(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 September 2018

## AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2018 AND 31 DECEMBER 2017**

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

| | | Current period | Prior period |
|---|---|---|---|
| | | **Unaudited** | **Audited** |
| | | | *Restated (Note 2.5)* |
| | **Notes** | **30 September 2018** | **31 December 2017** |
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 18.340.382 | 45.241.003 |
| Trade receivables | | | |
| *- Due from related parties* | *15* | *66.833.333* | *21.236.890* |
| *- Due from third parties* | | *96.674.148* | *69.064.218* |
| Inventories | | 8.155.247 | 1.666.918 |
| Other receivables | | | |
| *- Due from third parties* | | *19.679.026* | *2.395.192* |
| Prepaid expenses | | 14.861.118 | 9.416.948 |
| Derivative financial instruments | 7 | - | 497.923 |
| Current income tax assets | 9 | 415.620 | 2.262.033 |
| Other current assets | | 20.264.861 | 20.995.542 |
| **Total current assets** | | **245.223.735** | **172.776.667** |
| **Non-current assets** | | | |
| Trade receivables | | | |
| *- Due from third parties* | | - | *8.055.071* |
| Other receivables | | | |
| *- Due from third parties* | | *348.767* | *7.325.006* |
| Inventories | | 17.899.707 | 17.154.844 |
| Financial investments | | 100.000 | 100.000 |
| Property, plant and equipment | 4 | 5.288.313.239 | 5.474.149.740 |
| Intangible assets | 5 | 111.340.793 | 113.308.159 |
| Deferred tax assets | 9 | 208.629.244 | 16.795.470 |
| Prepaid expenses | | 2.338.539 | 1.894.505 |
| Other non-current assets | | 86.485.549 | 67.654.140 |
| **Total non-current assets** | | **5.715.455.838** | **5.706.436.935** |
| **TOTAL ASSETS** | | **5.960.679.573** | **5.879.213.602** |

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2018 AND 31 DECEMBER 2017

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

| | Notes | Current period<br>Unaudited<br><br>30 September 2018 | Prior period<br>Audited<br>*Restated (Note 2.5)*<br>31 December 2017 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Short term borrowings | 3 | 277.372.429 | - |
| Short term portion of long term borrowings | | | |
| *- Bank loans* | *3* | *653.063.755* | *377.892.651* |
| *- Financial leasing liabilities* | *3* | *7.084.510* | *4.898.505* |
| Trade payables | | | |
| *- Due to related parties* | *15* | *26.801.331* | *11.847.438* |
| *- Due to third parties* | | *233.299.558* | *176.033.413* |
| Current income tax liabilities | 9 | 783.780 | 568.374 |
| Other payables | | | |
| *- Other payables to third parties* | | *5.259.996* | *1.770.447* |
| Derivative financial instruments | 7 | 6.886.519 | 15.163.211 |
| Employee benefit obligations | | 1.117.875 | 935.182 |
| Short term provisions | | | |
| *- Provisions for employee benefits* | | *2.121.929* | *2.975.000* |
| *- Other short-term provisions* | *6* | *18.798.123* | *17.440.977* |
| **Total current liabilities** | | **1.232.589.805** | **609.525.198** |
| **Non-current liabilities** | | | |
| Long term borrowings | | | |
| *- Bank loans* | *3* | *3.991.560.206* | *2.783.727.773* |
| *- Financial leasing liabilities* | *3* | *70.509.919* | *50.059.418* |
| Derivative financial instruments | 7 | 14.531.161 | 17.585.703 |
| Trade payables | | | |
| *- Due to third parties* | | *216.958.645* | *200.734.583* |
| Other payables | | | |
| *- Due to third parties* | | *16.615* | *15.728* |
| Long term provisions | | | |
| *- Provisions for employee benefits* | | *4.126.241* | *3.746.304* |
| Deferred tax liabilities | 9 | 206.782.227 | 345.385.759 |
| **Total non-current liabilities** | | **4.504.485.014** | **3.401.255.268** |
| **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* | | *(12.518.059)* | *(15.159.903)* |
| 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* | | *2.496.831.321* | *2.593.981.900* |
| *- Gains/(losses) on re-measurement of defined benefit plans* | | *(1.123.740)* | *(1.349.827)* |
| Retained earnings/(losses) | | (1.500.991.858) | (1.090.945.284) |
| Net profit/(loss) for the period | | (1.647.696.313) | (507.197.153) |
| **Total equity** | | **223.604.754** | **1.868.433.136** |
| **TOTAL LIABILITIES AND EQUITY** | | **5.960.679.573** | **5.879.213.602** |

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

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**
**FOR THE INTERIM PERIODS BETWEEN 1 JANUARY - 30 SEPTEMBER 2018 AND 2017**

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

| | Notes | Current period Unaudited 1 January - 30 September 2018 | Prior period Unaudited 1 January - 30 September 2017 | Unaudited 1 July - 30 September 2018 | Unaudited 1 July - 30 September 2017 |
|---|---|---|---|---|---|
| Revenue | 10 | 1.592.243.661 | 1.336.798.154 | 659.280.665 | 529.598.956 |
| Cost of sales (-) | 11 | (1.550.167.441) | (1.291.965.093) | (667.207.603) | (517.600.003) |
| **GROSS PROFIT** | | **42.076.220** | **44.833.061** | **(7.926.938)** | **11.998.953** |
| General administrative expenses (-) | 11 | (39.703.671) | (36.326.626) | (13.113.395) | (11.303.535) |
| Other operating income | 12 | 31.136.161 | 10.416.977 | 19.417.399 | 1.913.002 |
| Other operating expenses (-) | 12 | (89.641.452) | (52.160.636) | (74.382.265) | (22.020.049) |
| **OPERATING PROFIT / (LOSS)** | | **(56.132.742)** | **(33.237.224)** | **(76.005.199)** | **(19.411.629)** |
| Income/(expenses) from investing activities, net | 13 | 166.102 | 18.792 | - | 815.018 |
| **OPERATING PROFIT / (LOSS) BEFORE FINANCIAL INCOME/ (EXPENSE)** | | **(55.966.640)** | **(33.218.432)** | **(76.005.199)** | **(18.596.611)** |
| Financial income | 14 | 35.173.779 | 22.345.874 | 8.709.308 | (4.215.306) |
| Financial expenses (-) | 14 | (1.954.699.269) | (254.462.021) | (1.192.629.292) | (95.174.550) |
| **PROFIT / (LOSS) BEFORE TAX** | | **(1.975.492.130)** | **(265.334.579)** | **(1.259.925.183)** | **(117.986.467)** |
| **Tax Income / (expense)** | | | | | |
| Current income tax expense | 9 | (3.358.352) | (1.513.318) | (1.925.296) | (543.475) |
| Deferred tax (expense) / income | 9 | 331.154.169 | (38.181.314) | 205.985.697 | (12.169.178) |
| **NET PROFIT / (LOSS) FOR THE PERIOD** | | **(1.647.696.313)** | **(305.029.211)** | **(1.055.864.782)** | **(130.699.120)** |
| **Net profit / (loss) attributable to:** | | | | | |
| Equity holders of the parent | | (1.647.696.313) | (305.029.211) | (1.055.864.782) | (130.699.120) |
| | | **(1.647.696.313)** | **(305.029.211)** | **(1.055.864.782)** | **(130.699.120)** |
| **Earnings/(losses) per share (1.000 shares)** | | **(22,60)** | **(4,18)** | **(14,48)** | **(1,79)** |

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

## AKENERJİ ELEKTRİK ÜRETİM A.Ş.

## CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS BETWEEN 1 JANUARY - 30 SEPTEMBER 2018 AND 2017

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

| | Current period | Prior period | | |
|---|---|---|---|---|
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | 1 January - 30 September 2018 | 1 January - 30 September 2017 | 1 July - 30 September 2018 | 1 July - 30 September 2017 |
| **Net profit/(loss) for the period** | **(1.647.696.313)** | **(305.029.211)** | **(1.055.864.782)** | **(130.699.120)** |
| **Other comprehensive income/(expense)** | | | | |
| **Not to be reclassified to profit or loss** | | | | |
| Actuarial gain/(loss) arising from defined benefit plans | 282.609 | (1.715.260) | (105.587) | (116.533) |
| Deferred tax income/(expense) effect | (56.522) | 343.052 | 21.117 | 23.307 |
| **OTHER COMPREHENSIVE INCOME/(EXPENSE)** | **226.087** | **(1.372.208)** | **(84.470)** | **(93.226)** |
| **TOTAL COMPREHENSIVE INCOME/(LOSS)** | **(1.647.470.226)** | **(306.401.419)** | **(1.055.949.252)** | **(130.792.346)** |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE INTERIM PERIODS BETWEEN 1 JANUARY - 30 SEPTEMBER 2018 AND 2017

(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 2017** | **729.164.000** | **101.988.910** | **50.220.043** | **(30.964.517)** | **(4.322.722)** | **12.053.172** | **1.409.709.068** | **-** | **(618.995.310)** | **(548.673.970)** | **1.100.178.674** |
| Transfers | - | - | - | - | - | - | - | - | (548.673.970) | 548.673.970 | - |
| Other adjustments (*) | - | - | - | 11.820.985 | - | - | (49.365.864) | - | 49.365.864 | - | 11.820.985 |
| Total comprehensive loss | - | - | - | - | - | - | - | (1.372.208) | - | (305.029.211) | (306.401.419) |
| **30 September 2017** | **729.164.000** | **101.988.910** | **50.220.043** | **(19.143.532)** | **(4.322.722)** | **12.053.172** | **1.360.343.204** | **(1.372.208)** | **(1.118.303.416)** | **(305.029.211)** | **805.598.240** |
| **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) | - | - | - | - | - | - | 67.031.317 | - | - | (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** | **2.593.981.900** | **(1.349.827)** | **(1.090.945.284)** | **(507.197.153)** | **1.868.433.136** |
| Transfers | - | - | - | - | - | - | - | - | (507.197.153) | 507.197.153 | - |
| Other adjustments (*) | - | - | - | 2.641.844 | - | - | (97.150.579) | - | 97.150.579 | - | 2.641.844 |
| Total comprehensive loss | - | - | - | - | - | - | - | 226.087 | - | (1.647.696.313) | (1.647.470.226) |
| **30 September 2018** | **729.164.000** | **101.988.910** | **50.220.043** | **(12.518.059)** | **(4.322.722)** | **12.053.172** | **2.496.831.321** | **(1.123.740)** | **(1.500.991.858)** | **(1.647.696.313)** | **223.604.754** |

