COMPLIANCE OF INTERIM OPERATING REPORT

To the Board of Directors of Akenerji Elektrik Üretim Anonim Şirketi

We have been engaged to perform a review on the compliance of the financial information included in the accompanying interim operating report of Akenerji Elektrik Üretim Anonim Şirketi ("the Company") and its subsidiaries ("the Group") as of June 30, 2018, with the interim condensed consolidated financial statements, which we reviewed. Interim operating report is the responsibility of the Group management. Our responsibility as the auditors is to express a conclusion regarding if the financial information included in the accompanying interim operating report is consistent with the interim condensed consolidated financial statements and explanatory notes, which we reviewed as the subject of the review report dated August 15, 2018.

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.

Based on our review, nothing has come to our attention that causes us to believe that the financial information included in the accompanying interim operating report is not consistent, in all material respects, with the information disclosed in the interim condensed consolidated financial statements and explanatory notes, which we reviewed.

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



August 15, 2018
İstanbul, Türkiye



ACTIVITY REPORT PREPARED FOR THE INTERIM PERIOD

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I – COMPANY PROFILE

Company Information

Title of Partnership	: AKENERJİ ELEKTRİK ÜRETİM ANONİM ŞİRKETİ
Stock Exchange	: Istanbul Stock Exchange (“ISE”)
Addresses of our Offices	:
AKENERJİ İSTANBUL	Miralay Şefik Bey Sokak Akhan No:15 Kat:3-4 Taksim-İSTANBUL
AKENERJİ ANKARA	Ege Plaza Konya Yolu (Mevlana Bulvarı) No:182 Kat:6 Daire:23 Balgat-Çankaya/ANKARA
AYYILDIZ RES	Aldede Delikitaş Mevkii Ayyıldız Tepe Edincik-Bandırma/BALIKESİR
ULUABAT HES	Akçalar Fadıllı Köyü Yolu 5.km Nilüfer/BURSA
BURÇ HES	Aşağı Ağızlı Köyü Burç Mah. Besni/ADIYAMAN
BULAM HES	Doğanlı Köyü Mevkii Merkez/ADIYAMAN
FEKE I HES	Saimbeyli Yolu Üzeri Sülemişli Mah. Eski Kışla Mevkii Kapı No:1 Feke/ADANA
FEKE II HES	Kısacıklı Köyü İçmeler Mevkii Feke/ADANA
GÖKKAYA HES	Himmetli Köyü Suçatı Mah.No:102 Saimbeyli/ADANA
HİMMETLİ HES	Himmetli Mah.Dravlı Sok. No:84 Saimbeyli/ADANA
Web Site	: www.akenerji.com.tr
E-mail address	: info@akenerji.com.tr
Phone number	: (212) 249 82 82
Fax number	: (212) 249 73 55

Akenerji in Brief

Having commenced operations in 1989 as an autoproducer group under the umbrella of the Akkök Group of Companies, Akenerji Elektrik Üretim A.Ş. (“the Company”) has been operating as the first independent electricity generation company established as an autoproducer since 2005. Being one of the largest players with its experience of more than 29 years in energy sector of Turkey, Akenerji focused to become an integrated energy company by providing energy systems optimization and management services for industrial and commercial customers on energy efficiency services as well as its electricity generation and wholesale electricity trading operations.

Akenerji is a strategic partnership of 50% - 50 % joint venture between Akkök Holding, and Europe’s leading power company, the ČEZ Group and has the sole capacity to meet 3% of Turkey’s power need, with its total installed power of 1,224 MW as of 2017 year-end.

By putting the hydroelectric power plants and wind power plants into use in stages, Akenerji in total achieved a total renewable energy generation capacity of 320 MW and Erzin natural gas combined cycle plant with generation capacity of 904 MW has started its operations on 2014.

Project works for Kemah Hydroelectric Power Plant, with an installed capacity of 198 MW and a production capacity of 560MWh, which is planned to be established in Erzincan, are still continuing.

