(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 – 31 March 2019

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019 AND 31 DECEMBER 2018

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

		Current period	Prior period
		Unaudited	**Audited**
	Notes	**31 March 2019**	**31 December 2018**
ASSETS			
Currents assets			
Cash and cash equivalents		74.605.967	19.319.811
Trade receivables			
- Due from related parties	*15*	*8.221.907*	*7.704.996*
- Due from third parties		*85.057.137*	*164.813.897*
Inventories		721.351	674.399
Other receivables			
- Due from third parties		*16.194.354*	*13.753.685*
Prepaid expenses		15.993.596	13.571.389
Derivative financial instruments	7	996.200	24.345
Current income tax assets	9	843.875	534.121
Other current assets		86.253.925	105.060.349
Total current assets		**288.888.312**	**325.456.992**
Assets held for sale		1.509.975	-
Non-current assets			
Other receivables			
- Due from related parties	*15*	*631.880*	*602.800*
- Due from third parties		*338.073*	*336.824*
Inventories		19.329.330	18.769.298
Financial investments		100.000	100.000
Property, plant and equipment	4	5.165.656.573	5.227.937.915
Intangible assets	5	110.316.286	110.933.961
Deferred tax assets		4.060.633	-
Prepaid expenses	9	21.174	741.959
Other non-current assets		34.581	590.860
Other receivables		-	19.098.093
Total non-current assets		**5.300.488.530**	**5.379.111.710**
TOTAL ASSETS		**5.590.886.817**	**5.704.568.702**

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019 AND 31 DECEMBER 2018

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

	Notes	Current period Unaudited 31 March 2019	Prior period Audited 31 December 2018
LIABILITIES			
Current liabilities			
Short term borrowings	3	150.240.625	236.637.968
Short term portion of long term borrowings			
- Bank loans	*3*	*1.234.861.732*	*873.780.809*
- Lease liabilities	*3*	*8.654.805*	*6.711.449*
Trade payables			
- Due to related parties	*15*	*15.999.773*	*26.945.006*
- Due to third parties		*257.836.081*	*286.266.440*
Current income tax liabilities	9	50.058	107.071
Other payables			
- Other payables to third parties		*1.611.152*	*2.341.912*
Derivative financial instruments	7	7.297.710	12.919.531
Employee benefit obligations		1.633.606	581.002
Short term provisions			
- Provisions for employee benefits		*704.857*	*3.340.000*
- Other short-term provisions	*6*	*19.912.095*	*18.338.205*
Total current liabilities		**1.698.802.494**	**1.467.969.393**
Non-current liabilities			
Long term borrowings			
- Bank loans	*3*	*3.321.244.825*	*3.333.605.645*
- Lease liabilities	3	*62.462.974*	*61.151.542*
Derivative financial instruments	7	24.069.740	17.282.246
Trade payables			
Due to third parties		*127.448.135*	*177.807.845*
Other payables			
- Due to third parties		*16.471*	*16.324*
Long term provisions			
- Provisions for employee benefits		*5.071.275*	*4.331.412*
Deferred tax liabilities	9	138.224.794	181.839.302
Total non-current liabilities		**3.678.538.214**	**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		*(11.279.523)*	*(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		*2.522.993.816*	*2.548.936.335*
- Gains/(losses) on re-measurement of defined benefit plans		*(1.110.736)*	*(1.045.003)*
Retained earnings/(losses)		(2.926.762.853)	(1.408.141.204)
Net profit/(loss) for the period		(259.397.998)	(1.556.396.550)
Total equity		**213.546.109**	**460.564.993**
TOTAL LIABILITIES AND EQUITY		**5.590.886.817**	**5.704.568.702**

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE INTERIM PERIODS BETWEEN 1 JANUARY – 31 MARCH 2019 AND 2018

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

	Notes	Current period Unaudited 1 January - 31 March 2019	Prior period Unaudited 1 January - 31 March 2018
Revenue	10	466.242.068	497.114.351
Cost of sales (-)	11	(358.112.678)	(466.036.868)
Gross profit		**108.129.390**	**31.077.483**
General administrative expenses (-)	11	(14.507.448)	(13.205.051)
Other operating income	12	4.525.753	7.428.898
Other operating expenses (-)	12	(13.015.269)	(7.329.698)
Operating profit / (loss)		**85.132.426**	**17.971.632**
Income from investing activities	13	149	38.983
Expenses from investing activities (-)	13	(130.291)	-
Operating profit / (loss) before financial income / (expense)		**85.002.284**	**18.010.615**
Financial income	14	12.706.590	20.749.442
Financial expenses (-)	14	(388.253.907)	(219.458.540)
Profit / (loss) before tax		**(290.545.033)**	**(180.698.483)**
Tax income / (expense)			
Current income tax expense (-)	9	(50.981)	(647.276)
Deferred tax income / (expense)	9	31.198.016	37.036.815
Net profit / (loss) for the period		**(259.397.998)**	**(144.308.944)**
Net profit / (loss) attributable to:			
Equity holders of the parent		**(259.397.998)**	**(144.308.944)**
Earnings / (losses) per share - TL		**(356)**	**(198)**