(*) As of 30 September 2018 the depreciation difference between acquisition cost and carrying values of assets subjected to revaluation method is TL 121.438.224 (30 September 2017: TL : 61.707.330) and were reclassified under the retained earnings net of the deferred tax impact amounting to TL 97.150.579 (30 September 2017: TL 49.365.864) has been transferred from the revaluation reserve 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 consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS BETWEEN 1 JANUARY - 30 SEPTEMBER 2018 AND 2017

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

| | Notes | Unaudited<br>Current period<br>January 1, - September 30, 2018 | Unaudited<br>Prior period<br>January 1, - September 30, 2017 |
|---|---|---|---|
| **A. Cash flows from operating activities** | | **(49.561.691)** | **133.222.888** |
| Net profit / (loss) for the period | | (1.647.696.313) | (305.029.211) |
| **Adjustments to reconcile net income** | | **1.664.639.572** | **419.225.737** |
| Adjustments for depreciation and amortization expenses | 4, 11 | 194.037.996 | 133.565.170 |
| Adjustments for provisions of receivables | | - | 599.100 |
| Adjustments for provisions | | | |
| - Adjustments for litigation provisions | 6 | (620.764) | 461.644 |
| - Adjustments for other provisions | 6 | 1.977.910 | 585.511 |
| - Adjustment for provisions for employee benefits | | 1.242.955 | 1.990.593 |
| Adjustments for unrealized foreign exchange differences | | 1.572.953.860 | 29.138.242 |
| Adjustments for tax (income) / expense | | (327.795.817) | 39.694.632 |
| Adjustments for loss on sale of property, plant and equipment | 13 | (166.102) | (18.792) |
| Fair value of derivative financial instruments | | (14.968.499) | 11.820.985 |
| Adjustments for interest (income)/expense, net | | 237.978.033 | 201.388.652 |
| **Changes in working capital** | | **(63.774.935)** | **20.501.281** |
| Increase / decrease in trade receivables from related parties | | (45.596.443) | 7.927.976 |
| Increase / decrease in trade receivables from third parties | | (18.292.793) | 52.035.107 |
| Increase / decrease in other receivables from related parties | | - | (535) |
| Increase / decrease in other receivables from third parties | | (10.307.595) | (16.125) |
| Increase / decrease in inventories | | (7.233.192) | (933.439) |
| Increase / decrease in prepaid expenses | | (5.888.204) | 5.672.424 |
| Increase / decrease in other assets | | (18.100.728) | (8.026.816) |
| Increase / decrease in trade payables to related parties | | (39.654.506) | (19.219.314) |
| Increase / decrease in trade payables to third parties | | 73.490.207 | (9.599.185) |
| Increase / decrease in derivative financial instruments | | 4.135.190 | (3.232.472) |
| Increase / decrease in deferred income | | - | (4.731.878) |
| Increase / decrease in employee benefit obligations | | 182.693 | 51.614 |
| Increase / decrease in other payables to third parties | | 3.490.436 | 573.924 |
| **Cash flows from operating activities** | | **(46.831.676)** | **134.697.807** |
| Payments related to provisions for employee benefits | | (1.433.482) | - |
| Tax (payments) / receipts | | (1.296.533) | (1.474.919) |
| **B. Cash flows from investing activities** | | **(6.068.027)** | **14.746.897** |
| Cash outflows due to purchase of property, plant and equipment | 4 | (6.222.999) | (2.086.983) |
| Cash outflows due to purchase of intangible assets | 5 | (12.003) | (261.225) |
| Cash inflows due to sale of property, plant and equipment | | 166.975 | 131.257 |
| Cash inflows from sales of assets held for sale | | - | 16.963.848 |
| **C. Cash flows from financing activities** | | **37.811.682** | **(266.962.466)** |
| Cash inflows due on borrowings received | | 328.948.366 | - |
| Cash outflows due to repayment of bank borrowings | | (212.225.868) | (149.110.438) |
| Interest paid | | (90.912.866) | (140.475.429) |
| Interest received | | 2.919.465 | 11.994.501 |
| Other cash inflows / (outflows) (*) | | 9.082.585 | 10.628.900 |
| **Net increase / (decrease) in cash and cash equivalents** | | **(17.818.036)** | **(118.992.681)** |
| **Cash and cash equivalents at the beginning of the period (*)** | | **44.170.711** | **420.637.487** |
| **Cash and cash equivalents at the end of the period (*)** | | **26.352.675** | **301.644.806** |

(*) Cash and cash equivalents at the beginning of the period and at the end of the period does not include interest accruals and blockage deposits, and the change in blocked deposits in the period is disclosed in "Other cash inflows / (outflows)" line.

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

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

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. 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). On 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 September 2018, 52,83% of its shares are open for trading (31 December 2017: 52,83%).

As of 30 September 2018, the number of employees employed Akenerji and its subsidiaries (Akenerji and its subsidiaries will be referred called as the "Group") is 198 (31 December 2017: 206).

These condensed consolidated financial statements for the interim period 1 January – 30 September 2018 have been approved for issue by the Board of Directors at 6 November 2018.

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 |
| Egemer Elektrik Üretim A.Ş. ("Egemer") | 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 accompanying interim condensed consolidated financial statements have been prepared in accordance with Communiqué Serial II, No: 14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") of Capital Market Board ("CMB") of Turkey published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, interim condensed consolidated financial statements are prepared in accordance with the Turkish Accounting Standards 34 "Interim Financial Reporting" ("TAS 34") issued by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

In accordance with the TAS 34 "Interim Financial Reporting", 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 2017.

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 condensed consolidated interim 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 the Turkish Accounting Standards / Turkish Financial Reporting Standards ("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 condensed consolidated interim 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.

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

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

The table below sets out all subsidiaries and demonstrates the proportion of ownership interest which is equal to the effective interest of the Company over the subsidiary as of 30 September 2018 and 31 December 2017:

| | Direct and indirect ownership interest by the Company and its subsidiaries (%) | |
|---|---|---|
| **Subsidiaries** | **30 September 2018** | **31 December 2017** |
| Akenerji Toptan | 100,00 | 100,00 |
| Ak-el | 100,00 | 100,00 |
| Egemer | 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.

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 September 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2018. 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 2018 are as follows:**

- TFRS 15 - Revenue from Contracts with Customers
- TFRS 9 - Financial Instruments
- TFRS 4 - Insurance Contracts (Amendments)
- TFRIC 22 - Foreign Currency Transactions and Advance Consideration
- TFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)
- TAS 40 - Investment Property: Transfers of Investment Property (Amendments)
- Annual Improvements to TFRSs - 2014-2016 Cycle

The standards, amendments and interpretations did not have a significant impact on the financial position or performance the Group and the impact of the transition to TFRS 15 - Revenue from Contracts with Customers and TFRS 9 - Financial Instruments is provided at Note 2.4.

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

### ii) Standards 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 16 Leases
- Amendments to TAS 28 Investments in Associates and Joint Ventures (Amendments)
- TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)
- TFRIC 23 Uncertainty over Income Tax Treatments

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”)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

- Annual Improvements – 2010–2012 Cycle
- Annual Improvements – 2011–2013 Cycle
- IFRS 17 - The new Standard for insurance contracts
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Annual Improvements – 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement” (Amendments to IAS 19)

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

### 2.4 Summary of Significant Accounting Policies

The Group adopted TFRS 15 Revenue from Contracts with Customers and TFRS 9 Financial Instruments for the period starting from 1 January 2018, the accounting policies of these standards are set out below. Except for these newly adopted standards, the accounting policies adopted in preparation of the interim condensed consolidated financial statements are consistent with those adopted of the previous financial year. Accordingly these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017.

**TFRS 9 Financial Instruments:**

**Financial assets - Classification and measurement**

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

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

### (a) Financial assets carried at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Group's financial assets carried at amortized cost comprise "trade receivables", "other receivables" and "cash and cash equivalents" in the statement of financial position.

*Impairment*

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

### (b) Financial assets carried at fair value

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

*i) Financial assets carried at fair value through profit or loss*

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

*ii) Financial assets carried at fair value through other comprehensive income*

Financial assets carried at fair value through other comprehensive income comprise of "financial assets" in the statement of financial position.

***Transition to TFRS 9 "Financial instruments"***

The Group has applied TFRS 9 "Financial instruments" on 1 January 2018. The amendments include the classification and measurement of financial assets and liabilities and the expected credit risk model which will replace incurred credit risk model. The effect of the transition to TFRS 9 does not have a significant impact on the consolidated financial statements of the Group as at 1 January 2018.

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

Changes related to the classification of financial assets and liabilities are as follows and these changes in the classification do not result in changes in measurement of assets.

| **Financial assets** | **Original classification under TAS 39** | **New classification under TFRS 9** |
|---|---|---|
| Cash and cash equivalents | Loans and receivables | Amortised cost |
| Trade receivables | Loans and receivables | Amortised cost |
| Derivative instruments | Fair value through statement of profit or loss | Fair value through statement of profit or loss |
| Financial assets (*) | Available for sale financial assets | Fair value through other comprehensive income |

| **Financial liabilities** | **Original classification under TAS 39** | **New classification under TFRS 9** |
|---|---|---|
| Derivative instruments | Fair value through statement of profit or loss | Fair value through statement of profit or loss |
| Borrowings | Amortised cost | Amortised cost |
| Financial lease liabilities | Amortised cost | Amortised cost |
| Trade payables | Amortised cost | Amortised cost |

(*) Financial assets carried at cost due to the lack of fair value information in accordance with TAS 39 are carried at their fair values in accordance with TFRS 9.