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.	Electricity trading	Gümüşsuyu / İstanbul
Ak-el Yalova Elektrik Üretim A.Ş.	Electricity production and trading	Gümüşsuyu / İstanbul
Egemer Elektrik Üretim A.Ş.	Electricity production and trading	Gümüşsuyu / İstanbul
Akel Kemah Elektrik Üretim A.Ş: Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş.	Electricity production and trading Natural gas trading	Gümüşsuyu / İstanbul Gümüşsuyu / İstanbul

Akenerji together with its subsidiaries will be referred as “the Group”.

Capital and Shareholding Structure

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 2018 and 31 December 2017 the share capital held is as follows:

	30 June 2018	31 December 2017
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 2018 and 31 December 2017 are as follows:

	Share (%)	30 June 2018	Share (%)	31 December 2017
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. (“Akarsu”)	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

Board of Directors and Committees

Board of Directors (“BoD”):

NAME - SURNAME	TITLE	TERM
SERHAN GENÇER	BoD Member / Chief Executive Officer	Assigned on 4 January 2018, following the resignation of AHMET ÜMİT DANIŞMAN to complete his predecessor’s term.
AHMET CEMAL DÖRDÜNCÜ	Chairman of the BoD	Assigned on 26 April 2016 for a three years period.
TOMAS PLESKAC	Vice President of the BoD	Assigned on 26 April 2016 for a three years period.
JAROSLAV MACEK	BoD Member	Assigned on 1 January 2018, following the resignation of VRATISLAV DOMALIP to complete his predecessor’s term.
PETR JAN KALAS	Independent BoD Member	Assigned on 26 March 2018 to perform his duties for the until the end of the term of other board members.
PETR DOKLADAL	BoD Member / Deputy General Manager	Assigned on 26 April 2016 for a three years period.
YAHYA MEHMET İZZET ÖZBERKİ	Independent BoD Member	Assigned on 26 April 2016 for a three years period.
ÖZLEM ATAÜNAL	BoD Member	Assigned on 5 April 2017, following the resignation of RAİF ALİ DİNÇKÖK to complete his predecessor’s term.

Key Management Compensation:

	1 January - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Attendance fee	446.694	452.725	230.557	235.894
	446.694	452.725	230.557	235.894

Jurisdictions of Board of Directors:

The Board of Directors of Akenerji Elektrik Üretim A.Ş. has convened and resolved with unanimous votes of the attendants on the following matters:

1. AHMET CEMAL DÖRDÜNCÜ to be assigned as the Chairman of the Board of Directors
2. TOMAS PLESKAC to be assigned as Vice-Chairman of Board of Directors,
3. The signatories authorized to represent and bind our Company and the signatory groups be determined as follows:

**(A) GROUP SIGNATURE
AUTHORITIES**

AHMET CEMAL DÖRDÜNCÜ
Chairman of the BoD
ÖZLEM ATAÜNAL
BoD Member
SERHAN GENÇER
BoD Member / Chief Executive Officer

**(C) GROUP SIGNATURE
AUTHORITIES**

SERHAT ERGİN BAYKARA
Corporate Governance Director

ÖZGE ÖZEN AKSOY
Deputy CFO

CAN GÜLCAN
Power Generation Director

**(B) GROUP SIGNATURE
AUTHORITIES**

TOMAS PLESKAC
Vice President of the BoD
JAROSLAV MACEK
BoD Member
PETR DOKLADAL
BoD Member / Deputy General Manager

