

(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 2019

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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AKENERJİ ELEKTRİK ÜRETİM A.Ş.**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2019 AND 31 DECEMBER 2018**

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

		Current period	Prior period
		Unaudited	Audited
	Notes	30 September 2019	31 December 2018
ASSETS			
Current assets			
Cash and cash equivalents		143.780.608	19.319.811
Trade receivables			
- Due from related parties	15	8.494.407	7.704.996
- Due from third parties		86.384.033	164.813.897
Inventories		1.785.964	674.399
Other receivables			
- Due from third parties		3.764.940	13.753.685
Prepaid expenses		10.817.316	13.571.389
Derivative financial instruments	7	-	24.345
Current income tax assets	9	2.074.688	534.121
Other current assets		55.303.382	105.060.349
Total current assets		312.405.338	325.456.992
Assets held for sale		1.509.975	-
Non-current assets			
Other receivables			
- Due from related parties	15	1.236.720	602.800
- Due from third parties		1.549.552	336.824
Inventories		18.996.569	18.769.298
Financial investments		100.000	100.000
Property, plant and equipment	4	5.047.316.376	5.227.937.915
Intangible assets	5	109.181.919	110.933.961
Right of use assets	2	23.208.231	-
Deferred tax assets	9	1.939.659	741.959
Prepaid expenses		5.940.412	590.860
Other non-current assets		-	19.098.093
Total non-current assets		5.209.469.438	5.379.111.710
TOTAL ASSETS		5.523.384.751	5.704.568.702

AKENERJİ ELEKTRİK ÜRETİM A.Ş.**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 SEPTEMBER 2019 AND 31 DECEMBER 2018**

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

		Current period		Prior period
		Unaudited		Audited
	Notes	30 September 2019	31 December 2018	
LIABILITIES				
Current liabilities				
Short term borrowings	3	70.750.000	236.637.968	
Short term portion of long term borrowings				
- Bank loans	3	1.560.897.661	873.780.809	
- Lease liabilities	3	8.425.215	6.711.449	
Trade payables				
- Due to related parties	15	9.303.404	26.945.006	
- Due to third parties		256.421.038	286.266.440	
Current income tax liabilities	9	17.301	107.071	
Other payables				
- Due to third parties		1.866.829	2.341.912	
Derivative financial instruments	7	20.818.097	12.919.531	
Employee benefit obligations		794.347	581.002	
Short term provisions				
- Provisions for employee benefits		2.829.414	3.340.000	
- Other short term provisions	6	21.042.255	18.338.205	
Total current liabilities		1.953.165.561	1.467.969.393	
Non-current liabilities				
Long term borrowings				
- Bank loans	3	3.114.695.248	3.333.605.645	
- Lease liabilities	3	77.939.746	61.151.542	
Derivative financial instruments	7	31.685.210	17.282.246	
Trade payables				
- Due to third parties		187.871.986	177.807.845	
Other payables				
- Due to third parties		16.483	16.324	
Long term provisions				
- Provisions for employee benefits		5.451.263	4.331.412	
Deferred tax liabilities	9	115.209.505	181.839.302	
Total non-current liabilities		3.532.869.441	3.776.034.316	
EQUITY				
Share capital	8	729.164.000	729.164.000	
Adjustments to share capital	8	101.988.910	101.988.910	
Share premiums		50.220.043	50.220.043	
Other comprehensive income/expense to be reclassified to profit/loss				
- Gains/(losses) on cash flow hedging		(10.034.191)	(11.891.988)	
Restricted reserves				
- Legal reserves	8	12.053.172	12.053.172	
- Other reserves		(4.322.722)	(4.322.722)	
Other comprehensive income/expense not to be reclassified to profit/loss				
- Increase on revaluation of property, plant and equipment		2.443.388.075	2.548.936.335	
- Gains/(losses) on re-measurement of defined benefit plans		(1.063.196)	(1.045.003)	
Retained earnings/(losses)		(2.847.157.112)	(1.408.141.204)	
Net profit/(loss) for the period		(436.887.230)	(1.556.396.550)	
Total equity		37.349.749	460.564.993	
TOTAL LIABILITIES AND EQUITY		5.523.384.751	5.704.568.702	

AKENERJİ ELEKTRİK ÜRETİM A.Ş.**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE INTERIM PERIODS
BETWEEN 1 JANUARY – 30 SEPTEMBER 2019 AND 2018**

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

		Current period	Prior period		
		Unaudited	Unaudited		
	Notes	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Revenue	10	1.382.717.425	1.592.243.661	486.718.878	659.280.665
Cost of sales (-)	11	(1.180.489.200)	(1.551.381.053)	(508.221.252)	(664.100.166)
GROSS PROFIT		202.228.225	40.862.608	(21.502.374)	(4.819.501)
General administrative expenses (-)	11	(42.906.945)	(38.490.059)	(15.702.397)	(11.899.783)
Other operating income	12	18.691.167	38.511.097	3.428.747	22.764.940
Other operating expenses (-)	12	(23.238.091)	(97.024.039)	4.039.648	(77.729.806)
OPERATING PROFIT / (LOSS)		154.774.356	(56.140.393)	(29.736.376)	(71.684.150)
Income from investing activities	13	17.020	173.753	-	-
Expenses from investing activities	13	(130.291)	-	-	-
OPERATING PROFIT / (LOSS) BEFORE FINANCIAL INCOME/ (EXPENSE)		154.661.085	(55.966.640)	(29.736.376)	(71.684.150)
Financial income	14	15.373.616	61.626.933	2.884.365	32.185.428
Financial expenses (-)	14	(663.235.137)	(1.981.152.423)	(43.780.322)	(1.216.105.412)
PROFIT / (LOSS) BEFORE TAX		(493.200.436)	(1.975.492.130)	(70.632.333)	(1.255.604.134)
Tax (Expense)/Income					
Current income tax expense	9	(141.808)	(3.358.352)	(17.301)	(1.925.296)
Deferred tax (expense) / income	9	56.455.014	331.154.169	9.245.844	205.121.487
NET PROFIT / (LOSS) FOR THE PERIOD		(436.887.230)	(1.647.696.313)	(61.403.790)	(1.052.407.943)
Net loss attributable to:					
Equity holders of the parent		(436.887.230)	(1.647.696.313)	(61.403.790)	(1.052.407.943)
		(436.887.230)	(1.647.696.313)	(61.403.790)	(1.052.407.943)
Earnings/(losses) per share (1.000 shares)		(5,99)	(22,60)	(0,84)	(14,43)

AKENERJİ ELEKTRİK ÜRETİM A.Ş.**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIODS BETWEEN 1 JANUARY - 30 SEPTEMBER 2019 AND 2018**