### TFRS 15 Revenue from Contracts with Customers:

Group recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

Group recognizes revenue based on the following main principles:

- Identification of customer contracts
- Identification of performance obligations
- Determination of transaction price in the contract
- Allocation of price to performance obligations
- Recognition of revenue when the performance obligations are fulfilled

Group recognizes revenue from its customers only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
- Group can identify each party's rights regarding the goods or services to be transferred,
- Group can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance,
- It is probable that Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

At the contract inception date, the Group evaluates the goods and services committed to be provided to the customer based on the contract and identifies each commitment as a separate performance obligation. In addition to that, the Group determines whether it satisfies the performance obligation over time or satisfies the performance obligation at a point in time.

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

When another party is involved in providing goods or services to a customer, the group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself or to arrange for the other party to provide those goods or services. The group is a principal if it controls a promised good or service before the group transfers the good or service to a customer. When a group that is a principal satisfies a performance obligation, it recognizes as revenue the gross amount of consideration which it expects to be entitled to in exchange for those goods or services. The group is an agent if its performance obligation is to arrange for the provision of goods or services by another party and in such a position, the Group does not recognize the revenue of the consideration at gross amount.

The Group determines the transaction price in accordance with contract terms and customs of trade. Transaction price is the amount of consideration which is expected to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group, allocates the transaction price to each performance obligation (or distinct goods or services), by reference to the consideration is considered to be deserved in return of the goods and services transferred to the customer. In this allocation, the Group allocates the transaction price determined in the contract to the standalone independent sales prices of these goods and services, where the Group identifies the prices of goods and services committed to be provided in the contract at the date of the inception of the contract and allocates the transaction price on these independent relative prices proportionally.

If the aggregate independent sales prices of the goods and services undertaken in the contract exceeds the transaction price in the contract, the customer has received discount on the purchase of goods or services. The Group allocates the discount to the all performance obligations retained in the contract proportionally except for the circumstances where there are observable inputs indicating that, the discount is provided for some but not all of the performance obligations.

The performance obligations of the Group consists of wholesale electricity sales and in return of this sale, a wholesale electricity sales revenue is recognized. The electricity sold is transferred to the customer by the electricity transmission lines owned by the government agencies. The Group does not deal with retail sale of electricity. The customer consumes the economic benefit of the performance obligation of the Company at the same time it is transferred, accordingly, the Group transfers the control of the goods and services to the customer and fulfills its performance obligation simultaneously and the revenue is recognized at the time the performance obligation is fulfilled. Considering the operations of the Group, TFRS 15, does not have significant impact on the financial position and financial performance of the Group.

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

The financial statements are prepared in a comparative manner with respect to the financial statements and performance trends. Consolidated financial statements are reclassified in accordance with the amendment in order to provide comparability when presentation or classification of financial statements are changed.

The Group recognised the option fee on the put option transaction as an expense item, which expired and not utilized in the year ended 31 December 2017, in the accompanying financial statements as of 31 December 2017. The restatement has made an impact of reducing the prepaid expenses provided in the statement of financial position as at 31 December 2017 by TL 2.152.770 and increasing other operating expenses and net loss for the period provided in the statement of profit or loss by TL 2.152.770. The restatement does not make any impact of the statement of profit or loss and statement of other comprehensive income as of 30 September 2017.

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

The Group evaluated the effect of elimination adjustment of the borrowing costs capitalized on property plant and equipment at stand-alone financial statements of Akenerji and Egemer, since these borrowings costs are considered as part of the financing of the investments made during the investment period. It is understood 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 property, plant and equipment for an amount of TL 83.790.422 and increase in deferred tax liabilities for an amount of 16.759.106 TL and increase in revaluation of property, plant and equipment for an amount of TL 67.031.317 provided in the accompanying statement of financial position as at 31 December 2017.

As a result of the assessments made by the Group, the provision for unused vacation rights of employees amounting to TL 502.185 has been reclassified from short-term provisions for employee benefits to long-term provisions for employee benefits in the accompanying statement of financial position as of 31 December 2017.

As a result of the assessments made by the Group, long-term trade receivables from third parties incurred from the sale of a turbine amounting to TL 7.009.504 has been reclassified to long-term other receivables from third parties in the accompanying statement of financial position as of 31 December 2017.

As a result of the assessments made by the Group, short-term other receivables from related parties amounting to TL 52.962 has been reclassified to short-term trade receivables from related parties in the accompanying statement of financial position as of 31 December 2017.

As a result of the assessments made by the Group, Banking and Insurance Transaction Tax liability incurred from the interest rate swap contracts of the Group amounting to TL 111.376 accounted under short-term other provisions has been reclassified to short-term other liabilities to third parties in the accompanying statement of financial position as of 31 December 2017.

As a result of the assessments made by the Group, income from provisions no longer required arising from unused vacation rights and employee termination benefits amounting to TL 394.503 accounted other operating income has been reclassified to personnel expenses under general administrative expenses in the accompanying statement of profit or loss for the interim period ended 30 September 2017.

As a result of the assessments made by the Group, banking commission and expenses amounting to TL 2.195.443 accounted general administrative expenses has been reclassified to finance expenses in the accompanying statement of profit or loss for the interim period ended 30 September 2017.

### 2.6 Critical accounting estimates and judgments

The preparation of condensed consolidated financial statements necessitates the use of estimates and judgments that affect asset and liability amounts reported as of the balance sheet date, explanations of contingent liabilities and assets; and income judgments and expense amounts reported for the accounting period. Although these estimates and assumptions are based on all management information related to the events and transactions, actual results may differ from them. The estimates and judgments that are material to the carrying values of assets and liabilities are outlined below:

<u>Deferred tax assets for the carry forward tax losses:</u> 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 when accounting for deferred tax assets it is necessary to make critical estimations and evaluations with regard to taxable profits in the future periods.

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

As of 30 September 2018, the Group has carry forward tax losses amounting to TL 546.949.852 (31 December 2017: TL 245.045.520) which are expected to be deducted from future profits and did not recognize deferred tax assets for the carry forward tax losses amounting to TL 822.167.281 (31 December 2017: TL 534.454.080) for which the Group believes it will not utilize in the future. If the net income projections which are explained in Note 9 are not realized, related deferred tax assets for the carry forward tax losses will be accounted as an expense in the consolidated statements of income.

<u>Fair value of derivative financial instruments contracts:</u> Derivative financial instruments contracts are determined using valuation techniques of fair value. Each balance sheet date, Group predicts the future changes of swap majorly based on market data.

<u>Explanations for revaluation method and fair value measurement:</u> Group has chosen revaluation method as an accounting policy among application methods mentioned under IAS 16 for lands, land improvements, buildings, machinery and equipment belonging its power plants 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 has been disclosed in financial statements of 31 December 2015 and 31 December 2017. Any difference in realization of these estimates and assumptions may have material impact on the fair value of these assets.

### 2.7 Going concern

The Group has prepared its consolidated financial statements on a going concern basis in a foreseeable future. During the interim period 1 January - 30 September 2018, the Group generated cash and cash equivalents from the recognized operating profit before depreciation and amortization and was able to pay the interest of its borrowings which were due. With the effect of revenue generated in USD terms as part of the Renewable Energy Resources Support Mechanism ("YEKDEM"), total revenues of the Group for the interim period 1 January – 30 September 2018 has increased significantly. The 12 years termed refinancing loan agreement with a one year nonrefundable period, signed with Yapı ve Kredi Bankası A.Ş. on 30 September 2015, positively contributed to the cash flows of the Company. Additionally, the exposure to exchange rate risk of the Group is reduced because a portion of this refinanced loan was converted into TL. Additionally, as part of its daily operations, the Group is continuously seeking for new opportunities through consultations with financial institutions that could be in favor the Group and may positively affect the cash flows of the Group.

The Group continuously monitors the financial and operational risks (changes in natural gas prices, changes in natural gas supply conditions and their impact on the electricity market, changes in foreign exchange rates (i.e. approximately 59% depreciation of TL against USD and approximately 54% depreciation of TL against EUR between 31 December 2017 and 30 September 2018 etc.) through its risk inventory and takes necessary actions to reduce the effects of risks.

On 1 August 2018, Boru Hatları ile Petrol Taşıma A.Ş. ("BOTAŞ"), increased the natural gas prices of the natural gas sold to power plants which is used in electricity production by 49,5% and decided the consideration to be paid in TL which will be converted from USD using the official spot rate of TCMB at the payment day. Then on 15 August 2018, BOTAŞ decided to sell natural gas to power plants with a fixed TL price effective for the purchases in related month. Additionally, BOTAŞ decreased the natural gas prices of the natural gas sold to power plants which is used in electricity production by 3% on 31 August 2018 and 8,8% on 31 October 2018.

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

The cost of natural gas is a significant item on the cost of production of the Group due to Erzin combined natural gas cycle power plant of Egemer, which is a subsidiary of the Group. However, 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. Erzin, which has an advantageous position in terms of efficiency, operation and location, has high financial potential in medium and long term. 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 centers terminates, electricity prices will be set at a more rational basis and the Group management believes that, potential adverse effects of natural gas prices on the consolidated financial statements increase will be eliminated on spot and futures electricity markets.

