

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

# **Akenerji Elektrik Üretim A.Ş.**

**Condensed consolidated financial statements for the interim period ended 1 January - 30 June 2020**



**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR’S REVIEW REPORT  
ORIGINALLY ISSUED IN TURKISH  
REPORT ON REVIEW OF CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION**

To the General Assembly of Akenerji Elektrik Üretim A.Ş.

*Introduction*

1. We have reviewed the accompanying condensed consolidated interim statement of financial position of Akenerji Elektrik Üretim A.Ş. (the “Company”) and its subsidiaries (collectively referred as the “Group”) as at 30 June 2020, the condensed consolidated interim statement of profit or loss, the condensed consolidated statement of other comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated cash flows and other explanatory notes for the six-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with Turkish Accounting Standard 34 (“TAS 34”) “Interim Financial Reporting”. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

*Scope of review*

2. We conducted our review in accordance with the Standard on Review Engagements (“SRE”) 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the consolidated financial statements. Consequently, a review on the condensed consolidated interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

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



Other matter

4. The consolidated financial statements of the Group as of 31 December 2019 and for the year then ended were audited and the condensed consolidated interim financial information as of 30 June 2019 and for the six-month period then ended were reviewed by another audit firm whose audit report dated 28 February 2020 expressed an unqualified opinion and whose review report dated 8 August 2019 expressed a conclusion that no material non-compliance with respect to TAS 34 has come to their attention.

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

Çağlar Sürücü, SMMM  
Partner

Istanbul, 14 August 2020

## AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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**AKENERJİ ELEKTRİK ÜRETİM A.Ş.****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2020 AND 31 DECEMBER 2019**

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

		<b>Current period</b>	<b>Prior period</b>
		<b>Limited reviewed</b>	<b>Audited</b>
	<b>Notes</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		162.058.221	88.187.054
Trade receivables			
- Due from related parties	15	22.654.367	4.966.185
- Due from third parties		83.224.791	67.172.514
Inventories		5.112.559	817.302
Other receivables			
- Due from third parties		3.619.928	5.239.483
Prepaid expenses		21.847.750	23.090.079
Derivative financial instruments	7	3.996.714	283.082
Current income tax assets	9	382.752	2.434.194
Other current assets		11.674.657	50.460.113
<b>Total current assets</b>		<b>314.571.739</b>	<b>242.650.006</b>
Assets held for sale		1.100.000	1.100.000
<b>Non-current assets</b>			
Other receivables			
- Due from related parties	15	7.708.200	1.330.120
- Due from third parties		1.074.988	1.786.397
Inventories		18.968.441	20.522.180
Financial investments		100.000	100.000
Property, plant and equipment	4	6.309.239.385	6.459.869.993
Intangible assets	5	107.229.571	108.555.151
Right of use assets		26.841.909	23.052.532
Deferred tax assets	9	4.513.822	4.420.521
Prepaid expenses		2.460.084	10.686.281
<b>Total non-current assets</b>		<b>6.478.136.400</b>	<b>6.630.323.175</b>
<b>TOTAL ASSETS</b>		<b>6.793.808.139</b>	<b>6.874.073.181</b>

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

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 JUNE 2020 AND 31 DECEMBER 2019**

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

		Current period	Prior period
		Limited reviewed	Audited
	Notes	30 June 2020	31 December 2019
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short term borrowings	3	-	6.112.169
Short term portion of long term borrowings			
- Bank loans	3	210.756.757	166.380.043
- Lease liabilities	3	11.837.718	9.768.189
Trade payables			
- Due to related parties	15	25.859.945	32.393.820
- Due to third parties		186.024.869	197.173.111
Other payables			
- Other payables to third parties		5.564.734	8.862.311
Derivative financial instruments	7	18.183.040	7.917.962
Employee benefit obligations		929.836	812.190
Short term provisions			
- Provisions for employee benefits		2.603.126	5.324.376
- Other short-term provisions	6	34.327.648	33.145.904
Deferred income		127.202	1.029.524
<b>Total current liabilities</b>		<b>496.214.875</b>	<b>468.919.599</b>
<b>Non-current liabilities</b>			
Long term borrowings			
- Bank loans	3	5.359.364.285	4.834.099.972
- Lease liabilities	3	90.523.322	82.207.395
Derivative financial instruments	7	40.899.730	26.746.806
Trade payables			
- Due to third parties		140.596.285	176.736.132
Other payables			
- Due to third parties		16.956	16.595
Long term provisions			
- Provisions for employee benefits		7.878.201	6.375.802
Deferred tax liabilities	9	207.518.317	317.803.371
<b>Total non-current liabilities</b>		<b>5.846.797.096</b>	<b>5.443.986.073</b>
<b>EQUITY</b>			
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			
- Losses on cash flow hedging		(8.169.577)	(9.408.118)
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		3.527.884.927	3.635.344.991
- Gains/(losses) on re-measurement of defined benefit plans		(1.874.978)	(1.442.122)
Retained earnings/(losses)		(3.444.970.157)	(2.811.757.372)
Net profit/(loss) for the period		(511.177.450)	(740.673.273)
<b>Total equity</b>		<b>450.796.168</b>	<b>961.167.509</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6.793.808.139</b>	<b>6.874.073.181</b>

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

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.**

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE INTERIM PERIODS BETWEEN 1 JANUARY – 30 JUNE 2020 AND 2019**

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

	Notes	Current period	Prior period		
		Limited reviewed	Limited reviewed	1 April - 30 June 2020	1 April - 30 June 2019
		1 January - 30 June 2020	1 January - 30 June 2019		
Revenue	10	1.012.772.171	895.998.547	439.676.236	429.756.479
Cost of sales (-)	11	(868.950.026)	(672.267.948)	(343.974.433)	(314.155.270)
<b>GROSS PROFIT</b>		<b>143.822.145</b>	<b>223.730.599</b>	<b>95.701.803</b>	<b>115.601.209</b>
General administrative expenses (-)	11	(30.190.980)	(27.204.548)	(15.136.660)	(12.697.100)
Other operating income	12	18.483.427	15.262.420	9.631.114	10.092.278
Other operating expenses (-)	12	(31.232.525)	(27.277.739)	(10.403.170)	(13.618.081)
<b>OPERATING PROFIT</b>		<b>100.882.067</b>	<b>184.510.732</b>	<b>79.793.087</b>	<b>99.378.306</b>
Income from investing activities	13	182	17.020	-	16.871
Expenses from investing activities	13	-	(130.291)	-	-
<b>OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)</b>		<b>100.882.249</b>	<b>184.397.461</b>	<b>79.793.087</b>	<b>99.395.177</b>
Financial income	14	7.714.066	12.489.251	686.660	(217.339)
Financial expenses (-)	14	(730.353.111)	(619.454.815)	(300.790.205)	(231.200.908)
<b>LOSS BEFORE TAX</b>		<b>(621.756.796)</b>	<b>(422.568.103)</b>	<b>(220.310.458)</b>	<b>(132.023.070)</b>
<b>Tax (Expense)/Income</b>					
Current income tax expense	9	-	(124.507)	-	(73.526)
Deferred tax income	9	110.579.346	47.209.170	45.010.421	16.011.154
<b>NET LOSS FOR THE PERIOD</b>		<b>(511.177.450)</b>	<b>(375.483.440)</b>	<b>(175.300.037)</b>	<b>(116.085.442)</b>
<b>Net loss attributable to:</b>					
Equity holders of the parent		(511.177.450)	(375.483.440)	(175.300.037)	(116.085.442)
		<b>(511.177.450)</b>	<b>(375.483.440)</b>	<b>(175.300.037)</b>	<b>(116.085.442)</b>
<b>Earnings losses per shares (1.000 shares)</b>		<b>(0,701)</b>	<b>(0,515)</b>	<b>(2,40)</b>	<b>(1,59)</b>

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

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.****CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE PERIODS BETWEEN 1 JANUARY - 30 JUNE 2020 AND 2019****(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)**

	<b>Current period</b>	<b>Prior period</b>		
	<b>Limited reviewed</b>	<b>Limited reviewed</b>		
	<b>1 January - 30 June 2020</b>	<b>1 January - 30 June 2019</b>	<b>1 April - 30 June 2020</b>	<b>1 April - 30 June 2019</b>
<b>Net loss for the period</b>	<b>(511.177.450)</b>	<b>(375.483.440)</b>	<b>(175.300.037)</b>	<b>(116.085.442)</b>
<b>Other comprehensive income/(expense)</b>				
<b>To be reclassified to profit or loss</b>				
Gains on cash flow hedging	1.548.175	1.539.661	774.084	774.079
Deferred tax effect	(309.634)	(307.932)	(154.817)	(154.815)
<b>Not to be reclassified to profit or loss</b>				
Increase on revaluation of property, plant and equipment	-	-	-	-
Deferred tax effect	424	11.832.382	25.589	-
Actuarial gain/(loss) arising from defined benefit plans	(541.070)	(75.731)	126.332	6.435
Deferred tax effect	108.214	15.146	(25.267)	(1.287)
<b>OTHER COMPREHENSIVE EXPENSE</b>	<b>806.109</b>	<b>13.003.526</b>	<b>745.921</b>	<b>624.412</b>
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(510.371.341)</b>	<b>(362.479.914)</b>	<b>(174.554.116)</b>	<b>(115.461.030)</b>