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

	Current period		Prior period	
	Unaudited		Unaudited	
	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Net profit/(loss) for the period	(436.887.230)	(1.647.696.313)	(61.403.790)	(1.052.407.943)
Other comprehensive income/(expense)				
To be reclassified to profit or loss				
Gains/(losses) on cash flow hedging	2.322.251	3.302.185	782.590	782.589
Deferred tax effect	(464.454)	(660.341)	(156.522)	(156.518)
Not to be reclassified to profit or loss				
Increase on revaluation of property, plant and equipment	-	-	-	-
Deferred tax effect	11.832.382	-	-	-
Actuarial gain/(loss) arising from defined benefit plans	(22.741)	282.609	335.599	177.022
Deferred tax effect	4.548	(56.522)	(67.120)	(35.405)
OTHER COMPREHENSIVE INCOME/(EXPENSE)	13.671.986	2.867.931	894.547	767.688
TOTAL COMPREHENSIVE INCOME/(LOSS)	(423.215.244)	(1.644.828.382)	(60.509.243)	(1.051.640.255)

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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

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

				Other comprehensive income / (expenses) to be reclassified to profit or loss	Restricted reserves		Other comprehensive income / (expenses) not to be reclassified to profit or loss				
	Share capital	Adjustments to share capital	Share premiums	Gains / (losses) on cash flow hedging (**)	Other reserves	Legal reserves	Increase on revaluation of property, plant and equipment	Gains/(losses) on re-measurement of defined benefit plans	Retained earnings/ (losses)	Net profit/(loss) for the period	Total equity
1 January 2018 – previously reported	729.164.000	101.988.910	50.220.043	(15.159.903)	(4.322.722)	12.053.172	2.526.950.583	(1.349.827)	(1.090.945.284)	(505.044.383)	1.803.554.589
Restatement effect	-	-	-	-	-	-	36.783.975	-	30.247.342	(2.152.770)	64.878.547
1 January 2018 - restated	729.164.000	101.988.910	50.220.043	(15.159.903)	(4.322.722)	12.053.172	2.563.734.558	(1.349.827)	(1.060.697.942)	(507.197.153)	1.868.433.136
Transfers	-	-	-	-	-	-	-	-	(507.197.153)	507.197.153	-
Other adjustments (*)	-	-	-	-	-	-	(97.150.579)	-	97.150.579	-	-
Total comprehensive income/(loss)	-	-	-	2.641.844	-	-	-	226.087	-	(1.647.696.313)	(1.644.828.382)
30 September 2018	729.164.000	101.988.910	50.220.043	(12.518.059)	(4.322.722)	12.053.172	2.466.583.979	(1.123.740)	(1.470.744.516)	(1.647.696.313)	223.604.754
1 January 2019	729.164.000	101.988.910	50.220.043	(11.891.988)	(4.322.722)	12.053.172	2.548.936.335	(1.045.003)	(1.408.141.204)	(1.556.396.550)	460.564.993
Transfers	-	-	-	-	-	-	-	-	(1.556.396.550)	1.556.396.550	-
Other adjustments (*)	-	-	-	-	-	-	(117.380.642)	-	117.380.642	-	-
Total comprehensive income/(loss)	-	-	-	1.857.797	-	-	11.832.382	(18.193)	-	(436.887.230)	(423.215.244)
30 September 2019	729.164.000	101.988.910	50.220.043	(10.034.191)	(4.322.722)	12.053.172	2.443.388.075	(1.063.196)	(2.847.157.112)	(436.887.230)	37.349.749

(*) As of 30 September 2019, the depreciation difference between the acquisition cost and the carrying values of the assets subject to revaluation method amounting to TL 117.380.642 (30 September 2018: TL 121.438.224) without a deferred tax effect, provided in increase on revaluation of property, plant and equipment were reclassified under retained earnings / (losses) in full amounts (30 September 2018: net of the deferred tax impact amounting to 97.150.579 TL has been transferred from the increase on revaluation of property, plant and equipment to retained earnings).

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIODS BETWEEN 1 JANUARY - 30 SEPTEMBER 2019 AND 2018**

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

		Current period	Prior period
		Unaudited	Unaudited
	Notes	1 January - 30 September 2019	1 January - 30 September 2018
A. Cash flows from operating activities		402.344.994	(44.281.334)
Net profit / (loss) for the period		(436.887.230)	(1.647.696.313)
Adjustments to reconcile net profit / (loss) for the period		745.090.860	1.669.919.929
Adjustments for depreciation and amortization expenses	11	194.706.617	194.037.996
Adjustments for provisions			
- Adjustments for litigation provisions	6	505.502	(620.764)
- Adjustments for other provisions	6	2.198.548	1.977.910
- Adjustment for provision for employee benefits		3.915.320	1.242.955
Adjustment for unrealized foreign exchange difference		293.233.780	1.576.591.126
Adjustment for tax (income) / expense	9	(56.313.206)	(327.795.817)
Adjustment for (gain)/loss on sale of property, plant and equipment	13	130.142	(166.102)
Fair value of derivative financial instruments		24.046.769	(14.968.499)
Adjustment for interest (income)/expense, net		282.667.388	239.621.124
Changes in working capital		99.242.304	(63.774.935)
Increase / decrease in trade receivables from related parties		(789.411)	(45.596.443)
Increase / decrease in trade receivables from third parties		76.919.889	(18.292.793)
Increase / decrease in other receivables from related parties		(633.920)	-
Increase / decrease in other receivables from third parties		8.776.008	(10.307.595)
Increase / decrease in inventories		(1.338.836)	(7.233.192)
Increase / decrease in prepaid expenses		(3.259.723)	(5.888.204)
Increase / decrease in other assets		68.855.060	(18.100.728)
Increase / decrease in trade payables to related parties		(17.641.602)	(39.654.506)
Increase / decrease in trade payables to third parties		(29.662.688)	73.490.207
Increase / decrease in derivative financial instruments		(1.720.894)	4.135.190
Increase / decrease in employee benefit obligations		213.345	182.693
Increase / decrease in other payables to third parties		(474.924)	3.490.436
Cash flows from operating activities		407.445.934	(41.551.319)
Payments related to provisions for employee benefits		(3.328.795)	(1.433.482)
Tax (payments) / receipts		(1.772.145)	(1.296.533)
B. Cash flows from investing activities		(10.818.495)	(6.068.027)
Cash outflows due to purchase of property, plant and equipment	4	(10.636.197)	(6.222.999)
Cash outflows due to purchase of intangible assets	5	(208.698)	(12.003)
Cash inflows due to sale of property, plant and equipment		26.400	166.975
C. Cash flows from financing activities		(277.573.408)	32.531.325
Cash inflows on borrowings received	3	223.450.000	325.311.100
Cash outflows due to repayment of borrowings	3	(475.265.750)	(208.809.023)
Cash outflows due to repayment of lease liabilities	3	(9.808.229)	(5.059.936)
Interest paid	3	(18.997.890)	(90.912.866)
Interest received		13.556.167	2.919.465
Other cash inflows / (outflows) (*)		(10.507.706)	9.082.585
Net increase / (decrease) in cash and cash equivalents		113.953.091	(17.818.036)
Cash and cash equivalents at the beginning of the period (*)		16.270.551	44.170.711
Cash and cash equivalents at the end of the period (*)		130.223.642	26.352.675

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 SEPTEMBER 2019

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

NOTE 1 – GROUP’S ORGANISATION AND NATURE OF OPERATIONS

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

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

Miralay Şefik Bey Sokak No:15 Akhan Kat: 3-4 Gümüşsuyu / İstanbul – 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 2019, 52,83% of its shares are open for trading (31 December 2018: 52,83%).