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

	Notes	Current period Unaudited 1 January - 31 March 2019	Prior period Unaudited 1 January - 31 March 2018
Net profit / (loss) for the period		**(259.397.998)**	**(144.308.944)**
Other comprehensive income/(expense)			
Not to be reclassified to profit or loss			
Increase on revaluation of property, plant and equipment		-	-
Deferred tax effect		11.832.382	-
Gains/(losses) on cash flow hedging		765.582	989.510
Deferred tax effect		(153.117)	(197.902)
Actuarial gain/(loss) arising from defined benefit plans		(82.166)	350.687
Deferred tax effect		16.433	(70.137)
Other comprehensive income/(expense)		**12.379.114**	**1.072.158**
Total comprehensive income/(expense)		**(247.018.884)**	**(143.236.786)**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIODS BETWEEN 1 JANUARY – 31 MARCH 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 (*)	-	-	-	-	-	-	(30.224.701)	-	30.224.701	-	-
Total comprehensive expense	-	-	-	791.608	-	-	-	280.550	-	(144.308.944)	(143.236.786)
31 March 2018	**729.164.000**	**101.988.910**	**50.220.043**	**(14.368.295)**	**(4.322.722)**	**12.053.172**	**2.533.509.857**	**(1.069.277)**	**(1.537.670.394)**	**(144.308.944)**	**1.725.196.350**
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 (*)	-	-	-	-	-	-	(37.774.901)	-	37.774.901	-	-
Total comprehensive expense	-	-	-	612.465	-	-	11.832.382	(65.733)	-	(259.397.998)	(247.018.884)
31 March 2019	**729.164.000**	**101.988.910**	**50.220.043**	**(11.279.523)**	**(4.322.722)**	**12.053.172**	**2.522.993.816**	**(1.110.736)**	**(2.926.762.853)**	**(259.397.998)**	**213.546.109**

(*) As of 31 March 2019, the depreciation difference between the acquisition cost and the carrying values of the assets subject to revaluation method amounting to TL 37.774.901 (31 March 2018: TL 37.780.876) without a deferred tax effect, provided in increase on revaluation of property, plant and equipment were reclassified under retained earnings / (losses) in full amounts (31 March 2018: net of the deferred tax impact amounting to 30.224.701 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, "Gains / (losses) on cash flow hedging" which is included in equity, has been recognized in statement of profit or loss during the term of related contracts.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS BETWEEN 1 JANUARY - 31 MARCH 2019 AND 2018

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

	Notes	Current period Unaudited 1 January – 31 March 2019	Prior period Unaudited *Restatement effect (Note 2.5)* 1 January – 31 March 2018
A. Cash flows from operating activities		**154.758.534**	**55.814.314**
Net profit / (loss) for the period		(259.397.998)	(144.308.944)
Adjustments to reconcile net profit / (loss) for the period		**401.253.052**	**231.854.950**
Adjustments for depreciation and amortisation expenses	11	65.145.031	62.526.083
Adjustments for provisions			
-Adjustments for litigation provisions	6	417.035	(145.128)
-Adjustments for other provisions	6	1.156.855	2.134.133
-Adjustment for provisions for employee benefits		1.009.746	1.466.591
Adjustments for unrealized foreign exchange differences		278.324.757	123.555.824
Adjustments for tax (income) / expense		(31.147.035)	(36.389.539)
Adjustments for (gain) / loss on sale of property, plant and equipment	13	130.142	(38.983)
Fair value of derivative financial instruments		(1.924.417)	791.608
Adjustments for interest (income)/expense, net		88.140.938	77.954.361
Changes in working capital		**16.308.419**	**(31.061.435)**
Increase / decrease in trade receivables from related parties		(516.911)	327.752
Increase / decrease in trade receivables from third parties		78.246.785	(27.277.028)
Increase / decrease in other receivables from related parties		(29.080)	38.073
Increase / decrease in other receivables from third parties		(2.441.918)	327.024
Increase / decrease in inventories		(606.984)	(57.550)
Increase / decrease in prepaid expenses		(2.530.172)	837.650
Increase / decrease in other assets		37.904.507	1.599.635
Increase / decrease in trade payables to related parties		(10.945.233)	(7.258.207)
Increase / decrease in trade payables to third parties		(85.212.801)	6.245.888
Increase / decrease in derivative financial instruments		2.118.235	(8.348.852)
Increase / decrease in deferred income		-	(2.974.989)
Increase / decrease in employee benefit obligations		1.052.604	214.334
Increase / decrease in other payables to third parties		(730.613)	5.264.835
Cash flows from operating activities		**158.163.473**	**56.484.571**
Payments related to provisions for employee benefits		(2.987.191)	(101.883)
Tax (payments) / receipts		(417.748)	(568.374)
B. Cash flows from investing activities		**(1.982.672)**	**(311.196)**
Cash outflows due to purchase of property, plant and equipment	4	(2.009.073)	(338.176)
Cash outflows due to purchase of intangible assets	4	-	(12.003)
Cash inflows due to sale of property, plant and equipment		26.401	38.983
C. Cash flows from financing activities		**(103.819.145)**	**(87.445.229)**
Cash inflows on borrowings received		152.700.000	204.524.814
Cash outflows due to repayment of borrowings		(234.935.519)	(166.772.478)
Payments of lease liabilities		(445.783)	-
Interest paid		(16.793.416)	(123.340.763)
Interest received		1.985.012	758.687
Other cash inflows / (outflows) (*)		(6.329.439)	(2.615.489)
Net increase / (decrease) in cash and cash equivalents		**48.956.717**	**(31.942.111)**
Cash and cash equivalents at the beginning of the period (*)		**16.270.551**	**46.292.377**
Cash and cash equivalents at the end of the period (*)		**65.227.268**	**14.350.266**