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



**AKENERJİ ELEKTRİK ÜRETİM A.Ş.**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE INTERIM PERIODS BETWEEN 1 JANUARY – 30 JUNE 2020 AND 2019**

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

	Share capital	Adjustments to share capital	Share premiums	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		Retained earnings/ (losses)	Net profit/(loss) for the period	Total equity
				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)			
<b>1 January 2019</b>	<b>729.164.000</b>	<b>101.988.910</b>	<b>50.220.043</b>	<b>(11.891.988)</b>	<b>(4.322.722)</b>	<b>12.053.172</b>	<b>2.548.936.335</b>	<b>(1.045.003)</b>	<b>(1.408.141.204)</b>	<b>(1.556.396.550)</b>	<b>460.564.993</b>
Transfers	-	-	-	-	-	-	-	-	(1.556.396.550)	1.556.396.550	-
Other adjustments (*)	-	-	-	-	-	-	(79.870.315)	-	79.870.315	-	-
Total comprehensive expense	-	-	-	1.231.729	-	-	11.832.382	(60.585)	-	(375.483.440)	(362.479.914)
<b>30 June 2019</b>	<b>729.164.000</b>	<b>101.988.910</b>	<b>50.220.043</b>	<b>(10.660.259)</b>	<b>(4.322.722)</b>	<b>12.053.172</b>	<b>2.480.898.402</b>	<b>(1.105.588)</b>	<b>(2.884.667.439)</b>	<b>(375.483.440)</b>	<b>98.085.079</b>
<b>1 January 2020</b>	<b>729.164.000</b>	<b>101.988.910</b>	<b>50.220.043</b>	<b>(9.408.118)</b>	<b>(4.322.722)</b>	<b>12.053.172</b>	<b>3.635.344.991</b>	<b>(1.442.122)</b>	<b>(2.811.757.372)</b>	<b>(740.673.273)</b>	<b>961.167.509</b>
Transfers	-	-	-	-	-	-	-	-	(740.673.273)	740.673.273	-
Other adjustments(*)	-	-	-	-	-	-	(107.460.488)	-	107.460.488	-	-
Total comprehensive expense	-	-	-	1.238.541	-	-	424	(432.856)	-	(511.177.450)	(510.371.341)
<b>30 June 2020</b>	<b>729.164.000</b>	<b>101.988.910</b>	<b>50.220.043</b>	<b>(8.169.577)</b>	<b>(4.322.722)</b>	<b>12.053.172</b>	<b>3.527.884.927</b>	<b>(1.874.978)</b>	<b>(3.444.970.157)</b>	<b>(511.177.450)</b>	<b>450.796.168</b>

(\*) As of 30 June 2020, the depreciation difference between the acquisition cost and the carrying values of the assets subject to revaluation method amounting to TL 107.460.488 (30 June 2019: TL 79.870.315) without a deferred tax effect, provided in increase on revaluation of property, plant and equipment were reclassified under retained earnings / (losses) in full amounts net of the deferred tax impact amounting to has been transferred from the increase on revaluation of property, plant and equipment to retained earnings).

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

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

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIODS BETWEEN 1 JANUARY - 30 JUNE 2020 AND 2019**

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

		Current period	Prior period
		Limited reviewed	Limited reviewed
	Notes	1 January - 30 June 2020	1 January - 30 June 2019
<b>A. Cash flows from operating activities</b>		<b>193.588.481</b>	<b>354.301.210</b>
Net loss for the period		(511.177.450)	(375.483.440)
<b>Adjustments to reconcile net profit / (loss) for the period</b>		<b>777.529.131</b>	<b>682.706.433</b>
Adjustments for depreciation and amortisation expenses	11	160.484.633	130.551.745
Adjustments for provisions			
-Adjustments for litigation provisions	6	800.847	202.271
-Adjustments for other provisions	6	380.897	2.143.371
-Adjustment for provisions for employee benefits		3.711.807	2.254.292
Adjustments for unrealized foreign exchange differences		432.027.110	372.390.061
Adjustments for tax (income) / expense	9	(110.579.346)	(47.084.663)
Adjustments for (gain) / loss on sale of property, plant and equipment	13	(182)	130.142
Fair value of derivative financial instruments		28.667.519	15.562.723
Adjustments for interest (income)/expense, net		262.035.846	206.556.491
<b>Changes in working capital</b>		<b>(69.342.914)</b>	<b>50.861.474</b>
Increase / decrease in trade receivables from related parties		(17.688.182)	523.382
Increase / decrease in trade receivables from third parties		(16.052.277)	37.517.570
Increase / decrease in other receivables from related parties		(6.378.080)	(707.340)
Increase / decrease in other receivables from third parties		2.330.964	(1.321.496)
Increase / decrease in inventories		(2.741.518)	(1.409.562)
Increase / decrease in prepaid expenses		9.468.526	(7.167.885)
Increase / decrease in other assets		38.785.455	62.727.868
Increase / decrease in trade payables to related parties		(6.533.875)	(19.765.055)
Increase / decrease in trade payables to third parties		(58.488.886)	(18.031.743)
Increase / decrease in derivative financial instruments		(7.963.149)	(1.720.894)
Increase / decrease in deferred income		(902.322)	-
Increase / decrease in employee benefit obligations		117.646	698.315
Increase / decrease in other payables to third parties		(3.297.216)	(481.686)
<b>Cash flows from operating activities</b>		<b>197.008.767</b>	<b>358.084.467</b>
Payments related to provisions for employee benefits		(5.471.728)	(3.251.394)
Tax (payments) / receipts		2.051.442	(531.863)
<b>B. Cash flows from investing activities</b>		<b>(7.007.167)</b>	<b>(6.014.261)</b>
Cash outflows due to purchase of property, plant and equipment	4	(6.973.476)	(6.006.977)
Cash outflows due to purchase of intangible assets	5	(35.890)	(33.684)
Cash inflows due to sale of property, plant and equipment		2.199	26.400
<b>C. Cash flows from financing activities</b>		<b>(67.675.453)</b>	<b>(102.160.959)</b>
Cash inflows on borrowings received	3	(2.218.714)	152.700.000
Cash outflows due to repayment of borrowings	3	(3.893.455)	(233.200.000)
Payments of lease liabilities	3	(7.312.275)	(6.201.671)
Interest paid	3	(101.791.100)	(16.793.416)
Interest received	14	2.505.397	5.993.645
Other cash inflows / (outflows) (*)		45.034.694	(4.659.517)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>118.905.861</b>	<b>246.125.990</b>
<b>Cash and cash equivalents at the beginning of the period (*)</b>		<b>72.486.079</b>	<b>16.270.551</b>
<b>Cash and cash equivalents at the end of the period (*)</b>		<b>191.391.940</b>	<b>262.396.541</b>

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

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

## AKENERJİ ELEKTRİK ÜRETİM A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY – 30 JUNE 2020

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

#### NOTE 1 – ORGANISATION OF GROUP 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 June 2020, 52,83% of its shares are open for trading (31 December 2019: 52,83%).

As of 30 June 2020, the number of employees employed by Akenerji and its subsidiaries (Akenerji and its subsidiaries will be referred called as the “Group”) is 241 (31 December 2019: 237).

These condensed consolidated financial statements for the interim period 1 January – 30 June 2020 have been approved for the issue by the Board of Directors at 14 August 2020.

The nature of business and registered addresses of the entities included in the consolidation (“Subsidiaries”) are presented below:

<b>Subsidiaries</b>	<b>Nature of business</b>	<b>Registered address</b>
Akenerji Elektrik Enerjisi İthalat-İhracat ve Toptan Ticaret A.Ş. (“Akenerji Toptan”)	Electricity trading	Gümüşsuyu / Istanbul
Akel Kemah Elektrik Üretim ve Ticaret A.Ş. (“Akel Kemah”)	Electricity production and trading	Gümüşsuyu / Istanbul
Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş. (“Akenerji Doğalgaz”)	Natural gas trading	Gümüşsuyu / Istanbul

#### NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

##### 2.1 Basis of presentation

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

The accompanying consolidated financial statements are 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, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards / Turkish Financial Reporting Standards (“TAS”/“TFRS”) issued by Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”). TFRS are updated in harmony with the changes and updates in International Financial and Reporting Standards (“IFRS”) by the comminiqués announced by the POA.