As of 30 September 2019, the number of employees employed Akenerji and its subsidiaries (Akenerji and its subsidiaries will be referred as the "Group") is 237 (31 December 2018: 200).

These condensed consolidated financial statements for the interim period of 1 January – 30 September 2019 have been approved for issue by the Board of Directors at 5 November 2019.

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

Principles of preparation of interim condensed consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with the Turkish Accounting Standards / Turkish Financial Reporting Standards, ("TAS/IFRS") issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") published on Official Gazette dated 13 September 2013 and numbered 28676. IFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by POA.

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 SEPTEMBER 2019

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

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

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

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

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

2.2 Basis of consolidation

- a. The interim condensed consolidated financial statements include the accounts of the parent company, Akenerji, and its Subsidiaries on the basis set out in sections (b) to (c) below. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements and have been prepared in accordance with TAS/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 September 2019 and 31 December 2018:

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 SEPTEMBER 2019**

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

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

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

- c. The minority shareholders' share in the net assets and results of subsidiaries for the period are separately classified as non-controlling interest in the condensed consolidated statement of financial position 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 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TAS/TFRS and Turkey Financial Reporting Interpretations Committee ("TFRIC") interpretations effective as of 1 January 2019. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

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

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

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

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

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

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

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

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

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

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

2.4 Restatement and errors in the accounting policies and estimates

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

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

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

TFRS 16 “Leases”

The Group – as a lessee

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

- a) The contract involved the use of an identified asset – this may be specified explicitly or implicitly.
- b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- d) The Group has the right to direct use of the asset. The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
 - i. the Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
 - ii. the Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

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

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

Right of use asset

The right of use asset is initially recognized at cost comprising of:

- a) amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs incurred by the Group; and
- d) an estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

The Group re-measure the right of use asset:

- a) after netting-off depreciation and reducing impairment losses from right of use asset,
- b) adjusted for certain re-measurements of the lease liability recognized at the present value

The Group applies TAS 16 "Property, Plant and Equipment" to amortize the right of use asset and TAS 36 "Impairment of Assets" to asses for any impairment.

Lease liability

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

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

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

After initial recognition, the lease liability is measured:

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

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**Extension and termination options**

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

Exemptions and simplifications

Short-term lease payments with a lease term below 12 months and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc.) are not included in the measurement of the lease liabilities in the scope of exemptions provided in TFRS 16 "Leases". Lease payments of these contracts are continued to be recognised in profit or loss in the related period. The Group applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

The Group – as a lessor

The Group does not have significant operations as a lessor.

First time adoption of TFRS 16 "Leases"

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

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

The effects of transition to TFRS 16 are provided below:

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 SEPTEMBER 2019

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

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

	1 January 2019	Additon	Disposals	30 September 2019
Cost				
Land	19.541.243	-	-	19.541.243
Buildings	2.470.082	250.923	-	2.721.005
Motor vehicles	1.037.802	1.552.864	-	2.590.666
	23.049.127	1.803.787	-	24.852.914
Accumulated depreciation				
Land	-	402.223	-	402.223
Buildings	-	725.714	-	725.714
Motor vehicles	-	516.746	-	516.746
	-	1.644.683	-	1.644.683
Net defter book value	23.049.127			23.208.231

Current period depreciation expense of amounting to TL 402.223 TL has been included in cost of sales and TL 1.242.460 has been included in general administrative expenses.

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

2.5 Comparatives and restatement of prior year financial statements

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

As a result of the assessments made by the Group, income on risk sharing contracts previously reported net of losses on risk sharing contracts in other operating expenses amounting to TL 6.957.586 provided in the interim consolidated statement of profit or loss as of 30 September 2018 has been reclassified to other operating income in the accompanying consolidated statement of profit or loss as of 30 September 2018.

As a result of the assessments made by the Group, gain on futures and options market transactions previously reported net of losses on futures and options market transactions provided in other operating expenses amounting to TL 425.001 provided in the interim consolidated statement of profit or loss as of 30 September 2018 has been reclassified to other operating income in the accompanying interim consolidated statement of profit or loss as of 30 September 2018.

As a result of the assessments made by the Group, gain on derivative financial instruments previously reported net of losses on derivative financial instruments provided in financial expenses amounting to TL 26.453.154 provided in the interim consolidated statement of profit or loss as of 30 September 2018 has been reclassified to financial income in the accompanying interim consolidated statement of profit or loss as of 30 September 2018.

As a result of the assessments made by the Group, dividend income previously reported in other operating income amounting to TL 7.651 provided in the interim consolidated statement of profit or loss as of 30 September 2018 has been reclassified to income from investment activities in the accompanying interim consolidated statement of profit or loss as of 30 September 2018.

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

As a result of the assessments made by the Group, forest permit expenses previously reported in general administrative expenses amounting to TL 1.213.612 provided in the interim consolidated statement of profit or loss as of 30 September 2018 has been reclassified to cost of sales in the accompanying interim consolidated statement of profit or loss as of 30 September 2018

2.6 Critical accounting estimates and judgments

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

Deferred tax assets for the carry forward tax losses

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

As a result of the studies performed, the Group recognized deferred tax assets on carry forward tax losses amounting to TL 76.086.273 (31 December 2018: TL 3.501.950) as of 30 September 2019. The related deferred tax asset is calculated based on the net income projections of the Group and deferred tax liabilities will be recovered for the foreseeable future. If the net income projections which are explained in are not realized or temporary differences of deferred tax assets and liabilities are recovered in a different period, related deferred tax assets for the carry forward tax losses will be accounted as an expense in the consolidated statements of profit or loss. For the remaining carry forward tax losses amounting to TL 649.316.570 (31 December 2018: TL 649.299.029), the Group did not recognize deferred tax assets since the Group believes those will not be utilized in the foreseeable future.

Fair value of derivative financial instruments

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

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

Explanations for revaluation method and fair value measurement

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

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

2.7 Going concern

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

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

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

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

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

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

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

With the refinancing loan agreement signed between the Group and Yapı ve Kredi Bankası A.Ş. on 30 September 2015, the maturity of short-term liabilities of the Group extended to long-term by having a 12 years termed payment period with a one year nonrefundable period and the exposure to foreign exchange rate risk is reduced by utilizing some portion of the refinanced loan in TL. The Group started negotiations with Yapı ve Kredi Bankası A.Ş. to extend the maturity of the borrowings to long-term with a comprehensive manner where the Group signed an Amendment Agreement with Yapı ve Kredi Bankası A.Ş. on 28 March 2019 and deferred payment of short-term portion of the related borrowings to October 2019 and maintained a positive impact on short-term cash flows. Total current liabilities of the Group surpassed its total current assets by TL 1.640.760.223 TL (31 December 2018: TL 1.142.512.401) as of 30 September 2019 which is mainly stemmed from bank loans. Although as per TAS 1 this indicates the existence of an uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, the Group is in the opinion that with the effect of the actions taken and the constructive negotiations on-going with Yapı ve Kredi Bankası A.Ş., it is appropriate to prepare consolidated financial statements on a going concern basis in foreseeable future. The negotiations with Yapı ve Kredi Bankası A.Ş. are ongoing to extending the remaining balance of borrowings to a longer-term with a comprehensive manner.