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

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

NOTE 1 – ORGANISATION OF GROUP AND NATURE OF OPERATIONS

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

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

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

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

As of 31 March 2019, the number of employees employed by Akenerji and its subsidiaries (Akenerji and its subsidiaries will be referred called as the “Group”) is 223 (31 December 2018: 200).

These condensed consolidated financial statements for the interim period 31 March 2019 have been approved for the issue by the Board of Directors at 6 May 2019.

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Principles of Preparation of Interim Condensed Consolidated Financial Statements

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II, No:14.1, “Principles of Financial Reporting in Capital Markets” (“the Communiqué”) of Capital Market Board (“CMB”) of Turkey published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards / Turkish Financial Reporting Standards (“TAS”/”TFRS”) issued by Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”). TFRS are updated in harmony with the changes and updates in International Financial and Reporting Standards (“IFRS”) by the comminiqués announced by the POA.

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

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

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

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

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

2.2 Basis of consolidation

a) The consolidated financial statements include the accounts of the parent company, Akenerji, and its subsidiaries on the basis set out in sections (b) to (c) below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TFRS 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 or although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

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

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

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

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

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

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

	Direct and indirect ownership interest by the Company and its subsidiaries (%)	
Subsidiaries	**31 March 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

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 31 March 2019 are consistent with those of the previous financial year, except for the adoption of new and amended TAS/TFRS and 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 IAS 19)
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Annual Improvements – 2015–2017 Cycle

The standards, amendments and interpretations did not have a significant impact on the financial position or performance the Group and the impact of 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)
- IFRS 17 - The new Standard for insurance contracts

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

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

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

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

- 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.

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 condensed interim 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:

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

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 or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

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.

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED 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 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 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's activities as a lessor are not material.

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 condensed interim 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 condensed interim 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	**3.789.873**
Right of use asset	4.454.117
Prepaid expenses	(664.244)
Liabilities	**3.789.873**
Lease liability	3.789.873

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

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

The details of right of use assets provided in the condensed consolidated financial statements as of 1 January 2019 and 31 March 2019 and related amortisations are provided below:

	Land and land improvements	Buildings	Motor vehicles	Total
1 January 2019	**739.463**	**2.512.991**	**1.201.663**	**4.454.117**
Amortisation expense	(6.669)	(239.110)	(147.705)	(393.484)
31 March 2019	**732.794**	**2.273.881**	**1.053.958**	**4.060.633**

The weighted average of the Group's incremental borrowing rates for all currencies as at 1 January 2019 is 19,42%.

2.5 Comparatives and restatement of prior year financial statements

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

As a result of the assessments made by the Group, income from provisions no longer required arising from unused vacation rights and employee termination benefits amounting to TL 128.494 accounted other operating income provided in the condensed consolidated statement of profit or loss for the interim period ended 31 March 2018 has been reclassified to personnel expenses under general administrative expenses in the accompanying condensed consolidated statement of profit or loss for the interim period ended 31 March 2018.

As a result of the assessments made by the Group, banking commission and expenses amounting to TL 771.501 accounted general administrative expenses has been reclassified to finance expenses in the accompanying condensed consolidated statement of profit or loss for the interim period ended 31 March 2018.

As a result of the assessments made by the Group, risk sharing income previously provided net of from risk sharing expenses in other operating expenses amounting to TL 3.261.656 provided in the condensed consolidated statement of profit or loss for the interim period ended 31 March 2018 has been reclassified to other operating income in the accompanying condensed consolidated statement of profit or loss for the interim period ended 31 March 2018.