The condensed consolidated financial statements are presented in accordance with “Announcement regarding with TAS/TFRS Taxonomy” which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD BETWEEN 1 JANUARY – 30 JUNE 2020**

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

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

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 2019.

The Group and its Turkish subsidiaries, associates and joint ventures maintain their books of accounts and prepare their statutory financial statements in accordance with the Turkish Commercial Code (“TCC”), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conventions except for the derivative financial instruments, financial investments and revaluated property, plant and equipment presented a fair values, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS/IFRS.

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

**2.2 Basis of consolidation**

- a) The consolidated financial statements include the accounts of the parent company, Akenerji, and its Subsidiaries on the basis set out in sections (b) to (c) below. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements and have been prepared in accordance with TAS/IFRS by applying uniform accounting policies and presentation. The results of operations of Subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.
- b) Subsidiaries are companies in which Akenerji has the power to control the financial and operating policies for the benefit of itself, either through the power to exercise more than 50% of voting rights related to shares in the companies as a result of shares owned directly and/or indirectly by itself.

The table below sets out all Subsidiaries and demonstrates the proportion of ownership interest which is equal to the effective interest rate of the Group over the subsidiary as of 30 June 2020 and 31 December 2019:

<b>Subsidiaries</b>	<b>Direct and indirect ownership interest by the Company and its subsidiaries (%)</b>	
	<b>30 June 2020</b>	<b>31 December 2019</b>
Akenerji Toptan	100,00	100,00
Akenerji Doğalgaz	100,00	100,00
Akel Kemah	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.

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

**2.3 The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 June 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TAS/IFRS and IFRIC interpretations effective as of 1 January 2020. 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 30 June 2020 are as follows:**

- IFRS 16 - Leases (Amendments)
- Amendments to IFRS 9, TAS 39 ve IFRS 7 – Interest Rate Benchmark Reform
- TAS 1 - Presentation of Financial Statements (Amendments)
- TAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)
- IFRS 3 - Business Combinations (Amendments)

The amendments did not have a significant impact on the financial position or performance of the Group.

**ii) Standards, amendments and improvements issued but not yet effective and not early adopted as at 30 June 2020**

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.

- IFRS 17 - The new Standard for insurance contracts
- TAS 1 - Presentation of Financial Statements
- Amendments in IFRS 3, TAS 16, TAS 17 and some annual improvements in IFRS 1, IFRS 9, TAS 41 and IFRS 16

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

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

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

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

The Group prepares comparative consolidated financial statements, to enable readers to determine financial position and performance trends. For the purposes of effective comparison, comparative financial statements can be reclassified when deemed necessary by the Group, where descriptions on significant differences are disclosed.

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

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

**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:

*Deferred tax assets for the carry forward tax losses:*

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

As a result of the studies performed as of 30 June 2020, the Group recognized deferred tax assets on carry forward tax losses amounting to TL 372.223.048 (31 December 2019: TL 126.469.406). The said deferred tax asset has been calculated in accordance with projection of future taxable profits, and if the profit expectations are not realized, the deferred tax assets will be recorded as an expense in the consolidated statement of profit or loss. Deferred tax asset is not recognized for carryforward tax losses for the remaining TL 539.855.490 (31 December 2019: TL 540.862.450).

As of 30 June 2020, should the projected statutory net profits decreased by 10% and if all other variables are held constant, deferred tax liabilities accounted in condensed consolidated financial statements would have been increased by TL 3.657.364.

*Explanations for revaluation method and fair value measurement*

The Group has chosen revaluation method instead of historical cost model as an accounting policy among application methods mentioned under TAS 16 for lands, land improvements, buildings, machinery and equipment belonging to its power plants commencing from 30 September 2015.

An independent valuation firm has been authorized for revaluation because using of long term price, generation, and capacity utilization forecasts which are sensitive to sectoral and economic variables and also complexity of inputs and calculations. As of 31 December 2019, the fair value which is determined with valuation study by an independent valuation company which has CMB licence, is used for lands, land improvements, buildings, machinery and equipment.

Income Approach, discounted cash flow analysis (Level 3) is used by the valuation company for valuation reports of 31 December 2019 aims to determine fair value of lands, land improvements, buildings, machineries and equipments of Uluabat hydroelectric power plant (HPP), Ayyıldız wind farm power plant (WFPP), Burç HPP, Feke I HPP, Feke II HPP, Bulam HPP, Gökaya HPP, Himmetli HPP and Erzin natural gas combined cycle power plant which are belong to Akenerji assets.

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

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

Since long term electricity prices are the most important inputs of "Income Approach - discounted cash flow analysis", an independent consultancy and technology firm, which operates in energy market, has been hired. The most important inputs of model determine long term electricity prices are; long term electricity demand, entrance of new plants, exit of old plant, renewable total capacity, evolution of capacity factor, natural gas and coal prices, evolution of electricity import-export, and development in the efficiency of thermal plants.

Increase in the electricity price used in model leads to an increase in the fair value by increasing generation for Erzin and revenue for Hydros and Ayyıldız. For generation, feasibility studies, which is calculated with 50 year hydrology info, and historical data used for hydros and Ayyıldız. Discounting rate for the model which is calculated with USD is 8,00%. Decrease on the discounting factor leads to an increase in the fair value.

**2.7 Important events occurred during the period**

The Group evaluated the possible impact of the COVID-19 epidemic that affected the whole World while preparing its consolidated financial statements as of 30 June 2020, reviewed the estimates and assumptions used in the preparation of the consolidated financial statements, and did not encounter any issues that require adjustment to the consolidated financial statements.

**2.8 Going concern**

The Group considers it is appropriate to prepare its consolidated financial statements on a going concern basis in a foreseeable future.

In the period ended as of June 30, 2020, the Group generated revenues from the Renewable Energy Resources Support Mechanism ("YEKDEM") with the increase in the production of renewable power plants due to environmental factors, and in addition to this, a high level of operational availability and ancillary services market operations (Primary Frequency Control and Secondary Frequency Control services), as a result of the revenues obtained, a significant increase has occurred in the consolidated revenues of the Group. Group, as a result of the liquidity decrease in the Turkey energy derivatives market, has reached a volume of 350 GWh in 5 countries including overseas physical electricity exports and financial transactions, it intensified commercial activity in this area and increased foreign exchange revenue.

Natural gas purchases have an important place in the production costs due to the production activities of the Group's Erzin combined natural gas conversion plant. Having completed the 2020 gas supply planning and preparations in 2019, activating the Akenerji Doğalgaz company the Group diversifies the natural gas supply of the Erzin power plant from the free market and BOTAŞ. In this way, it provides natural gas supply with lower prices than the BOTAŞ tariff from the spot natural gas market and / or private sector, so as to provide cost advantage and operational profit. A significant amount of savings was achieved in the first quarter with significant differences between market prices and Botaş tariff. In the remaining period, it will use the advantage of daily / quarterly / monthly supply flexibility created for 2020 to reach natural gas supply under the most favorable conditions with close follow-up of developments regarding oil and natural gas.

The Group has been extended its current liabilities to 13 years by restructuring its USD 859 million loan and also restructuring the payment of the loan condition to 1.5 year without any payment as TL and USD on 11 November 2019 which signed with Yapı ve Kredi Bankası A.Ş. as the implementation of "Financial Restructuring". With the aforementioned Loan Agreement, the repayment schedule of the loan was arranged according to the estimated cash-generating capacity of the Group, which has been a factor that reduced the pressure on the cash flow, thereby positively affecting the financial sustainability and competitive strength of the Group. In addition, decreasing the tranches of USD liabilities within total bank loans from 87% to 55% has also significantly reduced the foreign currency risk the Group is exposed to.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

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

With the Communiqué of Ministry of Commerce issued on the official gazette dated 15 September 2018 regarding the regulation on loss of capital and excess of liabilities over assets in relation to Article 376 of Turkish Commercial Code numbered 6102, it has been decided that, unrealized foreign exchange losses incurred from the foreign exchange based financial liabilities which are not yet fulfilled can be excluded on the calculation of loss of capital and excess of liabilities over assets. In relation to this regulation, it is calculated that, unrealized foreign exchange losses recognised under retained earnings/(losses) amounting to TL 1.338.621.688 and recognised under consolidated statement of profit or loss amounting to TL 439.328.225, in total amounting to TL 1.777.949.913 will be excluded on the calculation of loss of capital and excess of liabilities over assets by adding back to the total equity. In addition, as of 31 December 2019, re-measurement of fair value of lands, land improvements, buildings, machinery and equipment of Group’s power plant had a positive effect on its equity. Accordingly, there is no either issue of loss of capital or excess of liabilities over assets for the Group. The Group, as aware of all of its short term and long term liabilities, has been taking the necessary actions maintain its operations in a healthy financial structure within the framework of proactive approach.