The Group recognised a net loss for the interim period 1 January – 30 September 2019 amounting to TL 436.887.230 TL (1 January – 30 September 2018: TL 1.647.696.313). Retained earnings/(losses) of the Group as of 30 September 2019 is TL 2.847.157.112 TL (31 December 2018: TL 1.408.141.204). With the Communique of Ministry of Commerce issued on the official gazette dated 15 September 2018 regarding the regulation on loss of capital and excess of liabilities over assets in relation to Article 376 of Turkish Commercial Code numbered 6102, it has been decided that, unrealized foreign exchange losses incurred from the foreign exchange based financial liabilities which are not yet fulfilled can be excluded on the calculation of loss of capital and excess of liabilities over assets. In relation to this regulation, it is calculated that, unrealized foreign exchange losses recognized under retained earnings/(losses) amounting to TL 1.591.279.894 and recognized under consolidated statement of profit or loss amounting to TL 274.400.022, in total amounting to TL 1.865.679.916 will be excluded on the calculation of loss of capital and excess of liabilities over assets by adding back to the total equity. Accordingly, there is no either issue of loss of capital or excess of liabilities over assets for the Group. The Group, as aware of all of its short term and long term liabilities, has been taking the necessary actions maintain its operations in a healthy financial structure within the framework of proactive approach.

2.8 Seasonality of Group's operations

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

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NOTE 3 - BORROWINGS

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

	30 September 2019	31 December 2018
Short term borrowings		
-Bank loans	70.750.000	236.637.968
Total short term borrowings	70.750.000	236.637.968
Short-term portion of long term borrowings		
-Bank loans (*)	1.560.897.661	873.780.809
-Financial lease payables (**)	6.461.348	6.711.449
-Operational lease liabilities	1.963.867	-
Total short-term portion of long term borrowings	1.569.322.876	880.492.258
Long term borrowings		
-Bank loans (*)	3.114.695.248	3.333.605.645
-Financial lease payables (**)	56.708.540	61.151.542
-Operational lease liabilities	21.231.206	-
Total long term borrowings	3.192.634.994	3.394.757.187
Total short term and long term borrowings	4.832.707.870	4.511.887.413

(*) The loan obtained pursuant to the loan agreement ("Loan Agreement") signed with Yapı ve Kredi Bankası A.Ş. on 30 September 2015, amounts to TL 4.736.495.140 (TL 516.539.556 and USD 745.693.765). Commissions amounting to TL 60.902.231, including the new loan arrangement commission of TL 21.979.227 arrangement commission for paid-off loans amounting to TL 15.670.903, early payment commission amounting to TL 22.402.576 and "Amendment Agreement" signed with Yapı ve Kredi Bankası A.Ş. on 28 March 2019, amounting to TL 849.525 extension commission for rearranging the loan repayment schedule were paid and deducted from the total loan amount. Such commissions are amortized during the term of the loans. As the loan agreement signed on 30 September 2015 is the modification of the loan agreement signed with the bank consortium consisting of T. Garanti Bankası A.Ş., Yapı ve Kredi Bankası A.Ş. and T. Vakıflar Bankası T.A.O. on 11 October 2011, commissions paid for the loans used pursuant to this agreement are also deducted from the loan amount as of 30 September 2019.

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

As of 30 September 2019, the accrued interest expense on short-term and long-term bank borrowings is TL 530.061.671 (31 December 2018: TL 243.174.001).

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

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NOTE 3 – BORROWINGS (Continued)

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

30 September 2019				
	Currency	Effective interest rate %	Original amount	TL equivalent
Short-term bank loans	TL	27,50	70.750.000	70.750.000
Total short-term bank loans				70.750.000
Short-term portion of long-term bank loans	USD	7,74	240.476.374	1.360.879.848
Short-term portion of long-term bank loans	TL	14,00	200.017.816	200.017.816
Short-term portion of long-term finance lease liabilities	EURO	3,40	1.381.148	8.540.466
Interest cost of short-term portion of long-term finance lease liabilities (-)	EURO	3,40	(336.231)	(2.079.118)
Short-term portion of long-term operational lease liabilities	EURO	4,07	67.128	415.095
Short-term portion of long-term operational lease liabilities	TL	17,79	1.548.772	1.548.772
Total short-term borrowings				1.569.322.876
Long term bank loans	USD	7,74	505.217.391	2.798.173.508
Long term bank loans	TL	14,00	316.521.740	316.521.740
Long-term finance lease liabilities	EURO	3,40	11.155.141	68.978.928
Interest cost of long-term finance lease liabilities (-)	EURO	3,40	(1.984.344)	(12.270.388)
Long-term operational lease liabilities	EURO	4,07	43.559	269.351
Long-term operational lease liabilities	TL	17,79	20.961.855	20.961.855
Total long-term borrowings				3.192.634.994
31 December 2018				
	Currency	Effective interest rate %	Original amount	TL equivalent
Short-term bank loans	TL	31,46	236.637.968	236.637.968
Total short-term bank loans				236.637.968
Short-term portion of long-term bank loans	USD	6,72	145.342.360	764.631.622
Short-term portion of long-term bank loans	TL	11,95	109.149.187	109.149.187
Short-term portion of long-term finance lease liabilities	EURO	3,40	1.481.848	8.932.581
Interest cost of short-term portion of long-term finance lease liabilities (-)	EURO	3,40	(368.469)	(2.221.132)
Total short-term borrowings				880.492.258
Long term bank loans	USD	6,72	577.391.304	2.971.866.515
Long term bank loans	TL	11,95	361.739.130	361.739.130
Long-term finance lease liabilities	EURO	3,40	12.465.157	75.139.967
Interest cost of long-term finance lease liabilities (-)	EURO	3,40	(2.320.575)	(13.988.425)
Total long-term borrowings				3.394.757.187

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NOTE 3 – BORROWINGS (Continued)

As of 30 September 2019, USD bank borrowings of the Group amounting to TL 1.569.964.414 are subject to floating interest rate of USD Libor + 5,5% (31 December 2018: USD bank borrowings of the Group amounting to TL 1.378.347.001 are subject to floating interest rate of USD Libor + 4,5%).