As a result of the assessments made by the Group, interests received provided in the cash flows from investing activities amounting to TL 758.687 provided in the condensed consolidated statement of cash flows for the interim period ended 31 March 2018 has been reclassified to cash flows from financing activities in the accompanying condensed consolidated statement of cash flows for the interim period ended 31 March 2018.

2.6 Critical accounting estimates and judgments

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

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

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 41.664.177 (31 December 2018: TL 3.501.950) as of 31 Mart 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 income. 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 predicts the future changes on derivative financial instruments based on market data.

Explanations for revaluation method and fair value measurement

The Group has chosen 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 (HPP), Ayyıldız wind farm power plant (WFPP), Burç HPP, Feke I HPP, Feke II HPP, Bulam HPP, Gökkaya HPP, Himmetli HPP 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 has been disclosed in financial statements of 30 September 2015 and 31 December 2017. As of 31 December 2018, the Group has performed an impairment analysis on the revalued amounts of the property, plant and equipment and did not identify any impairment. The related revaluation and impairment studies are carried out by using "income approach - discounted cash flow analysis". As of 31 March 2019, the Gorup does not expect any significant change in impairment analysis studies which were previously performed.

Long-term electricity market prices are the most significant factor of the income approach, for this reason, the Group received market prices services 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.

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

2.7 Going concern

The Group has prepared its consolidated financial statements on a going concern basis in a foreseeable future. With the effect of revenue generated in USD indexed sales as part of the Renewable Energy Resources Support Mechanism ("YEKDEM"), the Group recognized operating profit before depreciation and amortisation for the interim period ended 31 March 2019.

On 30 September 2015, the Group has extended the maturity of its short-term liabilities to the long-term by signing a 12 years termed refinancing loan agreement with a one year nonrefundable period with Yapı ve Kredi Bankası A.Ş. where the exposure to exchange rate risk of the Group is reduced by utilizing some portion of the refinanced loan in TL. In addition, the Group has signed an Amendment Agreement with Yapı ve Kredi Bankası A.Ş. on 28 March 2019 to restructure the short-term portion of the related loan where a positive impact on short-term cash flows is maintained. The Group continues to negotiate with the Yapı ve Kredi Bankası A.Ş. for a longer term restructuring of the related loan.

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.

The cost of natural gas constitutes significant portion of the cost of production of the Group due to operations of Erzin combined natural gas cycle power plant. In addition, some part of natural gas purchased from private sector following the permission of BOTAŞ for the spot nature gas purchase from private sector since 1 February 2018, the Group benefits on natural gas with lower prices compared to BOTAŞ's tariff and maintains its cost advantage. 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. Erzin, which has an advantageous position in terms of efficiency, operation and location, has high financial potential in mid and long term.

The Group management anticipates that, when cost-based pricing becomes the basis, low-efficient power plants come out of the system and the purchase guarantees for the Build-Operate plants terminates, electricity prices will be set at a more rational basis and level of predictability will increase and the Group management believes that, the potential adverse effects of increase on natural gas prices on the consolidated financial statements increase will be eliminated through the increases on electricity prices on spot and futures electricity markets.

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 (Primary Frequency Control and Secondary Frequency Control 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. In addition, it is expected that, the profitability of power plants with natural gas consumption will be preserved in the long term through the studies for the purpose of increasing the transaction intensity of the products indexed to BOTAS natural gas tariff at the future electricity market.

With the Communique of Ministry of Commerce regarding the regulation on loss of capital and excess of liabilities over assets in relation to Article 376 of Turkish Commercial Code numbered 6102, it has been decided that, unrealized foreign exchange losses incurred from the foreign exchange based financial liabilities which are not yet fulfilled can be excluded on the calculation of loss of capital and excess of liabilities over assets. In relation to this regulation, it is calculated that, unrealized foreign exchange losses recognised under retained earnings/(losses) amounting to TL 1.650.774.712 and recognised under consolidated statement of profit or loss amounting to TL 295.443.532, in total amounting to TL 1.946.218.244 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 existence of 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.

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

NOTE 3 - BORROWINGS

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

	31 March 2019	31 December 2018
Short term borrowings		
-Bank loans	150.240.625	236.637.968
Total short term borrowings	**150.240.625**	**236.637.968**
Short-term portion of long term borrowings		
-Bank loans (*)	1.234.861.732	873.780.809
-Finance lease liabilities(**)	6.516.156	6.711.449
-Operational lease liabilities	2.138.649	-
Total short-term portion of long term borrowings	**1.243.516.537**	**880.492.258**
Long term borrowings		
-Bank loans (*)	3.321.244.825	3.333.605.645
-Finance lease liabilities(**)	61.050.903	61.151.542
-Operational lease liabilities	1.412.071	-
Total long term borrowings	**3.383.707.799**	**3.394.757.187**
Total short term and long term borrowings	**4.777.464.961**	**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 4.620.669.558 (TL 470.888.320 and USD 722.733.664). Commissions amounting to TL 64.563.001, including the new loan arrangement commission of TL, 23.372.437 arrangement commission for paid-off loans amounting to TL 16.664.244, early payment commission amounting to TL 23.822.621 and "Amendment Agreement" signed with Yapı ve Kredi Bankası A.Ş. on 28 March 2019, amounting to TL 703.699 extension commision for rearranging the loan repayment schedule were paid and deducted from the total loan amount. Such commissions are amortized during the term of the loans. As the loan agreement signed on 30 September 2015 is the modification of the loan agreement signed with the bank consortium consisting of T. Garanti Bankası A.Ş., Yapı ve Kredi Bankası A.Ş. and T. Vakıflar Bankası T.A.O. on October 11, 2011, commissions paid for the loans used pursuant to this agreement is also deducted from the loan amount as of 31 March 2019.