As BOTAŞ approved the monthly spot natural gas purchase from the private sector as of 1 February 2018, the private sector provided natural gas for the Erzin power plant at a discounted price as compared to the prices declared by BOTAŞ. If it is needed in the following months, the natural gas supply can continue to be provided from the private sector to maintain cost advantage. Erzin combined natural gas cycle power plant has the significant advantage on competition in the daily profitability compared to similar plants under favor of its largest amount of reserves in Turkey in daily operations and the maximum amount of benefit from the ancillary services market operations (Primary Frequency Control and Secondary Frequency Control services). In addition, "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. In addition, within the termed electricity trade, the studies carried out for the purpose of increasing the transaction intensity of the products indexed to BOTAS natural gas sale tariff are coming to an end and it is predicted that the profitability of electricity generation facilities based on natural gas consumption will be preserved as a long term as a result of these studies.

With the Communique of Ministry of Commence regarding the regulation on loss of capital and over-indebtness in relation to Article 376 of 6102 numbered Turkish Commercial Code, 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 over-indebtness. In relation to this regulation, necessary calculations are made and unrealized foreign exchange losses recognised under retained earnings/losses under equity amounting to TL 577.359.773 and unrealized foreign exchange losses recognised understatement of profit or loss amounting to TL 1.609.571.734 and in total amounting to TL 2.186.931.507 is calculated. The respective amount is considered in the calculation of loss of capital and over-indebtness by addition to the total equity. Accordingly the Group does not experience an issue of loss of capital and over-indebtness.

Akenerji, 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 do not show a significant change by season.

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

## NOTE 3 - BORROWINGS

The details of borrowings of the Group as of 30 September 2018 and 31 December 2017 is as follows:

| | 30 September 2018 | 31 December 2017 |
|---|---|---|
| **Short term borrowings** | | |
| -Bank loans | 277.372.429 | - |
| **Total short term borrowings** | **277.372.429** | **-** |
| **Short-term portion of long term borrowings** | | |
| -Bank loans (*) | 653.063.755 | 377.892.651 |
| -Financial leasing payables (**) | 7.084.510 | 4.898.505 |
| **Total short-term portion of long term borrowings** | **660.148.265** | **382.791.156** |
| **Long term borrowings** | | |
| -Bank loans (*) | 3.991.560.206 | 2.783.727.773 |
| - Financial leasing payables (**) | 70.509.919 | 50.059.418 |
| **Total long term borrowings** | **4.062.070.125** | **2.833.787.191** |
| **Total short term and long term borrowings** | **4.999.590.819** | **3.216.578.347** |

As of 30 September 2018, the accrued interest expense on short-term and long-term bank borrowings is TL 175.098.023 (31 December 2017: TL 59.357.881).

(*) 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 4.711.184.461 (TL 4.711.184.464 and USD 710.171.699). Commissions amounting to TL 66.560.500, including the new loan arrangement commission of TL 25.921.522 arrangement commission for paid-off loans amounting to TL 15.404.071 and early payment commission amounting to TL 25.234.907 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 October 11, 2011, commissions paid for the loans used pursuant to this agreement is also deducted from the loan amount as of 30 September 2018.

(**) Financial leasing is related to machinery and equipment with a leasing period of 12 years. The ownership of the machinery and equipment 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.

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

## NOTE 3 – BORROWINGS (Continued)

The detail of short-term portion of long-term bank borrowings of the Group as of 30 September 2018 and 31 December 2017 is as follows:

| | | | | **30 September 2018** |
|---|---|---|---|---|
| | **Currency** | **Effective Interest rate %** | **Original Amount** | **Amount in TL** |
| Short-term bank loans | TL | 42,12 | 277.372.429 | 277.372.429 |
| **Total short-term bank loans** | | | | **277.372.429** |
| Short-term portion of long-term bank loans | USD | 6,66 | 96.693.438 | 579.213.035 |
| Short-term portion of long-term bank loans | TL | 11,95 | 73.850.720 | 73.850.720 |
| Short-term portion of long-term finance lease payables | EURO | 3,40 | 1.310.016 | 9.105.271 |
| Cost of short-term portion of long-term finance leasing payables (-) | EURO | 3,40 | (290.736) | (2.020.761) |
| **Total short-term borrowings** | | | | **660.148.265** |
| Long term bank loans | USD | 6,66 | 613.478.261 | 3.612.480.809 |
| Long term bank loans | TL | 11,95 | 379.079.397 | 379.079.397 |
| Long-term finance lease payables | EURO | 3,40 | 12.465.157 | 86.639.074 |
| Cost of long-term finance leasing payables (-) | EURO | 3,40 | (2.320.575) | (16.129.155) |
| **Total long-term borrowings** | | | | **4.062.070.125** |

| | | | | **31 December 2017** |
|---|---|---|---|---|
| | **Currency** | **Effective Interest rate %** | **Original Amount** | **Amount in TL** |
| Short-term portion of long-term bank loans | USD | 6,23 | 84.150.304 | 317.406.532 |
| Short-term portion of long-term bank loans | TL | 11,95 | 60.486.119 | 60.486.119 |
| Short-term portion of long-term finance lease payables | EURO | 3,40 | 1.310.016 | 5.915.378 |
| Cost of short-term portion of long-term finance leasing payables (-) | EURO | 3,40 | (225.196) | (1.016.873) |
| **Total short-term borrowings** | | | | **382.791.156** |
| Long term bank loans | USD | | 649.565.217 | 2.384.457.791 |
| Long term bank loans | TL | 11,95 | 399.269.982 | 399.269.982 |
| Long-term finance lease payables | EURO | 3,40 | 13.775.173 | 62.201.795 |
| Cost of long-term finance leasing payables (-) | EURO | 3,40 | (2.689.044) | (12.142.377) |
| **Total long-term borrowings** | | | | **2.833.787.191** |

Guarantees, pledges and mortgages given related to borrowings are explained in Note 6.

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

## NOTE 3 – BORROWINGS (Continued)

The loan repayment of the long-term bank borrowings as of 30 September 2018 and 31 December 2017 is as follows:

| | 30 September 2018 | 31 December 2017 |
|---|---|---|
| Up to 1 - 2 years | 469.595.318 | 309.303.086 |
| Up to 2 - 3 years | 469.595.318 | 309.303.086 |
| Up to 3 - 4 years | 469.595.318 | 309.303.086 |
| Up to 4 - 5 years | 469.595.318 | 309.303.086 |
| More than 5 years | 2.113.178.934 | 1.546.515.429 |
| | **3.991.560.206** | **2.783.727.773** |

The financial leasing repayment schedule of the long-term financial leasing payables as of 30 September 2018 and 31 December 2017 is as follows:

| | Minimum rent payments | | Present value of financial leasing payables | |
|---|---|---|---|---|
| | 30 September 2018 | 31 December 2017 | 30 September 2018 | 31 December 2017 |
| Up to 1-2 years | 9.105.268 | 5.915.379 | 6.768.295 | 4.251.557 |
| Up to 2-3 years | 9.105.268 | 5.915.379 | 7.000.039 | 4.397.128 |
| Up to 3-4 years | 9.105.268 | 5.915.379 | 7.239.717 | 4.547.683 |
| Up to 4-5 years | 9.105.268 | 5.915.379 | 7.487.604 | 4.703.395 |
| Up to 5-6 years | 9.105.268 | 5.915.379 | 7.743.979 | 4.864.438 |
| Up to 6-7 years | 9.105.268 | 5.915.379 | 8.009.133 | 5.030.996 |
| Up to 7-8 years | 9.105.268 | 5.915.379 | 8.283.366 | 5.203.257 |
| Up to 8-9 years | 9.105.268 | 5.915.379 | 8.566.991 | 5.381.417 |
| Up to 9-10 years | 9.105.268 | 5.915.379 | 8.860.327 | 5.565.678 |
| More than 10 years | 4.691.662 | 8.963.384 | 550.468 | 6.113.869 |
| | **86.639.074** | **62.201.795** | **70.509.919** | **50.050.418** |

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

## NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

| | 1 January 2018 – previously reported | Restatement effect | 1 January 2018 – restated | Additions | Disposals | 30 September 2018 |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| Lands | 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 | 715.739 | - | 2.800.616.328 |
| Motor vehicles | 1.048.929 | - | 1.048.929 | 111.438 | (259.653) | 900.714 |
| Furniture and fixture | 10.276.857 | - | 10.276.857 | 382.718 | - | 10.659.575 |
| Leasehold improvements | 1.082.778 | - | 1.082.778 | 107.928 | - | 1.190.706 |
| Construction in progress (***) | 28.843.107 | - | 28.843.107 | 4.724.376 | - | 33.567.483 |
| | **5.772.110.040** | **114.037.765** | **5.886.147.805** | **6.222.999** | **(259.653)** | **5.892.111.151** |
| **Accumulated depreciation:** | | | | | | |
| Land improvements | 156.299.676 | 1.879.367 | 158.179.043 | 61.233.978 | - | 219.413.021 |
| Buildings | 24.651.424 | 1.789.906 | 26.441.330 | 13.548.873 | - | 39.990.203 |
| Machinery and equipment | 192.289.165 | 26.578.070 | 218.867.235 | 116.480.818 | - | 335.348.053 |
| Motor vehicles | 745.728 | - | 745.728 | 95.491 | (258.780) | 582.439 |
| Furniture and fixture | 7.009.494 | - | 7.009.494 | 616.735 | - | 7.626.229 |
| Leasehold improvements | 755.235 | - | 755.235 | 82.732 | - | 837.967 |
| | **381.750.722** | **30.247.343** | **411.998.065** | **192.058.627** | **(258.780)** | **603.797.912** |
| **Net book value** | **5.390.359.318** | **83.790.422** | **5.474.149.740** | | | **5.288.313.239** |