As of 30 September 2019, all of the Euro finance lease liabilities of the Group are subject to floating interest rate of Euribor + 3,4% (31 December 2018: 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 September 2019 and 31 December 2018 are as follows:

	30 September 2019	31 December 2018
Up to 1 - 2 years	222.478.232	416.700.705
Up to 2 - 3 years	444.956.464	416.700.705
Up to 3 - 4 years	444.956.464	416.700.705
Up to 4 - 5 years	444.956.464	416.700.705
More than 5 years	1.557.347.624	1.666.802.825
	3.114.695.248	3.333.605.645

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

	Minimum rent payments		Present value of financial leasing payables	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Up to 1-2 years	8.100.617	7.896.778	6.227.673	5.869.978
Up to 2-3 years	8.100.617	7.896.778	6.440.906	6.070.964
Up to 3-4 years	8.100.617	7.896.778	6.661.441	6.278.831
Up to 4-5 years	8.100.617	7.896.778	6.889.528	6.493.817
Up to 5-6 years	8.100.617	7.896.778	7.125.426	6.716.165
Up to 6-7 years	8.100.617	7.896.778	7.369.401	6.946.126
Up to 7-8 years	8.100.617	7.896.778	7.621.731	7.183.962
Up to 8-9 years	8.100.617	7.896.778	7.882.701	7.429.943
Up to 9-10 years	4.173.992	7.896.778	489.733	7.684.346
More than 10 years	-	4.068.965	-	477.410
	68.978.928	75.139.967	56.708.540	61.151.542

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

	2019	2018
1 January	4.511.887.413	3.216.578.347
Transition to TFRS 16 (Note 2)	22.684.883	-
Cash flow impact	(280.621.869)	20.529.275
Unrealized foreign exchange differences	293.233.780	1.576.591.126
Change in interest accruals	283.719.876	185.892.071
Change in lease liabilities (Note 2)	1.803.787	-
30 September	4.832.707.870	4.999.590.819

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NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2019	Additions	Transfers (***)	Disposals	30 September 2019
Cost					
Land	159.340	-	-	-	159.340
Land improvements (*)	2.375.272.846	7.202.056	-	-	2.382.474.902
Buildings	673.291.034	572.950	-	-	673.863.984
Machinery and equipment (**)	2.802.613.464	1.489.051	13.283	(26.400)	2.804.089.398
Motor vehicles	1.392.418	336.378	-	-	1.728.796
Furnitures and fixtures	10.985.288	292.199	-	(7.787)	11.269.700
Leasehold improvements	1.759.706	-	-	-	1.759.706
Construction in progress	30.306.034	743.563	(192.533)	-	30.857.064
	5.895.780.130	10.636.197	(179.250)	(34.187)	5.906.202.890
Accumulated depreciation					
Land improvements	239.838.433	61.391.248	-	-	301.229.681
Buildings	44.506.973	13.563.355	-	-	58.070.328
Machinery and equipment	374.189.706	115.342.634	-	(149)	489.532.191
Motor vehicles	620.240	165.139	-	-	785.379
Furnitures and fixtures	7.824.060	522.955	-	(7.787)	8.339.228
Leasehold improvements	862.803	66.904	-	-	929.707
	667.842.215	191.052.235	-	(7.936)	858.886.514
Net book value	5.227.937.915				5.047.316.376

(*) 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 September 2019, the total amount of accumulated depreciation of related land improvement is TL 35.857.

(**) 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 September 2019, the total amount of accumulated depreciation of the related machinery and equipment is TL 13.535.460.

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

Current period depreciation expense amounting to TL 190.684.562 has been included in cost of sales and TL 367.673 has been included in general administrative expenses.

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NOTE 4 – PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2018 – previously reported	Restatement effect	1 January 2018 – restated	Additions	Disposals	30 September 2018
Cost						
Land	159.340	-	159.340	-	-	159.340
Land improvements (*)	2.363.244.144	8.329.827	2.371.573.971	180.800	-	2.371.754.771
Buildings	652.618.266	20.643.968	673.262.234	-	-	673.262.234
Machinery and equipment (**)	2.714.836.619	85.063.970	2.799.900.589	715.739	-	2.800.616.328
Motor vehicles	1.048.929	-	1.048.929	111.438	(259.653)	900.714
Furnitures and fixtures	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
Furnitures and fixtures	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		5.474.149.740			5.288.313.239

(*) 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 September 2018, the total amount of accumulated depreciation of related land improvement is TL 22.818.

(**) 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 September 2018, the total amount of accumulated depreciation of the related machinery and equipment is TL 8.613.475.

Current period depreciation expense amounting to TL 191.672.148 has been included in cost of sales and TL 386.479. has been included in general administrative expenses.

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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 September 2019 (31 December 2018: None).

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

NOTE 5 - INTANGIBLE ASSETS

	1 January 2019	Additions	Transfers (*)	Disposals	30 September 2019
Costs					
Rights	7.369.288	208.698	179.250	-	7.757.236
Licences	126.170.949	-	-	(163.350)	126.007.599
	133.540.237	208.698	179.250	(163.350)	133.764.835
Accumulated amortisation					
Rights	4.369.157	708.459	-	-	5.077.616
Licences	18.237.119	1.301.240	-	(33.059)	19.505.300
	22.606.276	2.009.699	-	(33.059)	24.582.916
Net book value	110.933.961				109.181.919

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

	1 January 2019	Additions	Transfers (*)	Disposals	30 September 2019
Costs					
Rights	7.339.785	12.003	-	-	7.351.788
Licences	125.931.583	-	-	-	125.931.583
	133.271.368	12.003	-	-	133.283.371
Accumulated amortisation					
Rights	3.472.262	673.187	-	-	4.145.449
Licences	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

Current period amortization expense amounting to TL 130.160 (30 September 2018: TL 121.010) has been included in cost of sales and remaining TL 1.879.539 (30 September 2018: TL 1.858.359) has been included in general administrative expenses.

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

As of 30 September 2019, there are various lawsuits against or in favor of the Group. The Group management estimates the outcomes of these lawsuits and the financial effects thereof, and the required provisions are accounted for based on these estimates. The amount of provisions for the lawsuits as of 30 September 2019 is TL 18.843.707 (31 December 2018: TL 18.338.205).

	30 September 2019	31 December 2018
Litigation provision	18.843.707	18.338.205
Periodical maintenance provisions	2.198.548	-
	21.042.255	18.338.205

The movements of litigation provision are as follows:

	2019	2018
1 January	18.338.205	16.355.919
Current period charges (Note 12)	1.963.613	227.093
Interest charges of litigation provision	1.169.049	470.791
Released provisions (Note 12)	(2.627.160)	(1.318.648)
30 September	18.843.707	15.735.155

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 2019		31 December 2018	
	Currency	Original currency	TL equivalent	Original currency	TL equivalent
Letters of guarantees given	TL	114.278.920	114.278.920	124.487.592	124.487.592
	USD	6.622.421	37.476.941	-	-
	EURO	200.000	1.236.720	400.000	2.411.200
		152.992.581		126.898.792	

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	Currency	30 September 2019		31 December 2018	
		Original currency	TL equivalent	Original currency	TL equivalent
GPMs given by the Group					
A. GPMs given					
for companies' own legal entity	TL	5.724.278.920	5.724.278.920	5.734.487.592	5.734.487.592
	USD	6.622.421	37.476.941	-	-
	EURO	200.000	1.236.720	400.000	2.411.200
B Total amount of GPM given for the subsidiaries and associates in the scope of consolidation	-	-	-	-	-
C.Total amount of GPM given for the purpose of maintaining operating activities	-	-	-	-	-
D.Total other GPMs given	-	-	-	-	-
i) Total amount of CPMB's given on behalf of the majority shareholder	-	-	-	-	-
i) Total amount of CPMB's given to on behalf of other which are not in scope of B and C.	-	-	-	-	-
ii) Total amount of CPMB's given on behalf of third parties which are not in scope of C.	-	-	-	-	-
			5.762.992.581		5.736.898.792

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

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

As of 30 September 2019, GPMs given by the Group to equity ratio is 15.430% (31 December 2018: 1.246%).