(**) Finance lease is related to machinery and equipment with leasing period of 12 years. The ownership of the machines and devices 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.

The interest accruals for short and long term bank borrowings provided on the balances of borrowings as of 31 March 2019 are TL 332.208.812 (31 December 2018: TL 242.543.082).

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

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

NOTE 3 - BORROWINGS (Continued)

As of 31 March 2019 and 31 December 2018, the original currencies and weighted average interest rates for short and long-term financial liabilities are as follows:

				31 March 2019
	Currency	**Effective Interest rate %**	**Original Amount**	**Amount in TL**
Short-term bank loans	TL	27,50	150.240.625	150.240.625
Total short-term bank loans				**150.240.625**
Short-term portion of long-term bank loans	USD	7,72	193.581.102	1.089.551.872
Short-term portion of long-term bank loans	TL	14,00	145.309.860	145.309.860
Short-term portion of long-term finance lease liabilities	EURO	3,40	1.383.719	8.743.442
Cost of short-term portion of long-term finance lease liabilities (-)	EURO	3,40	(352.486)	(2.227.286)
Short-term portion of long-term operational lease liabilities	EURO	4,07	103.767	655.685
Short-term portion of long-term operational lease liabilities	TL	26,05	1.482.964	1.482.964
Total short-term portion of long term borrowings				**1.243.516.537**
Short-term portion of long-term bank loans	USD	7,72	541.304.348	2.982.114.391
Short-term portion of long-term bank loans	TL	14,00	339.130.434	339.130.434
Short-term portion of long-term finance lease liabilities	EURO	3,40	11.810.149	74.625.969
Cost of short-term portion of long-term finance lease liabilities (-)	EURO	3,40	(2.148.361)	(13.575.066)
Short-term portion of long-term operational lease liabilities	EURO	4,07	71.312	450.609
Short-term portion of long-term operational lease liabilities	TL	26,05	961.462	961.462
Total long-term borrowings				**3.383.707.799**

				31 December 2018
	Currency	**Effective Interest rate %**	**Original Amount**	**Amount in TL**
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
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
Cost of long-term finance lease liabilities (-)	EURO	3,40	(2.320.575)	(13.988.425)
Total long-term borrowings				**3.394.757.187**

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

NOTE 3 - BORROWINGS (Continued)

As of 31 March 2019, USD bank borrowings of the Group amounting to TL 1.500.764.428 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 31 March 2019, all of the Euro finance lease liabilities of the Group are subject to floating interest rate of Eurbior + 3,4% (31 December 2018: All of the Euro finance lease liabilities of the Group are subject to floating interest rate of Eurbior + 3,4%).

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

	31 March 2019	31 December 2018
Up to 1 - 2 years	442.832.643	416.700.705
Up to 2 - 3 years	442.832.643	416.700.705
Up to 3 - 4 years	442.832.643	416.700.705
Up to 4 - 5 years	442.832.643	416.700.705
More than 5 years	1.549.914.253	1.666.802.825
	3.321.244.825	**3.333.605.645**

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

	Minimum rent payments		Present value of finance lease liabilities	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Up to 1-2 years	8.277.731	7.896.778	6.257.609	5.869.978
Up to 2-3 years	8.277.731	7.896.778	6.471.867	6.070.964
Up to 3-4 years	8.277.731	7.896.778	6.693.462	6.278.831
Up to 4-5 years	8.277.731	7.896.778	6.922.645	6.493.817
Up to 5-6 years	8.277.731	7.896.778	7.159.676	6.716.165
Up to 6-7 years	8.277.731	7.896.778	7.404.824	6.946.126
Up to 7-8 years	8.277.731	7.896.778	7.658.366	7.183.962
Up to 8-9 years	8.277.731	7.896.778	7.788.375	7.429.943
Up to 9-10 years	8.277.731	7.896.778	8.055.051	7.684.346
More than 10 years	126.390	4.068.965	-	477.410
	74.625.969	**75.139.967**	**61.050.903**	**61.151.542**

As of 31 March 2019 and 2018, the movements of borrowings are as follows:

	2019	2018
1 January	**4.515.677.286**	**3.216.578.347**
Cash inflows on borrowings received	152.700.000	204.524.814
Cash outflows due to repayment of borrowings	(235.381.302)	(166.772.478)
Change in unrealized foreign exchange differences	278.324.757	123.555.824
Change in interest acrruals	66.144.220	(49.332.050)
31 March	**4.777.464.961**	**3.328.554.457**

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

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2019	Additions	Transfers (***)	Disposals	31 March 2019
Cost					
Lands	159.340	-	-	-	159.340
Land improvements (*)	2.375.272.846	784.600	-	-	2.376.057.446
Buildings	673.291.034	572.950	-	-	673.863.984
Machinery and equipment (**)	2.802.613.464	502.860	13.283	(26.400)	2.803.103.207
Motor vehicles	1.392.418	-	-	-	1.392.418
Furnitures and fixtures	10.985.288	130.098	-	(7.789)	11.107.597
Leasehold improvements	1.759.706	-	-	-	1.759.706
Construction in progress	30.306.034	18.565	(192.533)	-	30.132.066
	5.895.780.130	**2.009.073**	**(179.250)**	**(34.189)**	**5.897.575.764**
Accumulated depreciation					
Land improvements	239.838.433	20.444.777	-	-	260.283.210
Buildings	44.506.973	4.520.091	-	-	49.027.064
Machinery and equipment	374.189.706	38.869.316	-	(149)	413.058.873
Motor vehicles	620.240	46.478	-	-	666.718
Furnitures and fixtures	7.824.060	181.732	-	(7.788)	7.998.004
Leasehold improvements	862.803	22.519	-	-	885.322
	667.842.215	**64.084.913**	**-**	**(7.937)**	**731.919.191**
Net book value	**5.227.937.915**				**5.165.656.573**

(*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through finance leas e on 27 January 2017 is amounting to TL 495.485. As of 31 March 2019, the total amount of accumulated depreciation of related land improvement is TL 29.338.

(**) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through finan ce lease on 27 January 2017 is amounting to TL 49.219.854. As of 31 March 2019, the total amount of accumulated depreciation of the related machinery and equipment is TL 11.074.467.

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

Current period depreciation expense amounting to TL 63.961.776 has been included in cost of sales and TL 123.137 has been included in general administrative expenses.

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

NOTE 4 – PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 Ocak 2018 – previously reported	Restatement effect	1 January 2018 – restated	Additions	Transfers	Disposals	31 March 2018
Cost							
Lands	159.340	-	159.340	-	-	-	159.340
Land improvements (*)	2.363.244.144	8.329.827	2.371.573.971	-	-	-	2.371.573.971
Buildings	652.618.266	20.643.968	673.262.234	-	-	-	673.262.234
Machinery and equipment (**)	2.714.836.619	85.063.970	2.799.900.589	49.816	-	-	2.799.950.405
Motor vehicles	1.048.929	-	1.048.929	111.439	-	(43.025)	1.117.343
Furnitures and fixtures	10.276.857	-	10.276.857	151.820	-	-	10.428.677
Leasehold improvements	1.082.778	-	1.082.778	1.000	-	-	1.083.778
Construction in progress	28.843.107	-	28.843.107	24.101	-	-	28.867.208
	5.772.110.040	**114.037.765**	**5.886.147.805**	**338.176**	**-**	**(43.025)**	**5.886.442.956**
Accumulated depreciation							
Land improvements	156.299.676	1.879.367	158.179.043	20.275.867	-	-	178.454.910
Buildings	24.651.424	1.789.906	26.441.330	4.388.441	-	-	30.829.771
Machinery and equipment	192.289.165	26.578.070	218.867.235	36.931.181	-	-	255.798.416
Motor vehicles	745.728	-	745.728	31.521	-	(43.025)	734.224
Furnitures and fixtures	7.009.494	-	7.009.494	208.683	-	-	7.218.177
Leasehold improvements	755.235	-	755.235	25.529	-	-	780.764
	381.750.722	**30.247.343**	**411.998.065**	**61.861.222**	**-**	**(43.025)**	**473.816.262**
Net book value	**5.390.359.318**						**5.412.626.694**

(*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through finance leas e on 27 January 2017 is amounting to TL 495.485. As of 31 March 2019, the total amount of accumulated depreciation of related land improvement is TL 16.299.

(**) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through finan ce lease on 27 January 2017 is amounting to TL 49.219.854. As of 31 March 2019, the total amount of accumulated depreciation of the related machinery and equipment is TL 6.152.482

Current period depreciation expense amounting to TL 61.732.549 has been included in cost of sales and TL 128.673 has been included in general administrative expenses.