**NOTE 3 - BORROWINGS**

The details of borrowings of the Group as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020	31 December 2019
<b>Short term borrowings</b>		
-Bank loans	-	6.112.169
<b>Total short term borrowings</b>	-	<b>6.112.169</b>
<b>Short-term portion of long term borrowings</b>		
-Bank loans	210.756.757	166.380.043
-Lease liabilities	11.837.718	9.768.189
<b>Total short-term portion of long term borrowings</b>	<b>222.594.475</b>	<b>176.148.232</b>
<b>Long term borrowings</b>		
-Bank loans	5.359.364.285	4.834.099.972
-Lease liabilities	90.523.322	82.207.395
<b>Total long term borrowings</b>	<b>5.449.887.607</b>	<b>4.916.307.367</b>
<b>Total short term and long term borrowings</b>	<b>5.672.482.082</b>	<b>5.098.567.768</b>

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



**AKENERJİ ELEKTRİK ÜRETİM A.Ş.**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

**NOTE 3 - BORROWINGS (Continued)**

As of 30 June 2020 and 31 December 2019, the original currencies and weighted average interest rates for short and long-term financial liabilities are as follows:

				<b>30 June 2020</b>
	<b>Currency</b>	<b>Effective Interest rate %</b>	<b>Original Amount</b>	<b>Amount in TL</b>
Short-term portion of long-term bank loans	USD	7,90	30.802.484	210.756.757
Short-term portion of long-term lease liabilities	EUR	3,42	1.514.710	11.675.682
Interest cost of short-term portion of long-term lease liabilities (-)	EUR	3,40	(319.700)	(2.464.314)
Short-term portion of long-term lease liabilities	TL	17,48	2.626.350	2.626.350
<b>Total short-term borrowings</b>				<b>222.594.475</b>
Long term bank loans	USD	7,90	433.384.522	2.965.303.577
Long term bank loans	TL	12,28	2.394.060.708	2.394.060.708
Long-term lease liabilities	EUR	3,40	10.502.602	80.956.160
Interest cost of long-term lease liabilities (-)	EUR	3,40	(1.828.661)	(14.095.685)
Long-term lease liabilities	TL	17,48	23.662.847	23.662.847
<b>Total long-term borrowings</b>				<b>5.449.887.607</b>
				<b>31 December 2019</b>
	<b>Currency</b>	<b>Effective Interest rate %</b>	<b>Original Amount</b>	<b>Amount in TL</b>
Short-term bank loans	TL	-	6.112.169	6.112.169
<b>Total short-term bank loans</b>			<b>6.112.169</b>	<b>6.112.169</b>
Short-term portion of long-term bank loans	USD	7,90	28.009.165	166.380.043
Short-term portion of long-term lease liabilities	EUR	3,40	1.527.770	10.160.586
Interest cost of short-term portion of long-term lease liabilities (-)	EUR	3,40	(336.231)	(2.236.138)
Short-term portion of long-term lease liabilities	TL	17,85	1.843.741	1.843.741
<b>Total short-term borrowings</b>				<b>176.148.232</b>
Long term bank loans	USD	7,90	433.390.522	2.574.426.382
Long term bank loans	TL	12,28	2.259.673.590	2.259.673.590
Long-term lease liabilities	EUR	3,40	11.184.552	74.383.982
Interest cost of long-term lease liabilities (-)	EUR	3,40	(1.984.344)	(13.197.077)
Long-term lease liabilities	TL	17,85	21.020.490	21.020.490
<b>Total long-term borrowings</b>				<b>4.916.307.367</b>

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

**NOTE 3 - BORROWINGS (Continued)**

As of 30 June 2020, all of the Euro finance lease liabilities of the Group are subject to floating interest rate of Euribor + 3,4% (31 December 2019: All of the Euro finance lease liabilities of the Group are subject to floating interest rate of Euribor + 3,4%).

The details of redemption schedule of the long term bank borrowings as of 30 June 2020 and 31 December 2019 are as follows:

	<b>30 June 2020</b>	<b>31 December 2019</b>
Up to 1 - 2 years	222.026.158	182.408.672
Up to 2 - 3 years	212.619.401	184.610.054
Up to 3 - 4 years	205.561.033	165.883.604
Up to 4 - 5 years	3.298.649.317	3.021.384.267
More than 5 years	1.420.508.376	1.279.813.375
	<b>5.359.364.285</b>	<b>4.834.099.972</b>

The principal repayment schedule of the Group's long-term finance lease obligations as at 30 June 2020 and 31 December 2019 is as follows:

	<b>30 June 2020</b>	<b>31 December 2019</b>
Up to 1-2 years	9.064.235	8.404.847
Up to 2-3 years	8.551.811	7.373.756
Up to 3-4 years	8.464.529	7.184.462
Up to 4-5 years	8.766.349	7.424.753
Up to 5-6 years	9.070.737	7.689.230
Up to 6-7 years	9.386.244	7.955.862
Up to 7-8 years	9.704.011	8.232.177
Up to 8-9 years	5.623.001	8.510.342
Up to 9-10 years	67.628	572.619
More than 10 years	21.834.927	18.859.347
	<b>90.533.472</b>	<b>82.207.395</b>

As of 30 June 2020 and 2019, the movements of borrowings are as follows:

	<b>2020</b>	<b>2019</b>
<b>1 January</b>	<b>5.098.567.768</b>	<b>4.511.887.413</b>
TFRS 16 transition effect (Note 2)	-	22.684.883
Cash flow impact	(115.215.544)	(103.495.086)
Change in unrealized foreign exchange differences	432.027.110	372.390.061
Change in interest accruals	251.792.275	197.208.704
Changes in lease liabilities (Note 2)	5.310.473	532.915
<b>30 June</b>	<b>5.672.482.082</b>	<b>5.001.208.890</b>

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

**NOTE 4 - PROPERTY, PLANT AND EQUIPMENT**

	1 January 2020	Additions	Transfers (***)	Disposals	30 June 2020
<b>Cost</b>					
Lands	281.604	-	-	-	281.604
Land improvements (*)	3.533.196.145	999.467	-	-	3.534.195.612
Buildings	766.660.909	2.285.020	-	-	768.945.929
Machinery and equipment (**)	3.027.499.249	314.304	3.150.568	-	3.030.964.121
Motor vehicles	1.610.896	-	-	-	1.610.896
Furnitures and fixtures	11.341.659	377.773	-	(2.200)	11.717.232
Leasehold improvements	1.759.367	2.852.462	-	-	4.611.829
Construction in progress	36.506.648	144.450	(3.150.568)	-	33.500.530
	<b>7.378.856.477</b>	<b>6.973.476</b>	-	<b>(2.200)</b>	<b>7.385.827.753</b>
<b>Accumulated depreciation</b>					
Land improvements	321.739.933	61.616.985	-	-	383.356.918
Buildings	62.592.718	10.539.634	-	-	73.132.352
Machinery and equipment	524.502.489	84.948.143	-	-	609.450.632
Motor vehicles	734.368	133.779	-	-	868.147
Furnitures and fixtures	8.466.844	311.403	-	(183)	8.778.064
Leasehold improvements	950.132	52.123	-	-	1.002.255
	<b>918.986.484</b>	<b>157.602.067</b>	-	<b>(183)</b>	<b>1.076.588.368</b>
<b>Net book value</b>	<b>6.459.869.993</b>				<b>6.309.239.385</b>

(\*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through finance lease on 27 January 2017 is amounting to TL 495.485. As of 30 June 2020, the total amount of accumulated depreciation of related land improvement is TL 45.637.

(\*\*) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through finance lease on 27 January 2017 is amounting to TL 49.219.854. As of 30 June 2020, the total amount of accumulated depreciation of the related machinery and equipment is TL 17.226.949.

(\*\*\*) Comprised of the maintenance costs for the Erzin power plant.

Current period depreciation expense amounting to TL 157.341.554 has been included in cost of sales and TL 260.513 has been included in general administrative expenses.

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

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

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

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

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

(\*\*\*) Comprised of transfer to intangible assets.

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

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

There are no borrowing costs capitalized in the cost of construction in progress for the period ended 30 June 2020 (31 June 2019: None).

Details of the guarantees, pledges and mortgages on property, plant and equipment as of 30 June 2020 and 31 December 2019 are disclosed in Note 6.

**NOTE 5 - INTANGIBLE ASSETS**

	1 January 2020	Additions	Transfers	Disposals	30 June 2020
<b>Costs</b>					
Rights	7.812.361	35.890	-	-	7.848.251
Licenses	126.007.599	-	-	-	126.007.599
	<b>133.819.960</b>	<b>35.890</b>	<b>-</b>	<b>-</b>	<b>133.855.850</b>
<b>Accumulated amortisation</b>					
Rights	5.327.913	498.463	-	-	5.826.376
Licenses	19.936.896	863.007	-	-	20.799.903
	<b>25.264.809</b>	<b>1.361.470</b>	<b>-</b>	<b>-</b>	<b>26.626.279</b>
<b>Net book value</b>	<b>108.555.151</b>				<b>107.229.571</b>

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

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

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts expressed in Turkish Lira (“TL”), unless otherwise indicated.)