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

NOTE 6 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)**- Sales and purchase commitments***Electricity sales and purchase commitments:*

The Group has entered into contracts to sell electricity energy amounting to MWh 356.813 which will be executed in 2019. As of 30 September 2019, sales of the electricity amounting to MWh 312.653 has been completed.

The Group has entered into contracts to buy electricity energy amounting to MWh 76.450 which will be executed in 2019. As of 30 September 2019, purchase of the electricity amounting to MWh 71.376 has been completed.

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

Natural gas purchase commitments:

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

c. Contingent Assets**- Guarantees received**

	Currency	30 September 2019		31 December 2018	
		Original currency	TL Equivalent	Original currency	TL Equivalent
Letters of guarantees received	TL	24.487.251	24.487.251	76.664.407	76.664.407
	EURO	2.013.000	12.447.587	4.355.000	26.251.940
	USD	39.650	224.383	32.500	170.979
Notes of guarantees received	TL	4.045.209	4.045.209	4.130.209	4.130.209
	USD	4.656.023	26.348.902	4.656.023	24.494.873
	EURO	93.229	576.493	93.229	561.987
Cheques of guarantees received	GBP	5.675	39.434	5.675	37.755
	TL	108.500	108.500	108.500	108.500
Mortgages received	USD	100.559	569.073	100.559	529.031
	TL	3.242.000	3.242.000	3.242.000	3.242.000
		72.088.832		136.191.681	

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

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NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2019		31 December 2018	
	Contract amount	Fair value	Contract amount	Fair value
Forward contracts				
- Short term	-	-	5.260.900	24.345
Derivative financial assets	-	-	5.260.900	24.345
Interest rate swaps				
- Short term	33.116.994	7.801.542	168.112.060	3.648.843
- Long term	761.157.439	31.685.210	796.239.846	17.282.246
Forward contracts				
- Short term	73.568.300	13.016.555	125.139.178	9.270.688
Derivative financial liabilities	867.842.733	52.503.307	1.089.491.084	30.201.777

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

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

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

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

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NOTE 8 - EQUITY

Share capital

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

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

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

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

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

Share Premium

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

Reserves

	30 September 2019	31 December 2018
Legal reserves	12.053.172	12.053.172
	12.053.172	12.053.172

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

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NOTE 9 - TAX ASSETS AND LIABILITIES

	30 September 2019	31 December 2018
Current income tax expense	141.808	3.412.544
Less: Prepaid taxes	(2.199.195)	(3.839.594)
Current income tax liabilities / (Current income tax assets), net	(2.057.387)	(427.050)

Corporation tax

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

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

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

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

Income tax withholding

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

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

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Current income tax expense	(141.808)	(3.358.352)	(17.301)	(1.925.296)
Deferred tax (expense)/income	56.455.014	331.154.169	9.245.844	205.121.487
	56.313.206	327.795.817	9.228.543	203.196.191

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NOTE 9 - TAX ASSETS AND LIABILITIES (Continued)*Deferred taxes*

	30 September 2019	31 December 2018
Deferred tax assets	1.939.659	741.959
Deferred tax liabilities	(115.209.505)	(181.839.302)
Deferred tax assets, net	(113.269.846)	(181.097.343)

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

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

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

	Total temporary differences		Deferred tax assets / (liabilities)	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Deferred tax assets on tax losses	(76.086.273)	(3.501.950)	15.369.326	700.390
Investment incentives (*)	(112.336.823)	(105.450.881)	22.467.365	21.090.176
Provision for litigations	(1.757.013)	-	351.403	-
Provision for employment termination benefit	(3.006.583)	(2.133.623)	601.317	426.725
Provision for unused vacations	-	(646.500)	-	130.340
Adjustments to property, plant and equipment	751.312.568	1.006.655.643	(150.262.515)	(201.331.129)
Adjustments to borrowings	8.983.712	11.125.433	(1.796.742)	(2.225.087)
Bonus provision	-	(510.823)	-	111.242
Deferred tax assets/(liabilities), net			(113.269.846)	(181.097.343)

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

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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:

Year incurred	Year can be used	30 September 2019	31 December 2018
2017	2022	7.603.573	3.501.950
2019	2024	68.482.700	-
		76.086.273	3.501.950

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

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

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NOTE 10 – REVENUE AND COST OF SALES**a. Revenue**

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Electricity sales revenue	1.014.549.190	1.360.148.214	343.892.691	557.838.815
Revenue on sharing of instability savings	151.627.424	102.706.439	72.297.742	49.223.711
Revenue on loading instructions	84.966.454	39.379.643	44.059.721	17.778.974
Revenue on seconder frequency control	78.978.922	40.787.385	14.339.456	17.512.736
Revenue on capacity mechanism	45.877.630	47.601.584	10.701.277	16.470.703
Other	6.717.805	1.620.396	1.427.991	455.726
	1.382.717.425	1.592.243.661	486.718.878	659.280.665

b. Cost of sales

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Direct raw materials consumed and cost of electricity purchased (*)	936.708.021	1.309.683.584	427.163.640	582.965.353
Depreciation and amortisation expenses	191.216.945	191.793.158	62.908.491	63.930.806
Personnel expenses	22.254.026	16.500.274	7.629.291	5.501.714
Maintenance and repair expenses	13.207.657	15.987.960	5.843.939	5.942.182
Insurance expenses	9.398.683	9.064.390	3.174.879	3.066.496
Other materials and spare parts consumed	2.132.420	5.380.508	646.755	1.004.319
Other	5.571.448	2.971.179	854.257	1.689.296
	1.180.489.200	1.551.381.053	508.221.252	664.100.166

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

NOTE 11 – EXPENSES BY NATURE

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Direct raw materials consumed and cost of electricity purchased	936.708.021	1.309.683.584	427.163.640	582.965.353
Depreciation and amortization expenses (*)	194.706.617	194.037.996	64.154.872	64.683.940
Personnel expenses (**)	40.636.304	30.258.902	14.195.378	10.541.892
Maintenance and repair expenses	13.207.657	15.987.960	5.843.939	5.942.182
Insurance expenses (***)	9.455.872	9.205.600	3.189.194	3.108.257
Taxes and duties	6.982.581	3.196.451	3.314.579	1.617.778
Consultancy expenses	2.666.249	11.814.813	659.603	4.410.404
IT expenses	2.600.443	1.427.775	777.913	499.934
Other materials and spare parts consumed	2.132.420	5.380.508	646.755	1.004.319
Office expenses	1.709.524	1.401.110	549.970	449.974
Vehicle expenses	908.871	1.141.966	298.893	427.999
Travel expenses	704.878	425.681	212.084	82.254
Other expenses	10.976.708	5.908.766	2.916.829	265.663
	1.223.396.145	1.589.871.112	523.923.649	675.999.949

(*) Depreciation and amortization expenses amounting to TL 191.216.945 (30 September 2018: TL 191.793.158) is classified in cost of sales, TL 3.489.672 (30 September 2018: TL 2.244.838) of amortization and depreciation expenses is classified in general administrative expenses.