| | 1 January 2017 | Additions | Transfers (****) | Disposals | 30 September 2017 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| Lands | 147.481 | - | - | - | 147.481 |
| Land improvements | 2.061.004.601 | 648.636 | 11.990.882 | - | 2.073.644.119 |
| Buildings | 412.844.609 | 37.000 | - | - | 412.881.609 |
| Machinery and equipment | 1.652.477.010 | 49.329.237 | 477.123 | (187.692) | 1.702.095.678 |
| Motor vehicles | 927.308 | 63.425 | - | (92.573) | 898.160 |
| Furniture and fixture | 9.837.999 | 409.763 | - | - | 10.247.762 |
| Leasehold improvements | 999.432 | 72.695 | - | - | 1.072.127 |
| Construction in progress | 42.083.278 | 45.298.809 | (12.468.005) | - | 74.914.082 |
| | **4.180.321.718** | **95.859.565** | **-** | **(280.265)** | **4.275.901.018** |
| **Accumulated depreciation:** | | | | | |
| Land improvements | 86.979.607 | 51.979.829 | - | - | 138.959.436 |
| Buildings | 13.596.792 | 8.288.961 | - | - | 21.885.753 |
| Machinery and equipment | 97.546.617 | 70.958.327 | - | (20.096) | 168.484.848 |
| Motor vehicles | 779.136 | 78.681 | - | (92.369) | 765.448 |
| Furniture and fixture | 6.160.069 | 638.610 | - | - | 6.798.679 |
| Leasehold improvements | 659.777 | 69.991 | - | - | 729.768 |
| | **205.721.998** | **132.014.399** | **-** | **(112.465)** | **337.623.932** |
| **Net book value** | **3.974.599.720** | | | | **3.938.277.086** |

(*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through financial leasing as of 27 January 2017 is amounting to TL 495.485 (31 December 2017: TL 495.485). As of 30 September 2018, the total amount of accumulated depreciation of related land improvement is TL 22.818 (31 December 2017: TL 13.039).

(**) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through financial leasing as of 27 January 2017 is amounting to TL 49.219.854 (31 December 2017: TL 49.219.854). As of 30 September 2018, the total amount of accumulated depreciation of the related machinery and equipment is TL 8.613.475 (31 December 2017: TL 4.921.986).

(***) The construction in progress as of 30 September 2018, construction in progress mainly consists of Feke II dam building and fish passage productions in several hydropower plants (30 September 2017: Additional investments made for Egemer Erzin natural Gas Combined Power Plant).

(****) Transfers made in 1 January – 30 September 2017 resulted from capitalization of the capacity increase investments of the Group made for the Ayyıldız wind power plant in Bandırma.

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

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

Current period depreciation expense of amounting to TL 191.672.148 TL has been included in cost of sales (30 September 2017: TL 131.625.488) and TL 386.479 has been included in general administrative expenses (30 September 2017: TL 388.911).

There are no borrowing costs capitalized in the cost of construction in progress for the period ended 30 September 2018 (30 September 2017: None).

Details of the guarantees, pledges and mortgages on property, plant and equipment as of 30 September 2018 and 31 December 2017 are disclosed in Note 6.

## NOTE 5 - INTANGIBLE ASSETS

| | 1 January 2018 | Additions | Transfers | Disposals | 30 September 2018 |
|---|---|---|---|---|---|
| **Costs:** | | | | | |
| Rights | 7.339.785 | 12.003 | - | - | 7.351.788 |
| Licenses | 125.931.583 | - | - | - | 125.931.583 |
| | **133.271.368** | **12.003** | **-** | **-** | **133.283.371** |
| **Accumulated amortisation:** | | | | | |
| Rights | 3.472.262 | 673.187 | - | - | 4.145.449 |
| Licenses | 16.490.947 | 1.306.182 | - | - | 17.797.129 |
| | **19.963.209** | **1.979.369** | **-** | **-** | **21.942.578** |
| **Net book value** | **113.308.159** | | | | **111.340.793** |

| | 1 January 2017 | Additions | Transfers | Disposals | 30 September 2017 |
|---|---|---|---|---|---|
| **Costs:** | | | | | |
| Rights | 5.326.229 | 261.225 | - | - | 5.587.454 |
| Licenses | 125.878.527 | - | - | - | 125.878.527 |
| | **131.204.756** | **261.225** | **-** | **-** | **131.465.981** |
| **Accumulated amortisation:** | | | | | |
| Rights | 3.136.815 | 208.755 | - | - | 3.345.570 |
| Licenses | 14.703.898 | 1.342.016 | - | - | 16.045.914 |
| | **17.840.713** | **1.550.771** | **-** | **-** | **19.391.484** |
| **Net book value** | **113.364.043** | | | | **112.074.497** |

Current period amortization expense amounting to TL 121.010 (30 September 2017: TL 97.957) has been included in cost of sales and remaining TL 1.858.359 (30 September 2017: TL 1.452.814) 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 September 2018, 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 September 2018 is TL 15.735.155 (31 December 2017: TL 16.355.919).

| | 30 September 2018 | 31 December 2017 |
|---|---|---|
| Litigation provision | 15.735.155 | 16.355.919 |
| Expense accruals (*) | 3.062.968 | 1.085.058 |
| | **18.798.123** | **17.440.977** |

(*) Provision for cost expenses consists of periodical maintenance provisions.

The movements of litigation provision are as follows:

| | 2018 | 2017 |
|---|---|---|
| 1 January | 16.355.919 | 8.411.594 |
| Current period charges (*) | 697.884 | 1.639.651 |
| Released provisions | (1.318.648) | (1.178.007) |
| **30 September** | **15.735.155** | **8.873.238** |

(*) Current period charges consist of additional litigation provision amounting to TL 227.093 (Note 12) and interest expense arising from existing litigation amounting to TL 470.091.

### 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 September 2018 | | 31 December 2017 | |
|---|---|---|---|---|---|
| | Original currency | Original amount | TL equivalent | Original currency | Original amount |
| Letters of guarantees given | TL | 142.282.029 | 142.282.029 | 330.676.117 | 330.676.117 |
| Letters of guarantees given | Euro | 200.000 | 1.390.100 | 200.000 | 903.100 |
| | | | **143.672.129** | | **331.579.217** |

Guarantees given, in general, are comprised of the letters of guarantees given to the several institutions and organizations within the operations of the Group (mainly to EMRA and electricity transmission and distribution related government authorities) 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 September 2018 and 31 December 2017 are as follows:

| | | 30 September 2018 | | 31 December 2017 | |
|---|---|---|---|---|---|
| | **Currency** | **Original currency** | **TL equivalent** | **Original currency** | **TL equivalent** |
| **GPMs given by the Group** | | | | | |
| A. GPMs given for companies' own legal entity | TL | 5.752.282.029 | 5.752.282.029 | 5.940.676.117 | 5.940.676.117 |
| | EURO | 200.000 | 1.390.100 | 200.000 | 903.100 |
| 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 | | - | - | - | - |
| ii) Total amount of CPMB's given to on behalf of other which are not in scope of B and C. | | - | - | - | - |
| iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C. | | - | - | - | - |
| | | | **5.753.672.129** | | **5.941.579.217** |

Details of the guarantees given by Akenerji for its own legal entity as of 30 September 2018 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 and Egemer (collectively "Borrowers") 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, Share Pledge (only for Egemer shares in Akenerji) and Mortgage Agreements. In accordance with the Commercial Business Pledge Agreements signed between Akenerji and Egemer and the Bank, a commercial enterprise pledge amounting to TL 5.610.000.000 has been established in order to create an upper limit together for Akenerji and Egemer.

In order to constitute guarantee of the loan repayments of Egemer amounting to a borrowing of USD 633.000.000 retained, a pledge (shares, accounts and pledges of commercial enterprises) and a claim of receivables and mortgage agreements signed between Yapı ve Kredi Bankası A.Ş. and Egemer.

In addition, within the context of the guarantee letters signed between borrowers and Yapı ve Kredi Bankası A.Ş., Akenerji and Egemer stood a guarantor for each other regarding the repayment of the loan borrowed and provided the necessary commitments to the bank to pay the debt service and the debt. In addition, Yapı ve Kredi Bankası A.Ş. is defined as a pledge creditor in insurance policies of power plants.

As of 30 September 2018, GPMs given by the Group to equity ratio is 2.573%.(31 December 2017: 318%)

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

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

- **Other significant matters**

As a result of the lawsuits brought for the Kemah Dam & Hydroelectric Plant Project, a positive Environmental Impact Assessment ("EIA") report was received for the revised EIA prepared on 10 February 2016. Subsequently, a lawsuit requesting the cancellation of the positive EIA report received from the Ministry of Environment and Urban Planning of Turkey in 2014 was finalised and the previous positive EIA report was cancelled.

Another lawsuit was brought against the revised positive EIA report on February 2016 and on 28 February 2018, it has been decided by the court of first instance to cancel the positive EIA report. Both the Group and the Ministry of Environment and Urban Planning of Turkey, lodged an appeal with the Supreme Court for the cancellation of the decision. As a result of the investigation performed on the appeal by the Supreme Court, the decision of the court of first instance is cancelled and the application on cancellation of the positive EIA report is dismissed. The decision held by the Supreme Court in favor of the Group is the final definitive judgment and cannot be appealed.

Since the appeal process on the EAI report is finalized in favor of the Group, the application on the revised EIA report to the Ministry of Environment and Urban Planning of Turkey will be cancelled as this is not necessary anymore.

In addition, the suspension of all rights on the electricity production license of Kemah Dam & Hydroelectric Plant Project which is established following the application of the Group to EMRA will requested to be restored.

- **Purchase Commitment**

*Electricity purchase and sale commitments:*

As of 30 September 2018, the Group has committed to sell 3.375.588 MWh of electricity energy within the scope of electricity energy sales contracts made with energy companies in 2018 and as of 30 September 2018, 3.096.914 MWh of the electricity energy was comitted to be sold is completed.