**NOTE 6 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES****a) Other short-term provisions**

As of 30 June 2020, there are various lawsuits against or in favor of the Group. These lawsuits are mainly action of debt and business cases. The Group management estimates the outcomes of these lawsuits and the financial effects thereof, and the required provisions are accounted for based on these estimates. The amount of provisions for the lawsuits as of 30 June 2020 is TL 32.317.480 (31 December 2019: TL 31.516.633).

	<b>30 June 2020</b>	<b>31 December 2019</b>
Litigation provision	32.317.480	31.516.633
Other expense accruals	2.010.168	1.629.271
	<b>34.327.648</b>	<b>33.145.904</b>

The movements of litigation provision are as follows:

	<b>2020</b>	<b>2019</b>
<b>1 January</b>	<b>31.516.633</b>	<b>18.338.205</b>
Interest charges of litigation provision	753.637	135.081
Current period charges	621.401	1.477.363
Released provisions	(574.191)	(1.410.173)
<b>30 June</b>	<b>32.317.480</b>	<b>18.540.476</b>

**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:

		<b>30 June 2020</b>		<b>31 December 2019</b>	
	<b>Original currency</b>	<b>Original Amount</b>	<b>TL equivalent</b>	<b>Original Amount</b>	<b>TL Equivalent</b>
Letters of guarantees given	TL	127.093.515	127.093.515	112.488.595	112.488.595
	USD	8.190.000	56.037.618	6.622.421	39.338.503
	EUR	-	-	200.000	1.330.120
			<b>183.131.133</b>		<b>153.157.218</b>

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

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

Guarantees, pledges, mortgages (“GPM”) given by the Group as of 30 June 2020 and 31 December 2019 are as follows:

	Currency	30 June 2020		31 December 2019	
		Original currency	TL equivalent	Original currency	TL equivalent
<b>GPMs given by the Group</b>					
A. GPMs given					
for companies' own legal entity	TL	6.545.554.358	6.545.554.358	6.530.949.438	6.530.949.438
	USD	925.705.600	6.333.862.857	924.138.021	5.489.564.670
	EUR	-	-	200.000	1.330.120
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.	-	-	-	-	-
			<b>12.879.417.215</b>		<b>12.021.844.228</b>

Details of the guarantees given by Akenerji for its own legal entity as of 30 June 2020 are as follows:

As of 11 November 2019, within the scope of financial restructuring between our company Akenerji (“Borrower”) and Yapı ve Kredi Bankası A.Ş., a total of USD 859 million refinancing loan agreement for the maturity of 13 years has been concluded, in order to provide refinancing and maturity extension of all existing debts of our company. In addition to the related loan agreement, Akenerji signed agreements for the Transfer of Receivables, Transfer of Epiş Receivables, Real Estate and Supreme Rights to constitute the collateral of the refinancing loans amounting to USD 465 million and TL 2.271.037.258. In accordance with the Movable Pledge Agreements signed between Akenerji and the Bank, a movable pledge with a total value of TL 6.418.460.843 and a second order of USD 917.515.600 has been established, creating an upper limit for Akenerji. In addition, Yapı ve Kredi Bankası A.Ş. has been determined as a pledge creditor in the insurance policies of power plants as a crew.

As of 30 June 2020, GPMs given by the Group to equity ratio is 2.857% (31 December 2019: 1.251%).

# AKENERJİ ELEKTRİK ÜRETİM A.Ş.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY – 30 JUNE 2020

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

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

#### - Sales and purchase commitments

##### *Electricity sales and purchase commitments:*

The Group has committed to sell 605.012 MWh of physical electricity energy within the scope of electricity energy sales contracts made with energy companies in 2020 and as of 30 June 2020, 494.612 MWh of the electricity energy was committed to be sold is completed.

The Group has committed to purchase 88.484 MWh of physical electricity energy within the scope of electricity energy purchase agreements with energy companies in 2020 and as of 30 June 2020, 66.404 MWh of the electricity enerji was committed to be purchased is completed.

As of 30 June 2020, the Group does not have any physical purchase or sales electricity protocols that it has committed to perform in 2021 and beyond.

##### *Natural gas purchase commitments:*

In 2020, the Group provides 70% of its natural gas supply by Botaş and 30% from the natural gas wholesale company owned by Akenerji. The minimum purchase commitment amount is available only for the Botaş contract in accordance with the agreements made within this scope, and there is no minimum purchase commitment regarding the wholesale company owned by the Group and supplying natural gas. The Group does not foresee any risk of buy or pay obligations for 2020 with its consumption above the consumption commitment of the Botaş Agreement for the first 6 months. The Group has a minimum purchase commitment of 351.140.134 sm<sup>3</sup> to be executed in 2020 based on the contract with Botaş, and has completed 50% of the minimum purchase commitment as of the half year. In addition, the Group foresees to complete the 80.214.420 sm<sup>3</sup> pay or pay obligation equivalent to the 1-month consumption of the Erzin combined natural gas cycle plant, which was transferred from 2019, in the light of the planned consumption amounts. The right to compensate in the contract for 2020 and 2021 without being subject to penalties or any practice is defined for the mentioned amount of drawback.

#### c) Contingent assets

##### Guarantees received

	Currency	30 June 2020		31 December 2019	
		Original Currency	TL Equivalent	Original currency	TL Equivalent
Letters of guarantees received	TL	30.153.353	30.153.353	22.774.713	22.774.713
	EURO	2.319.551	17.879.562	2.035.264	13.535.729
	USD	4.000	27.369	4.000	23.761
Notes of guarantees received	TL	2.752.432	2.752.432	2.752.432	2.752.432
	USD	4.340.544	29.698.870	4.340.544	25.783.699
	EURO	33.800	260.537	33.800	224.790
	GBP	5.675	47.830	5.675	44.132
Cheques of guarantees received	TL	106.000	106.000	106.000	106.000
	USD	16.650	113.923	16.650	98.904
Mortgages received	TL	3.242.000	3.242.000	3.242.000	3.242.000
			<b>84.281.876</b>		<b>68.586.160</b>

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.



**AKENERJİ ELEKTRİK ÜRETİM A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS**

	30 June 2020		31 December 2019	
	Contract amount	Fair value	Contract amount	Fair value
Forward contracts	-	-	11.880.400	283.082
Forward-term electricity trading contracts	4.392.892	3.996.714	-	-
<b>Derivative financial assets</b>	<b>4.392.892</b>	<b>3.996.714</b>	<b>11.880.400</b>	<b>283.082</b>
Interest rate swaps				
- Short-term	242.494.410	14.632.748	203.624.116	7.829.133
- Long-term	677.791.753	40.899.730	695.428.124	26.738.480
Forward contracts				
- Short-term	5.032.020	228.082	2.926.264	88.829
- Long-term	-	-	266.024	8.326
Forward-term electricity trading contracts				
- Short-term	4.296.700	3.322.210	-	-
<b>Derivative financial liabilities</b>	<b>929.614.883</b>	<b>59.082.770</b>	<b>902.244.528</b>	<b>34.664.768</b>

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.

**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 June 2020 and 31 December 2019 the share capital held is as follows:

	30 June 2020	31 December 2019
Limit on registered share capital (historical)	1.500.000.000	1.500.000.000
Issued capital	729.164.000	729.164.000

## AKENERJİ ELEKTRİK ÜRETİM A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY – 30 JUNE 2020

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

#### NOTE 8 - EQUITY (Continued)

The Company’s shareholders and shareholding structure as of 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020		31 December 2019	
	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
		<b>729.164.000</b>		<b>729.164.000</b>
Adjustment to share capital		101.988.910		101.988.910
<b>Total paid-in capital</b>		<b>831.152.910</b>		<b>831.152.910</b>

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 June 2020	31 December 2019
Legal reserves	12.053.172	12.053.172
	<b>12.053.172</b>	<b>12.053.172</b>

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

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 9 - TAX ASSETS AND LIABILITIES**

	30 June 2020	31 December 2019
Current income tax expenses	-	113.408
Prepaid taxes	(382.752)	(2.547.602)
<b>Current income tax liabilities / (Current income tax assets), net</b>	<b>(382.752)</b>	<b>(2.434.194)</b>

*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 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Losses can be carried for a maximum 5 years for deducted from the taxable profit to be incurred in future years. However, the losses cannot be deducted retrospectively from the retained earnings.