(**) Personnel expenses amounting to TL 22.254.026 (30 September 2018: TL 16.500.274) is classified in cost of sales, TL 18.382.278 (30 September 2018: TL 13.758.628) is classified in general and administrative expenses.

(***) Insurance expenses amounting to TL 9.398.683 (30 September 2018: TL 9.064.390) is classified in cost of sales, TL 57.189 (30 September 2018: TL 141.210) is classified in general and administrative expenses.

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NOTE 12 - OTHER OPERATING INCOME AND EXPENSES

a. Other operating income

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Gain on futures and options market	7.298.308	425.001	1.793.933	365.548
Provisions no longer required (*)	4.281.134	3.122.448	2.466.987	844.898
Income from delay interest charges (**)	2.994.908	168.337	1.236.455	136.281
Foreign exchange gains from trading activities	1.216.124	8.821.455	(2.688.380)	4.360.911
Gain on risk sharing contracts (***)	1.077.029	6.957.586	-	2.981.993
Income from energy services	561.404	518.200	128.904	159.000
Income from insurance compensation	353.937	448.126	-	-
Income from compensation	1.349	2.549.517	1.349	2.549.517
Rediscount income from trading activities	-	1.262.066	-	1.038.952
Gain on derivative contracts for natural gas payments	-	10.869.300	-	10.869.300
Gain on option premiums	-	1.009.008	-	-
Other	906.974	2.360.053	489.499	(541.460)
	18.691.167	38.511.097	3.428.747	22.764.940

(*) As of 30 September 2019, TL 2.627.160 (30 September 2018: 1.318.648 TL) of the provisions no longer required comprised of released provisions of litigation provisions, TL 403.974 (30 September 2018: 1.802.175 TL) comprised of the released provisions of the personnel bonus provisions which is not realized, TL 1.250.000 comprised of the released provisions of other provisions (30 September 2018: TL 1.625).

(**) Comprised of delay interests charges for trade receivables which are not collected at their due dates. As of 30 September 2019, the applied interest rate is 2,50% per month (30 September 2018: 2,00%).

b. Other operating expenses

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Losses on futures and options market	9.990.251	-	3.037.818	(89.191)
Foreign exchange losses from trading activities	9.451.983	24.991.769	(6.652.731)	20.785.512
Provisions for litigations	1.963.613	227.093	486.250	153.436
Losses on risk sharing contracts (***)	557.846	60.970.574	-	49.421.773
Rediscount expenses from trading activities	406.410	3.679.640	(1.280.145)	2.229.529
Expenses from energy services	388.463	658.695	71.900	259.410
Losses on option premiums	-	1.572.994	-	1.200.946
Losses on derivative contracts for natural gas payments	-	3.491.237	-	3.491.237
Other	479.525	1.432.037	297.260	277.154
	23.238.091	97.024.039	(4.039.648)	77.729.806

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

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NOTE 13 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES**a. Income from investing activities**

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Dividend income	16.871	7.651	-	-
Gain on sale of property, plant and equipment	149	166.102	-	-
	17.020	173.753	-	-

b. Expenses from investing activities

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Losses on sale of property, plant and equipment	130.291	-	-	-
	130.291	-	-	-

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

	1 January – 30 September 2019	1 January – 30 September 2018	1 July – 30 September 2019	1 July – 30 September 2018
Interest income	13.578.640	2.918.585	7.353.512	1.287.525
Gain on derivative financial instruments	996.744	45.005.171	(2.938.180)	25.036.474
Foreign exchange gain	798.232	13.703.177	(1.530.967)	5.861.429
	15.373.616	61.626.933	2.884.365	32.185.428

b. Financial expenses

	1 January – 30 September 2019	1 January – 30 September 2018	1 July – 30 September 2019	1 July – 30 September 2018
Interest and commission expenses(*)	343.648.275	286.768.386	107.616.620	128.055.279
Foreign exchange losses	276.207.028	1.615.578.505	(69.360.502)	1.033.561.503
Losses on derivative financial instrument	30.577.045	26.453.154	6.305.422	23.476.120
Other financial expenses (**)	12.802.789	52.352.378	(781.218)	31.012.510
	663.235.137	1.981.152.423	43.780.322	1.216.105.412

(*) For the period 1 January - 30 September 2019, TL 2.540.043 is comprised of the interest expense due to the operational lease liabilities.

(**) For the period 1 January - 30 September 2019, TL 9.775.017 (1 January – 30 September 2018: TL 50.928.759) of the respective amount is comprised of the indexation difference of the liability due to Uluabat DSİ Water Use Agreement calculated by PPI.

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NOTE 15 - RELATED PARTY DISCLOSURES

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

a. Transaction with related parties

- Purchases from related parties

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş") ^{(1) (****)}	18.905.177	74.188.398	8.788.148	53.844.385
Aksa Akirlik Kimya Sanayi A.Ş. ("Aksa") ^{(1) (**)}	3.531.450	2.307.338	1.099.710	727.334
Aktek Bilgi İlet. Tekn. San. ve Tic. A.Ş. ("Aktek") ^{(2) (**)}	3.471.637	2.302.215	977.032	548.462
Ak-Han Bak.Yön.Serv.Hiz.Güv.Mal. A.Ş. ("Ak-Han") ^{3) (**)}	2.177.045	1.638.812	757.406	578.525
Dinkal Sigorta Acenteliği A.Ş. ("Dinkal") ^{(4) (**)}	2.042.956	17.336.985	940.834	829.823
Cez Trade Bulgaria Ead. ^{(5) (****)}	1.251.242	-	900.744	-
Cez a.s. ^{(6) (*)}	557.846	34.313	178.155	27.176
Akkök Holding A.Ş. ("Akkök") ^{(7) (*)}	462.958	4.223.717	160.705	1.426.688
Cez a.s. Turkey Daimi Tem. ^{(8) (****)}	-	5.938.343	-	2.459.281
Other	88.063	67.511	34.085	27.153
	32.488.374	108.037.632	13.836.819	60.468.827

(1) Comprised of sharing of instability savings.

(2) Comprised of IT services and equipments received.

(3) Comprised of office maintenance and management service received.

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

(5) Comprised of purchases related to risk sharing contracts.

(6) Comprised of purchase of electricity and capacity.

(7) Comprised of the consultancy and rent services received.

(8) Comprised of the consultancy service received.

- Sales to related parties

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Sepaş ^{(1) (****)}	32.094.054	268.674.373	10.554.190	134.208.559
Cez Trade Bulgaria Ead. ^{(2) (****)}	23.146.726	2.602.708	5.484.990	2.602.708
Cez a.s. ^{(3) (*)}	21.455.253	-	6.067.336	-
Aksa ^{(4) (**)}	6.201.785	2.564.479	3.161.617	473.822
Cez a.s. Turkey Daimi Tem. ^{(5) (****)}	227.905	27.125	12.247	9.041
Akcez ^{(6) (****)}	99.642	137.301	33.950	13.995
Other	8.942	304.569	5.214	182.413
	83.234.307	274.310.555	25.319.544	137.490.538

(1) Comprised of sales of electricity and risk sharing of instability savings.

(2) Comprised of sales of electricity and capacity.