**(D) GROUP SIGNATURE
AUTHORITIES**

ONDREJ DVORAK
CFO

**(E) GROUP SIGNATURE
AUTHORITIES**

YUSUF HÜSEYİN YÜCEBAŞ
Government Relations Coordinator

ORKUN EYİLİK
Commercial Director

4. The representation of our Company shall be as follows:

- I. Our Company shall be represented and bound and be indebted and engaged in the broadest sense with JOINT SIGNATURES of a GROUP (A) signatory and a GROUP (B) signatory to be affixed under the corporate seal of the Company.
- II. Our Company shall be represented and bound with JOINT SIGNATURES of GROUP (A) signatory must be the Chairman, AHMET CEMAL DÖRDÜNCÜ or the Member of Board of Directors/General Manager, SERHAN GENÇER and the GROUP (B) signatory must be the Vice-Chairman, TOMAS PLESKAC or the Member of Board of Directors/Deputy General Manager, PETR DOKLADAL under the corporate seal of the Company on the issues stated in Article 5/ (I) of the Internal Regulation dated 16.02.2018 and numbered 06.
- III. Our Company shall be represented and bound with JOINT SIGNATURES of a GROUP (A) signatory and a GROUP (B) signatory or GROUP (D) signatory under the corporate seal of the Company on the issues stated in Article 5/ (II) of the Internal Regulation dated 16.02.2018 and numbered 06.
- IV. Our Company shall be represented and bound with JOINT SIGNATURES of a GROUP (A) signatory or a GROUP (C) signatory and a GROUP (B) signatory or GROUP (D) signatory under the corporate seal of the Company on the issues stated in Article 5/ (III) of the Internal Regulation dated 16.02.2018 and numbered 06.
- V. Our Company shall be represented and bound (i) with JOINT SIGNATURE of any two signatories from the GROUPS (A), (B), (C) and (D) or (ii) with JOINT signature one from GROUP (E) signatory and the other from any signatory from the GROUPS (A), (B), (C) and (D) to be affixed under the corporate seal of the Company on the issues stated in Article 5/ (IV) of the Internal Regulation dated 16.02.2018 and numbered 06.

Information on BoD Members:

Ahmet Cemal Dördüncü **Chairman of the BoD**

Born in Istanbul in 1953, Ahmet C. Dördüncü, graduated from Çukurova University, Department of Business Administration. Later, he pursued his postgraduate studies at Mannheim and Hannover Universities. Mr. Dördüncü began his professional career at Claas OHG Company in Germany, and after returning to Turkey, he worked at Mercedes Benz A.Ş. between 1984 and 1987. He joined Sabancı Group in 1987, and assumed several positions at Kordsa A.Ş. until 1998. Mr. Dördüncü served as General Manager/President at DUSA South America, and later at DUSA North America in 1998. After working as Group President of Strategic Planning and Business Development at H.O. Sabancı Holding A.Ş. in 2004, he assumed the position of Chairman of the Executive Board of Sabancı Holding from 2005 to 2010. Mr. Dördüncü has served as Chairman of the Executive Board of Akkök Holding since January 2013. He also serves on the Boards of Directors at various Holding companies, as well as at Anadolu Isuzu Otomotiv Sanayii ve Ticaret A.Ş., Coca-Cola İçecek A.Ş., Anadolu Efes Biracılık ve Malt Sanayii A.Ş., and International Paper Co.

Tomáš Pleskač **Vice President of the BoD**

Born in 1966, Tomáš Pleskač graduated from Mendel University of Agriculture and Forestry (Brno), Faculty of Business and Economics in 1989, and received his MBA from Prague University. In 1994, Mr. Pleskač started his career at ČEZ Group and served as senior executive at various positions within the Group. Since 2006, Mr. Pleskač has served as member of the Board of Directors (and Vice-Chairman of the Board since June 26, 2017) at the ČEZ, a. s. He became a Division International Chief Officer (in January 2008) and served as a Division International Chief Officer (until December 2016) while between April 2012 and May 2014 he led Division Distribution and International Affairs. Following the transformation of ČEZ, a. s., Mr. Pleskač has served as the Chief Renewables and Distribution Officer since March 1, 2017. Mr. Pleskač is member of the Board of Directors at Akenerji since May 2009. Currently he holds a position of Deputy Chairman of the Board of Directors at Akenerji.