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

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

*Income tax withholding*

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

The details of tax income / expense for the period ended 30 June 2020 and 2019 are as follows:

	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Current income tax expense (-)	-	(124.507)	-	(73.526)
Deferred tax income	110.579.346	47.209.170	45.010.421	16.011.154
	<b>110.579.346</b>	<b>47.084.663</b>	<b>45.010.421</b>	<b>15.937.628</b>

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 9 - TAX ASSETS AND LIABILITIES (Continued)***Deferred taxes*

	<b>30 June 2020</b>	<b>31 December 2019</b>
Deferred tax assets	4.513.822	4.420.521
Deferred tax liabilities	(207.518.317)	(317.803.371)
<b>Deferred tax assets, net</b>	<b>(203.004.495)</b>	<b>(313.382.850)</b>

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 2019 and 2020 is 22% and after 2020 is 20%. (2019: 2018, 2019 and 2020 22% and after 2020 is 20%).

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

	<b>Total temporary differences</b>		<b>Deferred tax assets / (liabilities)</b>	
	<b>30 June 2020</b>	<b>31 December 2019</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Deferred tax assets on tax losses	(372.223.048)	(126.469.406)	74.734.628	25.572.342
Derivative financial instruments	674.508	-	(148.392)	-
Investment incentives (*)	(121.012.377)	(113.212.065)	24.202.475	22.642.413
Provisions for lawsuits	(3.103.868)	(2.357.013)	620.774	471.403
Provision for employment termination benefit	(4.480.533)	(3.700.012)	896.107	740.002
Provision for unused vacations	(327.711)	(232.869)	65.542	46.574
Adjustments to property, plant and equipment	1.411.068.490	1.752.700.400	(282.205.499)	(350.531.881)
Adjustments to borrowings	110.250.652	66.018.516	(22.050.130)	(13.203.703)
Provision for doubtful receivables	(4.000.000)	(4.000.000)	880.000	880.000
<b>Deferred tax assets/(liabilities), net</b>			<b>(203.004.495)</b>	<b>(313.382.850)</b>

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

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 9 - TAX ASSETS AND LIABILITIES (Continued)**

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

<b>Year incurred</b>	<b>Year can be used</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
2017	2022	3.501.950	3.501.950
2019	2024	122.967.456	122.967.456
2020	2025	245.753.642	-
		<b>372.223.048</b>	<b>126.469.406</b>

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:

<b>Year incurred</b>	<b>Year can be used</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
2015	2020	51.724.908	51.724.908
2016	2021	104.375.065	104.375.065
2017	2022	86.943.115	86.943.115
2018	2023	296.812.402	296.812.402
2019	2024	-	1.006.960
		<b>539.855.490</b>	<b>540.862.450</b>

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 10 - REVENUE AND COST OF SALES****a) Revenue**

	<b>1 January - 30 June 2020</b>	<b>1 January - 30 June 2019</b>	<b>1 April - 30 June 2020</b>	<b>1 April - 30 June 2019</b>
Electricity sales revenue	695.212.748	670.656.499	290.797.254	303.455.533
Revenue on sharing of instability savings	166.945.062	79.329.682	76.494.789	34.624.453
Revenue on seconder frequency control	50.174.562	64.639.466	27.486.622	40.940.580
Revenue on capacity mechanism	44.168.645	35.176.353	25.905.199	20.846.856
Revenue on loading instructions	40.440.114	40.906.733	14.656.943	25.432.933
Other	15.831.040	5.289.814	4.335.429	4.456.124
	<b>1.012.772.171</b>	<b>895.998.547</b>	<b>439.676.236</b>	<b>429.756.479</b>

**b) Cost of sales**

	<b>1 January - 30 June 2020</b>	<b>1 January - 30 June 2019</b>	<b>1 April - 30 June 2020</b>	<b>1 April - 30 June 2019</b>
Direct raw materials consumed and cost of electricity purchased (*)	664.465.109	506.286.662	242.520.472	228.174.604
Depreciation and amortisation expenses	157.755.269	128.308.454	78.907.667	64.306.468
Personnel expenses	17.904.546	14.624.735	8.901.553	7.652.615
Maintenance and repair expenses	12.656.442	7.363.718	5.524.798	3.538.366
Insurance expenses	7.654.672	6.223.804	3.831.798	3.139.784
Other materials and spare parts consumed	1.469.560	1.485.665	807.246	586.561
Other	7.044.428	7.974.910	3.480.899	6.756.872
	<b>868.950.026</b>	<b>672.267.948</b>	<b>343.974.433</b>	<b>314.155.270</b>

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

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**NOTE 11- EXPENSES BY NATURE**

	<b>1 January - 30 June 2020</b>	<b>1 January - 30 June 2019</b>	<b>1 April - 30 June 2020</b>	<b>1 April - 30 June 2019</b>
Direct raw materials consumed and cost of electricity purchased	664.465.109	506.286.662	242.520.472	228.174.604
Depreciation and amortization expenses (*)	160.484.633	130.551.745	80.268.293	65.406.714
Personnel expenses (**)	31.678.849	26.440.926	15.688.275	13.551.632
Maintenance and repair expenses	12.656.442	7.363.718	5.524.798	3.538.366
Insurance expenses (***)	7.771.785	6.266.678	3.887.385	3.154.908
Taxes and duties	3.361.320	3.668.002	1.730.451	1.705.731
Advertising expenses	2.472.759	1.551.446	1.212.609	1.443.261
IT expenses	2.052.626	1.822.530	1.111.899	924.605
Consultancy expenses	1.637.171	2.006.646	932.541	630.826
Other materials and spare parts consumed	1.469.560	1.485.665	807.246	586.561
Office expenses	1.452.066	1.159.554	734.227	583.611
Vehicle expenses	330.185	609.978	129.451	346.138
Travel expenses	157.842	492.794	14.306	233.918
Other expenses	9.150.659	9.766.152	4.549.140	6.571.495
	<b>899.141.006</b>	<b>699.472.496</b>	<b>359.111.093</b>	<b>326.852.370</b>

(\*\*) Depreciation and amortization expenses amounting to TL 157.755.269 TL (30 June 2019: TL 128.308.454) is classified in cost of sales, TL 2.729.364 (30 June 2019: TL 2.243.291) of amortization and depreciation expenses is classified in general administrative expenses.

(\*\*\*) Personnel expenses amounting to TL 17.904.546 (30 June 2019: TL 14.624.735) is classified in cost of sales, TL 13.774.303 (30 June 2019: TL 11.816.191) is classified in general and administrative expenses.

(\*\*\*\*) Insurance expenses amounting to TL 7.654.672 (30 June 2019: TL 6.223.804) is classified in cost of sales, TL 117.113 (30 June 2019: TL 42.874) is classified in general and administrative expenses.

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**NOTE 12 - OTHER OPERATING INCOME AND EXPENSE****a) Other operating income**

	<b>1 January - 30 June 2020</b>	<b>1 January - 30 June 2019</b>	<b>1 April - 30 June 2020</b>	<b>1 April - 30 June 2019</b>
Gain on futures and options markets	6.032.700	5.504.375	3.997.491	5.148.888
Gain on risk sharing contracts	4.205.138	1.077.029	3.222.170	76.408
Profits from forward electricity purchase and sale contracts	3.996.714	-	1.112.708	-
Foreign exchange gains from trading activities	2.123.576	3.904.504	956.123	1.633.214
Income from insurance	888.060	353.937	-	303.629
Provisions no longer required (**)	668.731	1.814.147	107.886	1.272.573
Income from energy services	70.287	432.500	-	281.582
Interest income (*)	1.232	1.758.453	-	1.157.690
Other income	496.989	417.475	234.736	218.294
	<b>18.483.427</b>	<b>15.262.420</b>	<b>9.631.114</b>	<b>10.092.278</b>

(\*) Comprised of delay interests charges for trade receivables which are not collected at their due dates. As of 30 June 2020, the applied interest rate is 1,60% per month, unless there is a different interest rate agreed by the parties. (30 June 2019: 2%).

(\*\*) As of 30 June 2020, TL 574.191 (30 June 2019: TL 1.410.173) of the provisions no longer required comprised of released provisions of litigation provisions, TL 82.134 of premium provisions and TL 12.406 of other provisions (30 June 2019: TL 403.974).