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

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

NOTE 5 – INTANGIBLE ASSETS

	1 January 2019	Additions	Transfers (*)	Disposals	31 March 2019
Costs					
Rights	7.369.288	-	179.250	(163.350)	7.385.188
Licenses	126.170.949	-	-	-	126.170.949
	133.540.237	**-**	**179.250**	**(163.350)**	**133.556.137**
Accumulated amortisation					
Rights	4.369.157	229.105	-	-	4.598.262
Licenses	18.237.119	437.529	-	(33.059)	18.641.589
	22.606.276	**666.634**	**-**	**(33.059)**	**23.239.851**
Net book value	**110.933.961**				**110.316.286**

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

	1 January 2018	Additions	Transfers	Disposals	31 March 2018
Costs					
Rights	7.339.785	12.003	-	-	7.351.788
Licenses	125.931.583	-	-	-	125.931.583
	133.271.368	**12.003**	**-**	**-**	**133.283.371**
Accumulated amortisation					
Rights	3.472.262	224.670	-	-	3.696.932
Licenses	16.490.947	440.191	-	-	16.931.138
	19.963.209	**664.861**	**-**	**-**	**20.628.070**
Net book value	**113.308.159**				**112.655.301**

Current period amortisation expense amounting to TL 40.210 (31 March 2018: TL 40.430) has been included in cost of sales and remaining TL 626.424 (31 March 2018: TL 624.431) has been included in general administrative expenses.

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

NOTE 6 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Other short-term provisions

As of 31 March 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 31 March 2019 is TL 19.912.095 (31 December 2018: TL 18.338.205).

	31 March 2019	31 December 2018
Litigation provision	18.755.240	18.338.205
Periodical maintenance provisions	1.156.855	-
	19.912.095	**18.338.205**

The movements of litigation provision are as follows:

	2019	2018
1 January	**18.338.205**	**16.355.919**
Current period charges (*)	554.635	219.068
Released provisions	(137.600)	(364.196)
31 March	**18.755.240**	**16.210.791**

(*) Current period charges consist of additional litigation provision amounting to TL 200.350 (31 March 2018: None) and interest expense arising from existing litigation amounting to TL 354.285 (31 March 2018: TL 219.068).

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:

		31 March 2019		31 December 2018	
	Original currency	Original amount	TL equivalent	Original amount	TL equivalent
Letters of guarantees given	TL	120.691.115	120.691.115	124.487.592	124.487.592
	Euro	300.000	1.895.640	400.000	2.411.200
			122.586.755		**126.898.792**

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

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

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

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

		31 March 2019		31 December 2018	
	Currency	Original amount	TL equivalent	Original amount	TL equivalent
GPMs given by the Group					
A. GPMs given for companies' own legal entity	TL	5.730.691.115	5.730.691.115	5.734.487.592	5.734.487.592
	EURO	300.000	1.895.640	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	-	-	-	-	-
ii) Total amount of CPMB's given to on behalf of other which are not in scope of B and C.	-	-	-	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C.	-	-	-	-	-
			5.732.586.755		**5.736.898.792**

Details of the guarantees given by Akenerji for its own legal entity as of 31 March 2019 are as follows:

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

As of 31 March 2019, GPMs given by the Group to equity ratio is 2.684% (31 December 2018: 1.246%).

- **Other significant matters**

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

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

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

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

Since the appeal process on the EAI report is precisely finalized in favor of the Group, the application on the revised EIA report to the Ministry of Environment and Urban Planning of Turkey is cancelled as this is not necessary anymore. In addition, the suspension of all rights on the electricity production license of Kemah Dam & Hydroelectric Plant Project which is established following the application of the Group to EMRA was requested to be restored and production license was converted to normal license status with the decion of the Board of EMRA numbered 8205-6 on 28 November 2018.

- **Sales and purchase commitments**

Electricity sales and purchase commitments:

The Group has committed to sell 234.629 MWh of electricity energy within the scope of electricity energy sales contracts made with energy companies in 2019 and as of 31 March 2019, 124.708 MWh of the electricity energy was comitted to be sold is completed.

The Group has commited to purchase 35.310 MWh of electricity energy within the scope of electricity energy purchase agreements with energy companies in 2019 and as of 31 March 2019, 34.700 MWh of the electricity enerji was committed to be purchased is completed.

Group has no any commitment to sell and purchase transactions within the scope of risk sharing agreement in 2019.