(3) Comprised of sales of electricity and risk sharing contracts.

(4) Comprised of sharing of instability savings.

(5) Comprised of rent services provided and foreign exchange invoices issued.

(6) Comprised of consultancy services provided and cost sharing invoices issued.

(*) Shareholder.

(**) Akkök Holding group company.

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

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

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NOTE 15 - RELATED PARTY DISCLOSURES (Continued)**b. Balances with related parties***- Short-term trade receivables from related parties*

	30 September 2019	31 December 2018
Sepaş (1) (****)	3.465.840	6.495.163
Cez a.s. (2) (*)	3.093.112	117.727
CEZ Trade Bulgaria Ead. (3) (***)	1.259.098	793.429
Aksa (4) (**)	647.642	282.504
Diğer	28.715	16.173
	8.494.407	7.704.996

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

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

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

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

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

- Other receivables from related parties

	30 September 2019	31 December 2018
Cez a.s. (1) (*)	1.236.720	602.800
	1.236.720	602.800

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

- Short-term trade payables to related parties

	30 September 2019	31 December 2018
Sepaş (1) (****)	2.921.189	5.252.676
Akkök (2) (*)	2.547.737	2.253.504
CEZ a.s. Turkey Daimi Tem. (3) (***)	1.302.233	4.607.288
Dinkal (4) (**)	724.990	13.398.127
Aktek (5) (**)	628.618	626.247
Aksa (1) (**)	442.084	282.538
Ak-Han (6) (**)	275.355	256.486
Ak Havacılık ve Ulaştırma Hiz. A.Ş. (7) (**)	187.775	174.562
Cez Trade Bulgaria Ead. (8) (****)	185.904	-
Other	87.519	93.578
	9.303.404	26.945.006

(1) Comprised of the payables related to sharing of instability savings.

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

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

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

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

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

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

(8) 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.

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NOTE 15 - RELATED PARTY DISCLOSURES (Continued)**c. Key management compensation**

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

	1 January - 30 September 2019	1 January - 30 September 2018	1 July - 30 September 2019	1 July - 30 September 2018
Salaries and benefits	2.760.467	1.921.754	1.112.906	661.761
Bonus	1.531.960	337.895	-	-
Attendance fee	619.693	550.965	220.222	104.271
	4.912.120	2.810.614	1.333.128	766.032

NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS**- Foreign exchange risk**

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

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

	30 September 2019	31 December 2018
Assets	56.712.871	29.823.951
Liabilities	4.435.450.154	4.052.667.486
Net foreign currency position	(4.378.737.283)	(4.022.843.535)

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

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

	30 September 2019				31 December 2018			
	TL Equivalent	USD	Euro	Other	TL Equivalent	USD	Euro	Other
Cash and cash equivalents	48.630.242	4.209.840	4.011.630	3	9.860.630	489.375	1.208.476	208
Trade receivables from related parties	4.352.209	-	703.831	-	911.156	-	151.154	-
Trade receivables from third parties	1.237.739	50	200.119	-	8.319.357	-	1.380.119	-
Other receivables from third parties	-	-	-	-	10.087.776	1.917.500	-	-
Derivative financial instruments	-	-	-	-	24.345	4.628	-	-
Current assets	54.220.190	4.209.890	4.915.580	3	29.203.264	2.411.503	2.739.749	208
Other receivables from related parties	1.236.720	-	200.000	-	602.800	-	100.000	-
Other receivables from third parties	1.255.961	3.400	200.000	-	17.887	3.400	-	-
Non-current assets	2.492.681	3.400	400.000	-	620.687	3.400	100.000	-
Total assets	56.712.871	4.213.290	5.315.580	3	29.823.951	2.414.903	2.839.749	208
Short-term portion of long term borrowings	1.360.879.845	240.476.374	-	-	12.919.531	2.455.764	-	-
Derivative financial instruments	20.818.097	3.678.694	-	-	764.631.622	145.342.360	-	-
Leasing liabilities	6.876.443	-	1.112.045	-	6.711.449	-	1.113.379	-
Trade payables to related parties	1.916.927	48.221	265.871	-	18.032.492	2.453.577	850.111	-
Trade payables to third parties	53.628.005	9.301.494	160.088	-	80.791.171	15.114.065	211.942	-
Other payables to third parties	728.898	128.801	-	-	520.615	98.959	-	-
Current liabilities	1.444.848.215	253.633.584	1.538.004	-	883.606.880	165.464.725	2.175.432	-
Borrowings	2.859.075.739	505.217.391	-	-	3.037.597.911	577.391.304	-	-
Derivative financial instruments	31.685.210	5.598.984	-	-	17.282.246	3.285.036	-	-
Leasing liabilities	56.977.891	-	9.214.356	-	61.151.542	-	10.144.582	-
Trade payables to third parties	42.860.835	7.573.790	-	-	53.026.803	10.079.417	-	-
Other payables to third parties	2.264	400	-	-	2.104	400	-	-
Non-current liabilities	2.990.601.939	518.390.565	9.214.356	-	3.169.060.606	590.756.157	10.144.582	-
Total liabilities	4.435.450.154	772.024.149	10.752.360	-	4.052.667.486	756.220.882	12.320.014	-
Net foreign currency assets/(liabilities)	(4.378.737.283)	(767.810.859)	(5.436.780)	3	(4.022.843.535)	(753.805.979)	(9.480.265)	208

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

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

	30 September 2019			
	Profit /Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
+/- 20% fluctuation of USD rate				
1- USD net asset / liability	(869.023.686)	869.023.686	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(869.023.686)	869.023.686	-	-
+/- 20% fluctuation of EUR rate				
4- EUR net asset / liability	(6.723.775)	6.723.775	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(6.723.775)	6.723.775	-	-
+/- 20% fluctuation of other currencies				
7- Other currencies net asset / liability	4	(4)	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	4	(4)	-	-
Total (3+6+9)	(875.747.457)	875.747.457	-	-

	31 December 2018			
	Profit /Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
+/- 20% fluctuation of USD rate				
1- USD net asset / liability	(793.139.575)	793.139.575	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(793.139.575)	793.139.575	-	-
+/- 20% fluctuation of EUR rate				
4- EUR net asset / liability	(11.429.407)	11.429.407	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(11.429.407)	11.429.407	-	-
+/- 20% fluctuation of other currencies				
7- Other currencies net asset / liability	277	(277)	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	277	(277)	-	-
Total (3+6+9)	(804.568.705)	804.568.705	-	-

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

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

As of 30 September 2019, the Group has short-term liabilities from derivative financial instruments amounting to TL 20.818.097 (31 December 2018: TL 12.919.531) and long-term liabilities from derivative financial instruments amounting to TL 31.685.210 (31 December 2018: TL 17.282.246) classified as level 2 respectively and the Group does not have any assets from derivative financial instruments classified as level 2 as of 30 September 2019 (31 December 2018: TL 24.345).

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

NOTE 18 – EVENTS AFTER BALANCE SHEET DATE

A resolution of Board of Directors is adopted on 19 August 2019 on the decision to merge Ak-Eİ, 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 Capital Markets Board is retained on 25 October 2019. The approval process related to the application made to Energy Market Regulatory Authority is on-going.