**b) Other operating expense**

	<b>1 January - 30 June 2020</b>	<b>1 January - 30 June 2019</b>	<b>1 April - 30 June 2020</b>	<b>1 April - 30 June 2019</b>
Foreign exchange losses from trading activities	15.911.734	16.104.714	3.917.218	5.352.106
Losses on futures and options market	8.518.947	6.952.433	3.405.668	6.510.942
Losses from forward electricity purchase and sale contracts	3.322.207	-	1.741.699	-
Losses on risk sharing contracts	1.368.918	557.846	1.170.121	268.944
Discount expenses from trading activities	1.129.993	1.686.555	-	-
Provisions for litigations	621.401	1.477.363	162.755	1.277.013
Expenses related to energy services provided	88.000	316.563	10.000	168.562
Other expenses	271.325	182.265	(4.291)	40.514
	<b>31.232.525</b>	<b>27.277.739</b>	<b>10.403.170</b>	<b>13.618.081</b>



**AKENERJİ ELEKTRİK ÜRETİM A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD BETWEEN 1 JANUARY – 30 JUNE 2020**

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

**NOTE 13 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES****a) Income from investing activities**

	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Gain on sale of property, plant and equipment	182	149	-	-
Dividend income	-	16.871	-	16.871
	<b>182</b>	<b>17.020</b>	<b>-</b>	<b>16.871</b>

**b) Expenses from investing activities**

	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Losses on sale of property, plant and equipment	-	130.291	-	-
	<b>-</b>	<b>130.291</b>	<b>-</b>	<b>-</b>

**NOTE 14 - FINANCIAL INCOME AND EXPENSES****a) Financial income**

	1 January – 30 June 2020	1 January – 30 June 2019	1 April – 30 June 2020	1 April – 30 June 2019
Gain on derivative financial instruments	3.187.510	3.934.924	283.082	(4.814.963)
Interest income	2.520.776	6.225.128	903.044	4.240.116
Foreign exchange gain	2.005.780	2.329.199	(499.466)	357.508
	<b>7.714.066</b>	<b>12.489.251</b>	<b>686.660</b>	<b>(217.339)</b>

**b) Financial expenses**

	1 January – 30 June 2020	1 January – 30 June 2019	1 April – 30 June 2019	1 April – 30 June 2018
Foreign exchange losses	429.838.004	345.567.530	156.502.008	76.725.584
Interest and commission expenses	261.140.282	236.031.655	137.384.399	133.470.621
Losses on derivative financial instruments	26.133.793	24.271.623	832.470	11.607.537
Other financial expenses (*)	13.241.032	13.584.007	6.071.328	9.397.166
	<b>730.353.111</b>	<b>619.454.815</b>	<b>300.790.205</b>	<b>231.200.908</b>

(\*) For the period 1 January - 30 June 2020, TL 10.070.800 (1 January – 30 June 2019: TL 12.115.215) of the respective amount is comprised of the indexation difference of the liability due to Uluabat DSİ Water Use Agreement calculated by WPT.

# AKENERJİ ELEKTRİK ÜRETİM A.Ş.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY – 30 JUNE 2020

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

### NOTE 15 - RELATED PARTY DISCLOSURES

#### a) Transaction with related parties

##### - Purchases from related parties

	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Sakarya Elektrik Perakende Satış A.Ş. (“Sepaş”) <sup>(1) (****)</sup>	18.418.785	10.117.029	5.273.799	3.741.822
Aksa Akrilik Kimya Sanayi A.Ş. (“Aksa”) <sup>(2) (**)</sup>	7.545.934	2.431.740	4.309.863	1.055.117
Cez Trade Bulgaria Ead. <sup>(3) (***)</sup>	4.938.216	350.498	3.967.234	106.228
Aktek Bilgi İlet. Tekn. San. ve Tic. A.Ş. (“Aktek”) <sup>(4) (**)</sup>	2.969.524	2.494.605	1.951.631	1.628.746
Cez a.s. <sup>(5) (*)</sup>	2.413.597	379.691	2.214.800	60.466
Ak-Han Bak.Yön.Serv.Hiz.Güv.Mal. A.Ş. (“Ak-Han”) <sup>(6) (**)</sup>	1.654.582	1.419.639	829.050	755.563
Dinkal Sigorta Acenteliği A.Ş. (“Dinkal”) <sup>(7) (***)</sup>	1.229.742	1.102.122	17.158	16.985
Akkök Holding A.Ş. (“Akkök”) <sup>(8) (*)</sup>	344.645	302.253	170.741	(130.955)
Cez a.s. Turkey Daimi Tem. <sup>(****)</sup>	-	-	-	(804.321)
Other	77.748	53.978	33.587	26.989
	<b>39.592.773</b>	<b>18.651.555</b>	<b>18.767.863</b>	<b>6.456.640</b>

(1) Comprised of sharing of instability savings.

(2) Comprised of purchase of electricity and sharing of instability savings.

(3) Comprised of purchase of electricity and capacity.

(4) Comprised of IT services received.

(5) Comprised of electricity and risk sharing contracts

(6) Comprised of building maintenance and other services received

(7) Comprised of insurances purchased from insurance companies by the intermediary of Dinkal.

(8) Comprised of consultancy services and rent reflections received.

##### - Sales to related parties

	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Sepaş <sup>(1) (****)</sup>	141.584.263	21.539.864	106.326.124	10.850.289
Cez Trade Bulgaria Ead. <sup>(2) (***)</sup>	11.850.598	17.661.736	5.579.521	12.426.912
Cez a.s <sup>(3) (*)</sup>	4.993.785	15.387.917	3.399.085	6.143.337
Aksa <sup>(4) (**)</sup>	2.187.363	3.040.168	1.102.480	1.493.735
Akcez Enerji Yat. San. ve Tic. A.Ş. (“Akcez”) <sup>(5) (****)</sup>	45.426	65.692	19.560	48.573
Cez a.s. Turkey Daimi Tem. <sup>(6) (***)</sup>	28.186	215.658	14.093	204.334
Other	1.061	3.728	987	-
	<b>160.690.682</b>	<b>57.914.763</b>	<b>116.441.850</b>	<b>31.167.180</b>

(1) In general, comprised of sales of electricity and risk sharing of instability.

(2) In general, comprised of sales of electricity and capacity.

(3) In general, comprised of sales of electricity and risk sharing contracts.

(4) In general, comprised of sharing of instability.

(5) In general, comprised of consultancy services and cost reflections.

(6) In general, comprised of rent reflections.

(\*) Shareholder.

(\*\*) Akkök Holding group company.

(\*\*\*) Cez a.s. group company.

(\*\*\*\*) Akkök Holding and Cez a.s. group company.

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(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*

	<b>30 June 2020</b>	<b>31 December 2019</b>
Sepaş (1) (****)	19.760.836	2.881.024
CEZ Trade Bulgaria Ead. (2) (**)	1.581.306	460.571
CEZ a.s. (3) (*)	815.051	1.246.456
Aksa (4) (**)	478.393	358.298
CEZ a.s. Turkey Daimi Tem. (***)	11.086	11.086
Akcez (****)	7.695	8.750
	<b>22.654.367</b>	<b>4.966.185</b>

(1) Comprised of receivables from sales of electricity and sharing of instability.

(2) Comprised of receivables from sales of electricity and capacity.

(3) Comprised of receivables from sales of electricity and risk sharing.

(4) Comprised of receivables from sales of sharing of instability.

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

- *Other receivables from related parties*

	<b>30 June 2020</b>	<b>31 December 2019</b>
Cez a.s. (1) (*)	7.708.200	1.330.120
	<b>7.708.200</b>	<b>1.330.120</b>

(1) Comprised of cash collateral given amounting to EUR 1.000.000 within the scope of electricity exported (31 December 2019: comprised of EUR 200.000 cash collateral given).

## AKENERJİ ELEKTRİK ÜRETİM A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY – 30 JUNE 2020

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

#### NOTE 15 - RELATED PARTY DISCLOSURES (Continued)

- Short-term trade payables to related parties

	30 June 2020	31 December 2019
Dinkal (1) (**)	15.168.007	22.382.188
Akkök (2) (*)	3.165.938	2.759.257
Sepaş (3) (****)	1.762.098	3.713.756
Aksa (4) (**)	1.623.820	403.656
CEZ a.s. Turkey Daimi Tem. (5) (***)	1.623.305	1.400.581
Aktek (6) (**)	1.280.494	430.151
Ak-Han (7) (**)	354.773	361.375
Ak Havacılık ve Ulaştırma Hiz. A.Ş. (“Ak Havacılık”) (8) (**)	227.030	197.102
Ak-pa Tekstil İhracat Pazarlama A.Ş. (“Ak-pa”) (9) (**)	204.118	126.869
CEZ a.s (10) (*)	117.864	-
CEZ Trade Bulgaria (11) (****)	332.498	618.885
	<b>25.859.945</b>	<b>32.393.820</b>

(1) Comprised of payables to Dinkal for the insurances purchased from insurance companies by the intermediary of Dinkal.

(2) Comprised of the payables related to consultancy and rent services received.

(3) Comprised of payables on sharing of instability.

(4) Comprised of payables on electricity purchases and sharing of instability.

(5) Comprised of the payables related to consultancy services received.

(6) Comprised of payables related to IT services and equipments purchased.

(7) Comprised of the payables related to office maintenance and management services received.

(8) Comprised of payables related to aviation services received.

(9) Comprised of the payables related to rent services received.

(10) Comprised of payables on risk sharing.

(11) Comprised of the payables related to electricity and capacity received.

(\*) Shareholder.

(\*\*) Akkök Holding group company.

(\*\*\*) Cez a.s. group company.

(\*\*\*\*) Akkök Holding and Cez a.s. group company.