As of 30 September 2018, the Group has commited to purchase 1.530.984 MWh of electricity energy within the scope of electricity energy purchase agreements with energy companies in 2018 and as of 30 September 2018, 1.276.302 MWh of the electricity enerji was committed to be purchased is completed.

Within the context of the electricity purchase and sales transactions and within the scope of risk sharing agreements signed between the energy companies, as of 30 September 2018, the Group has committed to sell 834.330 MWh risk sharing sales and comitted to buy 51.360 MWh risk sharing purchase transactions. As of 30 September 2018, 761.850 MWh of the risk sharing sales transaction committed and 51.360 MWh of the risk sharing purchase transaction committed has been completed.

### c) Contingent Assets

**Guarantees received**

| | | 30 September 2018 | | 31 December 2017 | |
|---|---|---|---|---|---|
| | **Currency** | **Original currency** | **TL Equivalent** | **Original currency** | **TL Equivalent** |
| Letters of guarantees received | TL | 76.415.555 | 76.415.555 | 119.516.381 | 119.516.381 |
| Letters of guarantees received | EURO | 5.175.000 | 35.968.838 | 15.916.000 | 71.868.698 |
| Letters of guarantees received | USD | 4.000 | 23.961 | 4.000 | 15.088 |
| Notes of guarantees received | TL | 4.130.209 | 4.130.209 | 4.130.209 | 4.130.209 |
| Notes of guarantees received | USD | 4.656.023 | 27.890.511 | 4.656.023 | 17.562.053 |
| Notes of guarantees received | EURO | 93.229 | 647.991 | 93.229 | 420.976 |
| Notes of guarantees received | GBP | 5.675 | 44.310 | 5.675 | 28.831 |
| Cheques of guarantees received | TL | 108.500 | 108.500 | 408.500 | 408.500 |
| Cheques of guarantees received | USD | 100.559 | 602.369 | 100.559 | 379.298 |
| Mortgages received | TL | 3.242.000 | 3.242.000 | - | - |
| | | | **149.074.244** | | **214.330.034** |

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 September 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | **Contract amount** | **Fair Value** | **Contract amount** | **Fair value** |
| Forward contracts | | | | |
| - Short term | - | - | 33.947.100 | 497.923 |
| **Derivative financial assets** | | **-** | | **497.923** |
| Forward contracts | | | | |
| - Short term | 82.065.740 | 4.217.017 | - | - |
| Interest rate swaps | | | | |
| - Short term | 184.456.229 | 2.669.502 | 386.071.336 | 15.163.211 |
| - Long term | 1.004.068.339 | 14.531.161 | 447.750.536 | 17.585.703 |
| **Derivative financial liabilities** | | **21.417.680** | | **32.748.914** |

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 under 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 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 September 30, 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 TL 1 ("One Turkish Lira"). As of 30 September 2018 and 31 December 2017 the share capital held is as follows:

| | 30 September 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 September 2018 and 31 December 2017 are as follows:

| | 30 September 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | 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. ("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** |
| 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 for each where 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 September 2018 | 31 December 2017 |
|---|---|---|
| Legal reserves | 12.053.172 | 12.053.172 |

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of a company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital, Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. Under the CMB, those amounts are required to be classified in "Reserves on retained earnings".

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

## NOTE 9 - TAXES ASSETS AND LIABILITIES

| | 30 September 2018 | 31 December 2017 |
|---|---|---|
| Current income tax expense | 3.358.352 | 2.058.717 |
| Less: Prepaid taxes | (2.990.192) | (3.752.376) |
| **Current income tax liabilities / (Current income tax assets), net** | **368.160** | **(1.693.659)** |

| | 30 September 2018 | 31 December 2017 |
|---|---|---|
| Deferred tax assets | 208.629.244 | 16.795.470 |
| Deferred tax liabilities | (206.782.227) | (345.385.759) |
| **Deferred tax assets/(liabilities), net** | **1.847.017** | **(328.590.289)** |

*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 25th 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 1 January – 30 September 2018 and 2017 are as follows:

| | 1 January - 30 September 2018 | 1 January - 30 September 2017 | 1 July - 30 September 2018 | 1 July - 30 September 2017 |
|---|---|---|---|---|
| Current income tax expense | (3.358.352) | (1.513.318) | (1.925.296) | (543.475) |
| Deferred tax (expense)/income | 331.154.169 | (38.181.314) | 205.985.697 | (12.169.178) |
| | **327.795.817** | **(39.694.632)** | **204.060.401** | **(12.712.653)** |

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

## NOTE 9 - TAXES ON INCOME (Continued)

*Deferred taxes*

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising from its financial statements prepared in compliance with TAS 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 and Tax Laws.

The tax rate applied in calculation of deferred tax asset and liabilities for the temporary differences expected to be closed by 2018, 2019 and 2020 is 22% and after 2020 is 20%. (2017: 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 income tax assets / (liabilities) are as follows:

| | **Temporary differences** | | **Deferred tax assets / (liabilities)** | |
|---|---|---|---|---|
| | **30 September 2018** | **31 December 2017** | **30 September 2018** | **31 December 2017** |
| Deferred tax assets on tax losses | (546.949.852) | (245.045.520) | 112.341.122 | 50.579.904 |
| Derivative financial instruments | (16.127.995) | (28.914.130) | 3.240.115 | 5.782.826 |
| Investment incentives (*) | (78.906.675) | (78.906.675) | 15.781.335 | 15.781.335 |
| Provisions for lawsuits | (15.735.155) | (16.355.919) | 3.147.031 | 3.271.184 |
| Provision for employment termination benefit | (3.315.241) | (3.244.119) | 663.048 | 648.824 |
| Provision for unused vacations | (811.000) | (502.185) | 177.643 | 107.533 |
| Other provisions | (762.422) | (111.376) | 152.484 | 22.275 |
| Adjustments to property, plant and equipment | 642.912.586 | 1.989.961.945 | (128.988.031) | (398.435.597) |
| Adjustments to borrowings | 25.914.814 | 31.593.508 | (5.182.963) | (6.318.702) |
| Unrecognised credit finance expense | - | (223.114) | - | 44.623 |
| Unrecognised credit finance revenue | 1.038.952 | 3.679.640 | (228.570) | (731.534) |
| Bonus provision | (2.121.929) | (2.975.000) | 436.086 | 640.745 |
| Other | (1.538.582) | (81.475) | 307.717 | 16.295 |
| **Deferred tax assets/(liabilities), net** | | | **1.847.017** | **(328.590.289)** |

(*) Within the scope of Article 19 of GVK Mülga, the related amount of investment incentive is mainly due to investment expenditures of Uluabat HEPP.

The 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 September 2018** | **31 December 2017** |
|---|---|---|---|
| 2015 | 2020 | 147.557.567 | 78.540.000 |
| 2016 | 2021 | 142.765.785 | 100.550.000 |
| 2017 | 2022 | 184.332.955 | 65.955.520 |
| 2018 | 2023 | 72.293.545 | - |
| | | **546.949.852** | **245.045.520** |

The 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 September 2018** | **31 December 2017** |
|---|---|---|---|
| 2013 | 2018 | 74.805.541 | 74.805.541 |
| 2014 | 2019 | 233.051.421 | 235.153.357 |
| 2015 | 2020 | 4.934.047 | 4.934.047 |
| 2016 | 2021 | 63.729.320 | 63.729.320 |
| 2017 | 2022 | 152.664.573 | 155.831.815 |
| 2018 | 2023 | 292.982.379 | - |
| | | **822.167.281** | **534.454.080** |

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

## NOTE 10 – REVENUE

The Group distinguishes the revenue in the financial statements by categories that sets out how the quality, amount, timing and uncertainty of revenue are affected by economic factors.

| | 1 January - 30 September 2018 | 1 January - 30 September 2017 | 1 January - 30 September 2018 | 1 July - 30 September 2017 |
|---|---|---|---|---|
| Wholesale electricity sales revenue | 1.274.190.032 | 1.153.619.450 | 534.921.697 | 487.669.133 |
| Revenue on imbalance mechanism | 100.102.243 | 53.593.687 | 47.905.259 | 17.988.552 |
| Revenue on YEKDEM mechanism | 85.958.182 | 51.059.927 | 22.917.118 | 8.531.139 |
| Revenue on capacity mechanism | 47.601.584 | - | 16.470.703 | - |
| Revenue on seconder frequency control | 43.222.686 | - | 19.153.943 | - |
| Revenue on loading instructions | 39.379.643 | 76.626.372 | 17.778.974 | 15.326.498 |
| Revenue on past period correction item | 1.356.112 | 1.537.198 | 46.014 | 55.495 |
| Revenue on primary frequency control | 121.778 | - | - | - |
| Other | 311.401 | 361.520 | 86.957 | 28.139 |
| | **1.592.243.661** | **1.336.798.154** | **659.280.665** | **529.598.956** |

## NOTE 11 – EXPENSES BY NATURE

| | 1 January - 30 September 2018 | 1 January - 30 September 2017 | 1 July - 30 September 2018 | 1 July - 30 September 2017 |
|---|---|---|---|---|
| Direct raw materials consumed | 1.309.683.584 | 1.122.576.857 | 582.965.353 | 460.080.593 |
| Depreciation and amortization expenses (*) | 194.037.996 | 133.565.170 | 69.004.989 | 44.528.258 |
| Personnel expenses (**) | 29.489.648 | 28.959.213 | 9.677.099 | 8.072.134 |
| Maintenance and repair expenses | 15.987.960 | 11.698.874 | 5.942.182 | 4.608.095 |
| Consultancy expenses | 11.814.813 | 8.630.248 | 4.410.404 | 2.830.538 |
| Insurance expenses (***) | 9.205.600 | 8.743.966 | 3.108.257 | 3.061.633 |
| Other materials and spare parts consumed | 5.380.508 | 1.609.098 | 1.004.320 | 691.266 |
| Taxes and duties | 3.196.451 | 3.622.311 | 844.917 | 2.299.103 |
| Rent expenses | 1.723.326 | 1.198.279 | 593.674 | 395.666 |
| IT expenses | 1.427.775 | 1.380.894 | 499.934 | 389.451 |
| Office expenses | 1.401.110 | 1.316.615 | 449.974 | 405.865 |
| Vehicle expenses | 1.141.966 | 990.583 | 427.999 | 331.246 |
| Travel expenses | 425.681 | 657.419 | 82.254 | 154.918 |
| Transportation and logistics expenses | 386.933 | 319.793 | 124.771 | 91.641 |
| Advertising expenses | 227.124 | 301.209 | 88.147 | 107.460 |
| Other expenses | 4.340.637 | 2.721.190 | 1.096.724 | 855.671 |
| | **1.589.871.112** | **1.328.291.719** | **680.320.998** | **528.903.538** |

(*) Depreciation and amortization expenses amounting to TL 191.793.158 (30 September 2017: TL 131.723.445) is classified in cost of sales, TL 2.244.838 (30 September 2017: TL 1.841.725) of amortization and depreciation expenses is classified in general administrative expenses.