Petr DOKLADAL **BoD Member / Deputy General Manager**

Having graduated from Moscow State University of International Relations in 1983, Petr Dokládál received his postgraduate degree from Charles University Prague, Faculty of Social Sciences, and joined the Diplomatic Training Program at Stanford University in 1994. Mr. Dokládál began his career as civil servant in 1983 in the Czech Republic Ministry of Foreign Affairs, and served as Czech Republic diplomat in Vietnam, Consul General in Canada, and Ambassador to Bulgaria and Romania. In 2010, Mr. Dokládál joined the ČEZ Group and worked as ČEZ Bulgaria Country Manager, while he has also been a Board Member of Eurelectric in Brussels since 2013. Petr Dokládál has been working as Akenerji Deputy General Manager since October 2015 and as Member of Board of Directors of Akenerji since April 2016.

Serhan GENÇER
BoD Member / Chief Executive Officer

Born in 1975 in Istanbul, Mr. Serhan Gencer graduated from the Department of Mechanical Engineering at Middle East Technical University. Started his professional career in 1998 at Unit Int. SA Company, where he worked in various countries in a variety of roles, such as Project Manager and Project Development Manager, until December 2007. He worked as Project Director at Turcas Power & Gas Group from December 2007 to October 2009. Joining Akenerji as General Manager of Elektrik Üretim A.Ş. in October 2009, Gençer was appointed Assistant General Manager of Akenerji Production at the beginning of 2013. In 2016, he served as the Akenerji Trade Assistant General Manager by proxy, and along with his current duties and responsibilities he was designated as General Manager of Akenerji in early 2017.

Jaroslav MACEK
BoD Member

Born in Czech Republic on January 18, 1977, Jaroslav Macek has his master's degree from the Charles University, Faculty of Mathematics and Physics, in Prague. He's started his career in 2000 at PricewaterhouseCoopers Prague office, and from 2000 to 2007 he continued to be a consultant at this company working on performance improvement, financial and operational efficiency and development of practices in this area. From 2007 to 2009, he served as a member of the management team at Ukrsibbank (BNP Paribas group), one of the leading banks in Ukraine, and has been in charge of the Bank's Corporate Development Department, including preparation of the Bank's strategy and strategic developments.

Jaroslav Macek is currently responsible for the development of energy services in the CEZ Group companies outside the Czech Republic. He previously taken responsibility for the development and operation of the CEZ Group's foreign operations in and outside the Czech Republic. Jaroslav Macek also serves as Vice President or Member of the audit committee of various foreign companies belong to the CEZ Group. Jaroslav Macek speaks Russian on the basic level besides his fluent Czech and English.

Özlem Ataüinal
BoD Member

Born in 1967, Özlem Ataüinal graduated from Üsküdar American Academy in 1985, and from Uludağ University in 1989. She worked in various positions, including Branch Manager and Head of the Customer Relations department at İktisat Bankası T.A.Ş. and Körfezbank A.Ş. She has been working for the Akkök Group since 2000, firstly as Budget and Finance Manager of Akenerji A. Ş., and was promoted to CFO at Akkök Holding A.Ş. in 2005. In 2012, she was appointed Executive Committee Member responsible for Finance while continuing her other duties. In the same year, she acted as a board member for various companies of the group including public companies and companies with foreign partners. Strategy and business development was added to her responsibilities in 2016. Ataüinal is a member of the early detection of risk board at Akkök Holding, and since 2017, she has also been the Executive Committee Member responsible for the Energy Group. She became a member of the Board of Directors at Akkök Holding A.Ş. in 2017. She speaks English and she is married.

Petr Jan KALAS
Independent BoD Member

Petr Jan KALAS has his master's degree in Electrical Engineering from Czech Institute of Technology on the field of Energy and Power Economy, in Prague (as Honor Student). He previously was Chief Advisor to the Minister of Environment, Alternate Board member of the Green Climate Fund – GCF – on behalf of the Czech Republic, Chairman of the Committee for Sustainable Energy, Governmental Council for Sustainable Development, under auspices of the Prime Minister , Vice-president of the Czech Business Council for Sustainable Development – (the national branch of the World Business Council for Sustainable Development); Promotion of sustainable growth in the Czech Republic with the participation of the private sector, Advisor to CEO of the CzechInvest – The Czech Agency for Promotion of Investment and Development of high-tech technologies including “green technologies” (2011-2013), to the Consortium of R&D institutes in the area of biotechnologies using biomass (link to the EU Climate – KIC program), three Prime ministers and several Ministers of the Czech Republic , to and cooperation with multilateral international organizations incl. the World Bank, IFC, UNITAR, UNIDO, UNDP, UNEP, UNFCCC, EU, EBRD, EIB, ADB, IADB, NEFCO, NEDO and the private sector and cooperated with these and other multinational organizations.