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

#### c) Key management compensation

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

	1 January - 30 June 2020	1 January - 30 June 2019	1 April - 30 June 2020	1 April - 30 June 2019
Salaries and benefits	2.822.088	1.531.960	-	-
Bonus payment	2.164.078	1.647.562	1.082.039	886.533
Attendance fee	392.948	399.470	202.027	206.530
	<b>5.379.114</b>	<b>3.578.992</b>	<b>1.284.066</b>	<b>1.093.063</b>

## AKENERJİ ELEKTRİK ÜRETİM A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY – 30 JUNE 2020

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

#### NOTE 16 - FINANCIAL RISK MANAGEMENT

##### - *Foreign exchange risk*

The Group is exposed to foreign exchange risk through the impact of rate changes in the translation of foreign currency denominated assets and liabilities to local currency. Foreign exchange risk arises from future obligations as well as foreign currency denominated assets and liabilities. These risks are monitored and limited by the monitoring of the foreign currency position. In order to manage this risk, foreign exchange purchases are made from spot markets and derivative instruments are used. The management limits the foreign currency position of the Group through analyzing it. The Group has reduced its exposure to currency risk by converting a significant portion of its USD denominated loans into TL with the refinancing it has made within the scope of Financial Restructuring on 11 November 2019. In addition to these, the Group has reduced its exposure to currency risk by creating a natural hedge mechanism from USD based revenues obtained within the scope of YEKDEM.

The details of the foreign currency assets and liabilities as of 30 June 2020 and 31 December 2019 are as follows:

	<b>30 June 2020</b>	<b>31 December 2019</b>
Assets	58.029.438	48.073.346
Liabilities	3.392.171.049	2.972.600.158
	<b>(3.334.141.611)</b>	<b>(2.924.526.812)</b>

## AKENERJİ ELEKTRİK ÜRETİM A.Ş.

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY – 30 JUNE 2020

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

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

Assets and liabilities denominated in foreign currency held by the Group at 30 June 2020 and 31 December 2019 and their TL equivalent are as follows:

	30 June 2020				31 December 2019			
	TL Equivalent	USD	Euro	Other	TL Equivalent	USD	Euro	Other
Cash and cash equivalents	41.782.704	4.596.094	1.340.807	12	40.722.956	3.659.367	2.854.680	32
Trade receivable from related parties	2.396.356	-	310.884	-	1.707.029	-	256.673	-
Trade receivables from third parties	1.259	50	119	-	1.349.638	227.071	119	-
Other receivables from third parties	1.541.671	-	200.004	-	1.330.206	-	200.013	-
Derivative financial instruments	3.996.714	-	518.502	-	283.080	47.655	-	-
<b>Current assets</b>	<b>49.718.704</b>	<b>4.596.144</b>	<b>2.370.316</b>	<b>12</b>	<b>45.392.909</b>	<b>3.934.093</b>	<b>3.311.485</b>	<b>32</b>
Other receivables from related parties	7.708.200	-	1.000.000	-	1.330.120	-	200.000	-
Other receivables from third parties	602.534	3.400	75.150	-	1.350.317	3.400	200.000	-
<b>Non-current assets</b>	<b>8.310.734</b>	<b>3.400</b>	<b>1.075.150</b>	<b>-</b>	<b>2.680.437</b>	<b>3.400</b>	<b>400.000</b>	<b>-</b>
<b>Total assets</b>	<b>58.029.438</b>	<b>4.599.544</b>	<b>3.445.466</b>	<b>12</b>	<b>48.073.346</b>	<b>3.937.493</b>	<b>3.711.485</b>	<b>32</b>
Derivative financial instruments	18.183.048	2.140.039	459.312	-	7.917.962	1.317.991	13.357	-
Short-term portion of long term borrowings	210.756.754	30.802.484	-	-	166.380.043	28.009.165	-	-
Lease liabilities	9.211.365	-	1.195.009	-	7.924.448	-	1.191.539	-
Trade payables to related parties	19.623.050	2.487.812	337.421	4	24.416.375	3.634.449	425.073	4
Trade payables to third parties	60.094.714	8.338.253	394.738	-	57.538.568	9.612.332	63.981	1.785
Other payables to third parties	1.235.606	180.586	-	-	856.725	144.225	-	-
<b>Current liabilities</b>	<b>319.104.537</b>	<b>43.949.174</b>	<b>2.386.480</b>	<b>4</b>	<b>265.034.121</b>	<b>42.718.162</b>	<b>1.693.950</b>	<b>1.789</b>
Derivative financial instruments	40.899.729	5.977.570	-	-	26.746.806	4.501.276	1.252	-
Long-term borrowings	2.965.303.574	433.384.521	-	-	2.574.426.382	433.390.522	-	-
Lease liabilities	66.860.472	-	8.673.941	-	61.186.905	-	9.200.208	-
Trade payables to third parties	2.737	400	-	-	2.376	400	-	-
Other payables to third parties	-	-	-	-	45.203.568	7.609.772	-	-
<b>Non-current liabilities</b>	<b>3.073.066.512</b>	<b>439.362.491</b>	<b>8.673.941</b>	<b>-</b>	<b>2.707.566.037</b>	<b>445.501.970</b>	<b>9.201.460</b>	<b>-</b>
<b>Total liabilities</b>	<b>3.392.171.049</b>	<b>483.311.665</b>	<b>11.060.421</b>	<b>4</b>	<b>2.972.600.158</b>	<b>488.220.132</b>	<b>10.895.410</b>	<b>1.789</b>
<b>Net foreign currency assets/(liabilities)</b>	<b>(3.334.141.611)</b>	<b>(478.712.121)</b>	<b>(7.614.955)</b>	<b>8</b>	<b>(2.924.526.812)</b>	<b>(484.282.639)</b>	<b>(7.183.925)</b>	<b>(1.757)</b>

**AKENERJİ ELEKTRİK ÜRETİM A.Ş.**
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

**NOTE 16 - FINANCIAL RISK MANAGEMENT (Continued)**

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and EURO. As of 30 June 2020 and 2019, the following table details of Group's sensitivity to a 10% and 10% increase and decrease in the TL against relevant foreign currencies, all other variables held constant in respectively.

	30 June 2020			
	Profit /Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>+/- 10% fluctuation of USD rate</b>				
1- USD net asset / liability	(327.544.407)	327.544.407	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
<b>3- USD net effect (1+2)</b>	<b>(327.544.407)</b>	<b>327.544.407</b>	-	-
<b>+/- 10% fluctuation of EUR rate</b>				
4- EUR net asset / liability	(5.869.760)	5.869.760	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
<b>6- EUR net effect (4+5)</b>	<b>(5.869.760)</b>	<b>5.869.760</b>	-	-
<b>+/- 10% fluctuation of other currencies rate against to TL</b>				
7- Other currencies net asset / liability	7	(7)	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
<b>9- Other currencies net effect (7+8)</b>	<b>7</b>	<b>(7)</b>	-	-
<b>Total (3+6+9)</b>	<b>(333.414.160)</b>	<b>333.414.160</b>	-	-
	31 December 2019			
	Profit /Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>+/- 10% fluctuation of USD rate</b>				
1- USD net asset / liability	(287.673.573)	287.673.573	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
<b>3- USD net effect (1+2)</b>	<b>(287.673.573)</b>	<b>287.673.573</b>	-	-
<b>+/- 10% fluctuation of EUR rate</b>				
4- EUR net asset / liability	(4.777.741)	4.777.741	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
<b>6- EUR net effect (4+5)</b>	<b>(4.777.741)</b>	<b>4.777.741</b>	-	-
7- Other currencies net asset / liability	(1.366)	1.366	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
<b>9- Other currencies net effect (7+8)</b>	<b>(1.366)</b>	<b>1.366</b>	-	-
<b>Total (3+6+9)</b>	<b>(292.452.680)</b>	<b>292.452.680</b>	-	-

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

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**NOTE 17 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS**

**Fair value of financial instruments**

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

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

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

*Financial assets*

The carrying values of financial assets including cash and cash equivalents which are accounted with their costs are estimated to be their fair values since they are short term.

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

*Financial liabilities*

The fair values of short-term bank borrowings and other monetary liabilities are considered to approximate to their respective carrying values. The carrying values of the long-term bank loans of the Group reflect their fair values due to the repricing of the loans within the scope of the Financial Restructuring made on 11 November 2019.

**Fair value hierarchy table**

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

As of 30 June 2020, the Group has short-term and long-term liabilities from derivative financial instruments amounting to TL 18.183.040 (31 December 2019: TL 7.917.962) and TL 40.899.730 (31 December 2019: TL 26.746.806) respectively and TL 3.996.714 derivative financial instruments in its current assets (31 December 2019: TL 283.082), 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 on 31 December 2019 through other valuation techniques involving direct and indirect observable inputs (Level 3).

**NOTE 18 - SUBSEQUENT EVENTS**

None.