(**) Personnel expenses amounting to TL 15.938.076 (30 September 2017: TL 14.505.807) is classified in cost of sales, TL 13.551.572 (30 September 2017: TL 14.453.406) is classified in general and administrative expenses.

(***) Insurance expenses amounting to TL 9.064.390 (30 September 2017: TL 8.580.110) is classified in cost of sales, TL 141.210 (30 September 2017: TL 163.856) is classified in general and administrative expenses.

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

## NOTE 12 - OTHER OPERATING INCOME AND EXPENSE

### a) Other operating income

| | 1 January - 30 September 2018 | 1 January - 30 September 2017 | 1 July - 30 September 2018 | 1 July - 30 September 2017 |
|---|---|---|---|---|
| Gain on derivative contracts for natural gas payments | 10.869.300 | - | 10.869.300 | - |
| Foreign exchange gains from trading activities | 8.821.455 | 2.752.415 | 4.360.911 | 295.626 |
| Provisions no longer required (*) | 3.122.448 | 2.695.846 | 844.898 | 215.480 |
| Income from compensation (***) | 2.549.517 | - | 2.549.517 | - |
| Rediscount income | 1.262.066 | 735.699 | 1.038.952 | (360.868) |
| Income from option premiums | 1.009.008 | 1.004.280 | - | 752.520 |
| Energy services income | 518.200 | 217.800 | 159.000 | 171.000 |
| Income from insurances | 448.126 | 903.431 | - | 497.360 |
| Income from delay interest (**) | 168.337 | 58.647 | 136.281 | 3.871 |
| Other | 2.367.704 | 2.048.859 | (541.460) | 338.013 |
| **Total** | **31.136.161** | **10.416.977** | **19.417.399** | **1.913.002** |

(*) As of 30 September 2018, TL 1.318.648 (30 September 2017: TL 1.178.007) of the provisions no longer required comprised of released provisions of litigation provisions, TL 1.802.175 (30 September 2017: TL 629.700) comprised of the released provisions of the personnel bonus provisions which is not realized and TL 1.625 (30 September 2017: TL 888.139) comprised of the released other provisions.

(**) Comprised of delay interest charges for trade receivables which are not collected at their due dates. The interest rate applied is 2,00% (30 September 2017: 1,40%).

(***) Compensation income resulted from compensation received from the contractor within the scope of a maintenance contract of the Group (30 September 2017: None).

### b) Other operating expenses

| | 1 January - 30 September 2018 | 1 January - 30 September 2017 | 1 July - 30 September 2018 | 1 July - 30 September 2017 |
|---|---|---|---|---|
| Risk sharing expenses (*) | 54.012.988 | 43.242.217 | 46.439.780 | 19.534.434 |
| Foreign exchange losses from trading activities | 24.566.768 | 2.221.361 | 20.360.511 | 592.596 |
| Rediscount expenses | 3.679.640 | - | 2.229.529 | - |
| Losses on derivative contracts for natural gas payments | 3.491.237 | - | 3.491.237 | - |
| Expenses on option premiums | 1.572.994 | - | 1.200.946 | (222.024) |
| Expenses on energy services | 658.695 | 251.000 | 259.410 | 171.000 |
| Previous period expenses | 456.325 | 944.818 | - | (111.078) |
| Provisions for litigations | 227.093 | 1.639.651 | 153.436 | 301.465 |
| Other | 975.712 | 3.861.589 | 247.416 | 1.753.656 |
| **Total** | **89.641.452** | **52.160.636** | **74.382.265** | **22.020.049** |

(*) Risk sharing expenses consists of the expenses and income 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

| | 1 January - 30 September 2018 | 1 January - 30 September 2017 | 1 July - 30 September 2018 | 1 July - 30 September 2017 |
|---|---|---|---|---|
| Gain/(losses) on sale of property, plant and equipment, net | 166.102 | 18.792 | - | 815.018 |
| | **166.102** | **18.792** | **-** | **815.018** |

## NOTE 14 - FINANCIAL INCOME AND EXPENSES

### a) Financial income:

| | 1 January – 30 September 2018 | 1 January – 30 September 2017 | 1 July – 30 September 2018 | 1 July – 30 September 2017 |
|---|---|---|---|---|
| Gain on derivative financial instruments, net | 18.552.017 | - | 1.560.354 | - |
| Foreign exchange gain | 13.703.177 | 12.000.246 | 5.861.429 | (7.360.873) |
| Interest income | 2.918.585 | 10.345.628 | 1.287.525 | 3.145.567 |
| | **35.173.779** | **22.345.874** | **8.709.308** | **(4.215.306)** |

### b) Financial expenses:

| | 1 January – 30 September 2018 | 1 January – 30 September 2017 | 1 July – 30 September 2018 | 1 July – 30 September 2017 |
|---|---|---|---|---|
| Foreign exchange losses | 1.615.578.505 | 31.737.502 | 1.033.561.503 | 26.503.076 |
| Interest and commission expenses | 286.768.386 | 199.950.965 | 128.055.279 | 65.908.991 |
| Losses on derivative financial instruments, net | - | 8.059.097 | - | (410.780) |
| Other financial expenses (*) | 52.352.378 | 14.714.457 | 31.012.510 | 3.173.263 |
| | **1.954.699.269** | **254.462.021** | **1.192.629.292** | **95.174.550** |

(*) For the period 1 January - 30 September 2018, TL 50.928.759 (1 January – 30 September 2017: TL 12.519.014) of the respective amount is comprised of the indexation difference of the liability due to Uluabat DSİ Water Use Agreement calculated by WPT.

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

## NOTE 15 - RELATED PARTY DISCLOSURES

The Group's subsidiaries and joint ventures and related party balances with other related parties are as follows:

**a- Transaction with related parties**

- *Purchases from related parties*

| | 1 January - 30 September 2018 | 1 January - 30 September 2017 | 1 July - 30 September 2018 | 1 July - 30 September 2017 |
|---|---|---|---|---|
| Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş") (1) | 74.188.398 | 59.937.675 | 53.844.385 | 23.171.304 |
| Dinkal Sigorta Acenteliği A.Ş. ("Dinkal") (2) | 17.336.985 | 6.564.384 | 829.823 | 866.609 |
| Cez a.s. Turkey Daimi Tem. (3) | 5.938.343 | 3.355.541 | 2.459.281 | 1.199.231 |
| Akkök Holding A.Ş. ("Akkök") (4) | 4.223.717 | 4.601.607 | 1.426.688 | 1.108.591 |
| Aksa Akrilik Kimya Sanayi A.Ş. ("Aksa) (5) | 2.307.338 | 130.175 | 727.334 | 130.175 |
| Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş. ("Aktek") (6) | 2.302.215 | 2.478.732 | 548.462 | 905.761 |
| Ak-Han Bakım Yön. Serv. Hiz. Güv. Malz. A.Ş. ("Ak-Han") (7) | 1.638.812 | 1.320.423 | 578.525 | 467.731 |
| Ak-pa Tekstil İhracat Pazarlama A.Ş. ("Ak-pa") | 64.043 | 84.587 | 24.593 | 33.085 |
| Cez a.s. | 34.313 | 68.033 | 27.176 | 23.713 |
| Ak Havacılık ve Ulaştırma Hiz. A.Ş. ("Ak-Hava") | - | 60.890 | - | - |
| Other | 3.468 | 5.976 | 2.560 | - |
| | **108.037.632** | **78.608.023** | **60.468.827** | **27.906.200** |

(1) Comprised of the Group's risk sharing purchases.
(2) Comprised of the insurances purchased from several insurance companies by the intermediary of Dinkal.
(3) Consists of the consultancy services received.
(4) Comprised of the consultancy and the rent services received.
(5) Comprised of sharing of instability savings.
(6) Comprised of IT services received.
(7) Comprised of building maintenance and other services received.

- *Sales to related parties*

| | 1 January - 30 September 2018 | 1 January - 30 September 2017 | 1 July - 30 September 2018 | 1 July - 30 September 2017 |
|---|---|---|---|---|
| Sepaş (1) | 268.674.373 | 149.279.830 | 134.208.559 | 46.647.485 |
| Cez Trade Bulgaria Ead. (1) | 2.602.708 | - | 2.602.708 | - |
| Aksa (2) | 2.564.479 | 731.947 | 473.822 | 725.447 |
| Aktek | 199.569 | - | 167.413 | - |
| Akiş Gayrimenkul Yatırım A.Ş. | 105.000 | 75.000 | 15.000 | 45.000 |
| Akcez | 137.301 | 20.691 | 13.995 | 8.596 |
| Cez a.s. Turkey Daimi Tem. | 27.125 | - | 9.041 | - |
| Other | - | 230.741 | - | 20.741 |
| | **274.310.555** | **150.338.209** | **137.490.538** | **47.447.269** |

(1) In general, comprised of sale of electricity and capacity.
(2) In general, comprised of sharing of instability saving.