İzzet Özberki
Independent BoD Member

In 1979 Mr. Özberki graduated from the Faculty of Political Sciences at Ankara University. During 1979-1984, he gave lectures at Gazi University in the Economics Department. From 1989-1991 he worked at Midland Bank Istanbul Branch at various levels, including Head of the Investment Banking Department. Between 1992 and 2001, he worked as a Corporate Consultant at Arkan & Arkan. In 2001 he joined Akan&Ergin as a partner. He has a Corporate Financier (CF) degree from the Institute of Chartered Accountants of England and Wales.

Corporate Governance Committee :

NAME-SURNAME	TITLE
Petr Jan KALAS	Chairman
Yahya Mehmet İzzet ÖZBERKİ	Member
Ondrej DVORAK	Member
Özge ÖZEN AKSOY	Member

Audit Committee :

NAME-SURNAME	TITLE
Yahya Mehmet İzzet ÖZBERKİ	Chairman
Petr Jan KALAS	Member

Early Detection of Risk Committee:

NAME-SURNAME	TITLE
Yahya Mehmet İzzet ÖZBERKİ	Chairman
Petr Jan KALAS	Member

II – ENERGY SECTOR IN BRIEF

According to TEİAŞ data, total electricity consumption was 142 TWh in the half of 2018, thus it increased by 2.9% compared to consumption in the first half of 2017 which was 138 TWh.

Total installed power of Turkey as of the end of June 2018 is announced as which was 87,139 MW (including non-licensed power plants). Private sector has the largest share in the installed capacity with a share percentage of 66% , followed by EÜAŞ with a share percentage of 23% and followed by built-operate and built-operate-transfer plants with a share percentage of 9% and by operating rights transferred plants with a share percentage of 2%. Renewable sourced power plants holds 47% of the total installed capacity.

The average market price of the electricity in the first half of 2018, in nominal terms, realized as 179,30 TL which is above 14% of the average market price of electricity in the first half of 2017.

The efforts for privatization of the generation plants of EÜAŞ, which is started in 2009 to increase competition in the energy sectoral and to ensure the supply safety and quality and to create a transparent market structure is on-going. Within the scope of such efforts, in the first half of 2018, privatization of Menzelet and Kılavuzlu hydroelectric plants was completed by the Privatization Authority of Turkey and the offers for the privatization of Tohma hydroelectric plants with a installed capacity of 12,50 MW; Çine hydroelectric plants with an installed capacity of 46,30 MW; Dinar-2 hydroelectric plants with an installed capacity of 3,00 MW; Sütçüler hydroelectric plants with an installed capacity of 2,20MW and Gönen hydroelectric plants with an installed capacity of 10,60 MW are received. The process is on-going.

III – SALES AND THE PERFORMANCE OF THE COMPANY

Details of the electricity sales quantities of the Group in MWh terms are as below:

	1 January – 30 June 2018	1 January – 30 June 2017
DIRECT SALES	-	-
INDIRECT SALES	1.999.764,67	2.211.359,62
DUY	2.634.908,88	2.521.019,31
TOTAL	4.634.673,55	4.732.378,93

IV – GENERATION AND CAPACITY INFORMATION

- Generation type of our Egemer Plant is Thermal-Combined Cycle and its total electricity generation was 1.870.237.330 kWh and its steam generation was 1.822.271 tons in the first six months of 2018. Capacity utilization rate, according to actual generation, is 47,63%. Generation scope of our plant is Electricity and Steam generation. 8,78% decrease occurred in the electricity generation compared to the same period of the previous year.
- Generation type of our Balıkesir Ayyıldız WEPP Plant is electricity generation based on wind energy and its total electricity generation was 42.445.283 kWh in the first six months of 2018. Capacity utilization rate, according to actual generation, is 34,65%. Generation scope of our plant is Electricity generation. 29,04% increase occurred in the electricity generation compared to the same period of the previous year.
- Generation type of our Bulam HEPP Plant is electricity generation based on Channel-type hydraulic energy and its total electricity generation was 12.876.008 kWh in the first six months of 2018. Capacity utilization rate, according to actual generation, is 42,16%. Generation scope of our plant is Electricity generation. 2,90% increase occurred in electricity generation compared to the same period of the previous year.
- Generation type of our Uluabat HEPP Plant is electricity generation based on Reservoir Hydraulic energy and its total electricity generation was 184.469.000 kWh in the first six months of 2018. Capacity utilization rate, according to actual generation, is 42,47%. Generation scope of our plant is Electricity generation. 81,62% increase occurred in electricity generation compared to the same period of the previous year.
- Generation type of our Burç HEPP Plant is electricity generation based on River type HEPP energy and its total electricity generation was 36.605.700 kWh in the first six months of 2018. Capacity utilization rate, according to actual generation, is 30,83%. Generation scope of our plant is Electricity generation. 4,82% increase occurred in electricity generation compared to the same period of the previous year.
- Generation type of our Feke II HEPP Plant is electricity generation based on Channel-type hydraulic energy and its total electricity generation was 89.812.650 kWh in the first six months of 2018. Capacity utilization rate, according to actual generation, is 29,71%. Generation scope of our plant is Electricity generation. 24,88% increase occurred in electricity generation compared to the same period of the previous year.
- Generation type of our Himmetli HEPP Plant is electricity generation based on Reservoir Hydraulic energy and its total electricity generation was 49.083.510 kWh in the first six months of 2018. Capacity utilization rate, according to actual generation, is 41,88%. Generation scope of our plant is Electricity generation. 7,81% increase occurred in electricity generation compared to the same period of the previous year.
- Generation type of our Feke I HEPP Plant is electricity generation based on Channel-type hydraulic energy and its total electricity generation was 55.220.610 kWh in the first six months of 2018. Capacity utilization rate, according to actual generation, is 43,24%. Generation scope of our plant is Electricity generation. 20,30% increase occurred in electricity generation compared to the same period of the previous year.
- Generation type of our Gökçaya HEPP Plant is electricity generation based on Reservoir Hydraulic energy and its total electricity generation was 47.227.740 kWh in the first six months of 2018. Capacity utilization rate, according to actual generation, is 38,09%. Generation scope of our plant is Electricity generation. 14,02% increase occurred in electricity generation compared to the same period of the previous year.

V – INVESTMENTS

As a result of the investments made by taking into consideration of the long-term energy policy of Turkey, Akenerji sustained its competitive position in 2018 with an installed power of 1,224 MW and a flexible portfolio that can adapt to rapidly changing market conditions. In addition to its current operational portfolio, the project works for Kemah Hydroelectric Power Plant, with 198 MW, which is planned to be established in Erzincan, are on-going.

The fundamental strategy of Akenerji is to operate its existing power plants to the optimum level in line with market prices. The operations and maintenance works of all power plants of Akenerji, included in its portfolio, is performed by its own personnel in an attentive and effective way. Additionally, to comply with the changing market conditions and to strengthen its competitive position, Akenerji constantly reviews the strategies and takes necessary steps are taken to achieve a more efficient and innovative way of generation.

VI – FINANCIAL SOURCES

The main financial sources of our Company are comprised of the cash created from the operations, the funds derived from the financial institutions and the share capital.

As of 30 June 2018, the Group has;

- TL 310,1 million and USD 84,4 million short-term borrowings and EUR 1,1 million financial leasing liabilities, and
- TL 377,9 million and USD 613,5 million long-term borrowings and EUR 10,2 million financial leasing liabilities.