(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 September 2018 | 31 December 2017 |
|---|---|---|
| Sepaş [1] | 66.465.192 | 20.679.510 |
| CEZ Trade Bulgaria Ead. [2] | 204.342 | - |
| Aksa [2] | 144.068 | 431.346 |
| CEZ a.s. Turkey Daimi Tem | 14.226 | 9.385 |
| Akcez | 5.505 | 43.577 |
| Other | - | 73.072 |
| | **66.833.333** | **21.236.890** |

(1) Comprised of receivables from the sale of electricity.
(1) Comprised of receivables from the sale of electricity and capacity.
(3) Comprised of receivables from sharing of instability saving.

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

- *Short-term trade payables to related parties*

| | 30 September 2018 | 31 December 2017 |
|---|---|---|
| Dinkal [1] | 15.107.853 | 1.994.545 |
| CEZ a.s. Turkey Daimi Tem. [3] | 5.878.910 | 891.789 |
| Sepaş [2] | 3.683.298 | 6.560.640 |
| Akkök [3] | 1.095.610 | 1.626.409 |
| Aktek [4] | 341.706 | 412.012 |
| Aksa | 330.509 | - |
| Ak-Han | 217.633 | 236.080 |
| Cez a.s | 143.252 | 101.336 |
| Other | 2.560 | 24.627 |
| | **26.801.331** | **11.847.438** |

(1) Comprised of the payables will be made to Dinkal for the insurances purchased from several insurance companies by the intermediary of Dinkal.
(2) Comprised of payables on risk sharing electricity purchases.
(3) Comprised of payables related to consultancy services.
(4) Comprised of payables related to IT services received.

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

- *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 September 2018 | 1 January - 30 September 2017 | 1 July - 30 September 2018 | 1 July - 30 September 2017 |
|---|---|---|---|---|
| Salaries and benefits | 1.921.754 | 1.599.320 | 661.761 | 421.354 |
| Bonus | 337.895 | 1.225.353 | - | 119.796 |
| Attendance fee | 550.965 | 672.947 | 104.271 | 241.589 |
| | **2.810.614** | **3.497.620** | **766.032** | **782.739** |

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

## NOTE 16 – FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### *Foreign exchange risk*

The Group is exposed to foreign exchange risks due to foreign currency transactions. Foreign exchange risk results from the commercial activities and foreign currency denominated assets and liabilities. The Group controls that risk in a natural manner through netting off the foreign currency denominated assets and liabilities. The management limits the foreign currency position of the Group through analyzing it.

The details of the net foreign currency position of the Group as of 30 September 2018 and 31 December 2017 are as follows:

| | **30 September 2018** | **31 December 2017** |
|---|---|---|
| Assets | 19.211.294 | 47.655.744 |
| Liabilities | 4.588.532.499 | 3.000.579.470 |
| **Net foreign currency position** | **(4.569.321.205)** | **(2.952.923.726)** |

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

## NOTE 16 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The exposure of the Group to credit risk as of 30 September 2018 and 31 December 2017 based on type of financial instruments is as follows:

| | 30 September 2018 | | | | 31 December 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | **TL Equivalent** | **USD** | **Euro** | **Other** | **TL Equivalent** | **USD** | **Euro** | **Other** |
| Cash and cash equivalents | 6.293.904 | 24.906 | 883.834 | 208 | 40.324.426 | 8.358.837 | 1.947.897 | - |
| Trade receivables from third parties | 20.714 | 3.241 | 187 | - | 83.047 | 13.751 | 6.905 | - |
| Other receivables from third parties | 12.876.309 | 1.917.500 | 200.000 | - | 7.232.618 | 1.917.500 | - | - |
| **Current assets** | **19.190.927** | **1.945.647** | **1.084.021** | **208** | **47.640.091** | **10.290.088** | **1.954.802** | **-** |
| Other receivables from third parties | 20.367 | 3.400 | - | - | 15.653 | 4.150 | - | - |
| **Non-current assets** | **20.367** | **3.400** | **-** | **-** | **15.653** | **4.150** | **-** | **-** |
| **Total assets** | **19.211.294** | **1.949.047** | **1.084.021** | **208** | **47.655.744** | **10.294.238** | **1.954.802** | **-** |
| Derivative financial instruments | 6.886.520 | 1.149.631 | - | - | 13.059.920 | 3.462.425 | - | - |
| Short-term portion of long term borrowings | 579.213.032 | 96.693.438 | - | - | 317.406.533 | 84.150.304 | - | - |
| Trade payables to related parties | 20.466.321 | 2.380.869 | 892.661 | - | 2.851.128 | 227.879 | 441.056 | - |
| Trade payables to third parties | 147.821.656 | 24.509.303 | 144.742 | - | 31.285.644 | 8.001.360 | 244.743 | 35 |
| Other payables to third parties | 2.645.484 | 107.686 | 287.810 | - | - | - | - | - |
| Financial leasing liabilities | 7.084.506 | - | 1.019.280 | - | 4.898.505 | - | 1.084.820 | - |
| Other short-term provisions | 3.254.901 | 481.958 | 52.928 | - | 5.405.305 | 1.433.046 | - | - |
| **Current liabilities** | **767.372.420** | **125.322.885** | **2.397.421** | **-** | **374.907.035** | **97.275.014** | **1.770.619** | **35** |
| Derivative financial instruments | 14.531.159 | 2.425.822 | - | - | 33.148.503 | 8.788.277 | - | - |
| Borrowings | 3.674.857.479 | 613.478.261 | - | - | 2.450.095.044 | 649.565.217 | - | - |
| Financial leasing liabilities | 70.509.917 | - | 10.144.582 | - | 50.059.415 | - | 11.086.129 | - |
| Trade payables to third parties | 61.259.128 | 10.226.558 | - | - | 92.367.964 | 24.488.445 | - | - |
| Other payables to third parties | 2.396 | 400 | - | - | 1.509 | 400 | - | - |
| **Non-current liabilities** | **3.821.160.079** | **626.131.041** | **10.144.582** | **-** | **2.625.672.435** | **682.842.339** | **11.086.129** | **-** |
| **Total liabilities** | **4.588.532.499** | **751.453.926** | **12.542.003** | **-** | **3.000.579.470** | **780.117.353** | **12.856.748** | **35** |
| **Net foreign currency assets/(liabilities)** | **(4.569.321.205)** | **(749.504.879)** | **(11.457.982)** | **208** | **(2.952.923.726)** | **(769.823.115)** | **(10.901.946)** | **(35)** |

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

## NOTE 16 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (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 September 2018 and 31 December 2017, 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 September 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 | (897.936.825) | 897.936.825 | - | - |
| 2- Part of hedged from USD risk (-) | - | - | - | - |
| **3- USD net effect (1+2)** | **(897.936.825)** | **897.936.825** | **-** | **-** |
| **+/- 20% fluctuation of EUR rate** | | | | |
| 4- EUR net asset / liability | (15.927.741) | 15.927.741 | - | - |
| 5- Part of hedged from EUR risk (-) | - | - | - | - |
| **6- EUR net effect (4+5)** | **(15.927.741)** | **15.927.741** | **-** | **-** |
| **+/- 20% fluctuation of other currencies rate against to TL** | | | | |
| 7- Other currencies net asset / liability | 325 | (325) | - | - |
| 8- Part of hedged from other currencies risk (-) | - | - | - | - |
| **9- Other currencies net effect (7+8)** | **325** | **(325)** | **-** | **-** |
| **Total (3+6+9)** | **(913.864.241)** | **913.864.241** | **-** | **-** |

| | | | | **31 December 2017** |
|---|---|---|---|---|
| | | **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 | (580.739.161) | 580.739.161 | - | - |
| 2- Part of hedged from USD risk (-) | - | - | - | - |
| **3- USD net effect (1+2)** | **(580.739.161)** | **580.739.161** | **-** | **-** |
| **+/- 20% fluctuation of EUR rate** | | | | |
| 4- EUR net asset / liability | (9.845.547) | 9.845.547 | - | - |
| 5- Part of hedged from EUR risk (-) | - | - | - | - |
| **6- EUR net effect (4+5)** | **(9.845.547)** | **9.845.547** | **-** | **-** |
| **+/- 20% fluctuation of other currencies rate against to TL** | | | | |
| 7- Other currencies net asset / liability | (36) | 36 | - | - |
| 8- Part of hedged from other currencies risk (-) | - | - | - | - |
| **9- Other currencies net effect (7+8)** | **(36)** | **36** | **-** | **-** |
| **Total (3+6+9)** | **(590.584.744)** | **590.584.744** | **-** | **-** |

## NOTE 17 – FAIR VALUE DISCLOSURE OF FINANCIAL INSTRUMENTS (Continued)

**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 interest rate borrowings and other financial liabilities are estimated to be close 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 September 2018, the Group has short-term and long-term liabilities from derivative financial instruments amounting to TL 6.886.519 (31 December 2017: TL 15.163.211) and TL 14.531.161 (31 December 2017: TL 17.585.703) respectively and has no derivative financial instruments in its current assets (31 December 2017: TL 497.923), which are categorized as level 2.

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 through other valuation techniques involving direct and indirect observable inputs (Level 3).

## NOTE 18 – EVENTS AFTER BALANCE SHEET DATE

A resolution of Board of Directors is adopted on 4 September 2018 on the decision to merge Egemer, a subsidiary of the Group, within the body of Akenerji with all of its assets and liabilities by way of acquisition. Following the decision, necessary applications are made to Capital Markets Board and Energy Market Regulatory Authority and the merger approval of Energy Market Regulatory Authority is retained on 9 October 2018. The approval process related to the application made to the Capital Markets Board is on-going.

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