Akenerji aims to focuses on the unpredictability of financial markets including the changes in foreign exchange rates and interest rates and seeks to minimize potential adverse effects on the Group's financial performance.

25,28% shares of shares capital of Akenerji is amounting to TL 729.164.000 is traded in Istanbul Stock Exchange.

VII – RISK MANAGEMENT POLICY AND INTERNAL AUDIT MECHANISM

The Board of Directors establishes internal control systems, including risk management and information systems and processes that aim at minimizing the effects of risks that would affect the stakeholders of the Company, particularly the shareholders, by obtaining the suggestions of the related committees of the Board of Directors.

The Company's risk inventory is one of the most important follow-up tools used in Akenerji's risk management activities. The risk inventory includes the operational, financial, reputational and strategic risks of the Company. Risks with high or very high level risk scores are monitored at the level of the Board of Directors. Detailed action plans are created for such risks, and a risk owner is assigned for each of these risks. The risk owner is responsible for managing the related risk within the framework of the agreed action plan. Thus, the risk management philosophy grew into a permanent item on the agenda of routine business of Akenerji executives. Updated in line with sectoral and institutional developments, this philosophy has become an integral part of the Company's applications.

The current internal control system, particularly enhancing the efficiency and productivity of Company operations, ensuring reliability in financial reporting, and compliance with applicable law and legislation, is being audited by the Audit Group established within our parent companies, Akkök Holding A.Ş. and ČEZ a.s., in accordance with the annual internal audit plan. The outcome of the audit is reported to the Audit Committee. The effectiveness of internal auditing operations has been reviewed during the year by Audit Committee. Opinions of the internal auditor, external auditor, or other Company executives have also been obtained when required.

When required, the internal auditors come in contact with independent auditors in scope of auditing activities and from time to time execute process auditing with them.

VIII – MAIN FINANCIAL HIGHLIGHTS

Current Period Ratios

Debt / Liability Ratio	$\frac{\text{SHORT-TERM LIABILITIES \& LONG-TERM LIABILITIES}}{\text{TOTAL LIABILITIES}}$	79%
Debt / Equity Ratio	$\frac{\text{SHORT-TERM LIABILITIES \& LONG-TERM LIABILITIES}}{\text{TOTAL EQUITY}}$	376%
Gross Profit Margin (%)	$\frac{\text{GROSS PROFIT / (LOSS)}}{\text{NET SALES}}$	5%
Net Profit Margin (%)	$\frac{\text{NET PROFIT / (LOSS) FOR THE PERIOD}}{\text{NET SALES}}$	-63%

IX – CHANGES IN THE ARTICLES OF ASSOCIATION IN THE PERIOD

There have been no changes in the articles of association occurred in the period.

X – SIGNIFICANT EVENTS REGARDING THE GROUP

The Ordinary General Assembly Meeting of the Company for the year 2017 was held on March 26, 2018. Shareholders representing 75.467% of the Company's capital attended the meeting. Shareholders used their right to ask questions and no motion with the exception of the agenda was presented. There were no questions from shareholders answered in writing after the General Assembly in line with principle 1.3.5 of Corporate Governance Notification no. II-17.1 of the Board of Directors that could not be responded to during the meeting.

According to the Turkish Commercial Code, the Communiqué on Independent Audit Standards in the Capital Market, amended by Communiqué Serial No: X, No: 28 of the Capital Markets Board, and the Decision of the Energy Market Regulatory Authority dated 03.03.2015 and no. 5507, on "Audit the activities of real and judicial persons engaged in the energy market by independent audit firms", it is decided to elect Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (a member of Ernst & Young Global Limited) for the audit of our financial statements and reports for 2018, in the Ordinary General Assembly Meeting held on March 26, 2018, in line with the report of the Committee in Charge of Audit.

There are no material lawsuits filed in the subject period against the Company, which might have material impact on the Company's financial status and activities.

Best Regards,

Ondrej DVORAK
Chief Financial Officer

Serhan GENÇER
Chief Executive Officer