Natural gas puchase commitments:

The Group has a minimum purchase commitment in accordance with its contracts with natural gas suppliers in 2019. There is a right to compensate for the shortage of the minimum purchase commitment within the next 2 years.

c) Contingent assets

Guarantees received

		31 March 2019		31 December 2018	
	Currency	**Original amount**	**TL Equivalent**	**Original amount**	**TL Equivalent**
Letters of guarantees received	TL	24.028.161	24.028.161	76.664.407	76.664.407
	EURO	3.185.400	20.127.906	4.355.000	26.251.940
	USD	32.500	182.923	32.500	170.979
Notes of guarantees received	TL	4.130.209	4.130.209	4.130.209	4.130.209
	USD	4.656.023	26.205.962	4.656.023	24.494.873
	EURO	93.229	589.098	93.229	561.987
	GBP	5.675	41.628	5.675	37.755
Cheques of guarantees received	TL	108.500	108.500	108.500	108.500
	USD	100.559	565.986	100.559	529.031
Mortgages received	TL	3.242.000	3.242.000	3.242.000	3.242.000
			79.222.373		**136.191.681**

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

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

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 March 2019		31 December 2018	
	Contract amount	**Fair value**	**Contract amount**	**Fair value**
Forward contracts	67.540.800	996.200	5.260.900	24.345
Derivative financial assets	**67.540.800**	**996.200**	**5.260.900**	**24.345**
Interest rate swaps				
- Short-term	179.855.522	5.081.902	168.112.060	3.648.843
- Long-term	851.861.154	24.069.740	796.239.846	17.282.246
Forward contracts				
- Short-term	56.284.000	2.215.808	125.139.178	9.270.688
Derivative financial liabilities	**1.088.000.676**	**31.367.450**	**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 realized.

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

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

NOTE 8 - EQUITY

Share capital

Akenerji adopted the registered capital system applicable to the companies registered on the CMB and defined a limit to its registered capital for shares whose nominal value is TL 1 ("One Turkish Lira"). As of 31 March 2019 and 31 December 2018 the share capital held is as follows:

	31 March 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 31 March 2019 and 31 December 2018 are as follows:

	31 March 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. ("Akarsu")	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 for each where no privilege rights are provided for any kind of shares.

Share premium

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

Reserves

	31 March 2019	31 December 2018
Legal reserves	12.053.172	12.053.172
	12.053.172	**12.053.172**

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

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

NOTE 9 - TAX ASSETS AND LIABILITIES

	31 March 2019	**31 December 2018**
Current income tax expenses	50.981	3.412.544
Prepaid taxes	(844.798)	(3.839.594)
Current income tax liabilities / (Current income tax assets), net	**(793.817)**	**(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 31 March 2019 and 2018 are as follows:

	1 January - 31 March 2019	**1 January - 31 March 2018**
Current income tax expense (-)	(50.981)	(647.276)
Deferred tax (expense)/income	31.198.016	37.036.815
	31.147.035	**36.389.539**

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

NOTE 9 - TAX ASSETS AND LIABILITIES (Continued)

Deferred taxes

	31 March 2019	31 December 2018
Deferred tax assets	21.174	741.959
Deferred tax liabilities	(138.224.794)	(181.839.302)
Deferred tax assets, net	**(138.203.620)**	**(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)	
	31 March 2019	**31 December 2018**	**31 March 2019**	**31 December 2018**
Deferred tax assets on tax losses	(41.664.177)	(3.501.950)	8.332.835	700.390
Investment incentives (*)	(107.707.530)	(105.450.881)	21.541.506	21.090.176
Provision for employment termination benefit	(2.801.755)	(2.133.623)	560.350	426.725
Provision for unused vacations	(735.921)	(646.500)	148.592	130.340
Adjustments to property, plant and equipment	815.438.579	1.006.655.643	(163.087.717)	(201.331.129)
Adjustments to borrowings	28.633.485	11.125.433	(5.726.696)	(2.225.087)
Bonus provision	(125.950)	(510.823)	27.510	111.242
Deferred tax assets/(liabilities), net			**(138.203.620)**	**(181.097.343)**

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

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

NOTE 9 - TAX ASSETS AND LIABILITIES (Continued)

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

Year incurred	Year can be used	31 March 2019	31 December 2018
2017	2022	127.672	3.501.950
2019	2024	41.536.505	-
		41.664.177	**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	31 March 2019	31 December 2018
2014	2019	109.461.080	109.461.080
2015	2020	51.724.908	51.724.908
2016	2021	104.375.065	104.375.065
2017	2022	86.943.115	86.943.115
2018	2023	296.812.402	296.794.861
		649.316.570	**649.299.029**

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

NOTE 10 – REVENUE AND COST OF SALES

a) Revenue

	1 January- 31 March 2019	1 January- 31 March 2018
Electricity sales revenue	367.200.966	439.055.022
Revenue on sharing of instability savings	44.705.229	23.178.411
Revenue on seconder frequency control	23.698.886	10.429.717
Revenue on loading instructions	15.473.800	13.700.310
Revenue on capacity mechanism	14.329.497	10.471.019
Other revenues	833.690	279.872
	466.242.068	**497.114.351**

b) Cost of sales

	1 January- 31 March 2019	1 January- 31 March 2018
Direct raw materials consumed (*)	278.112.058	390.264.012
Depreciation and amortisation expenses	64.001.986	61.772.979
Personnel expenses	6.972.120	5.383.526
Maintenance and repair expenses	3.825.352	4.444.805
Insurance expenses	3.084.020	2.982.303
Other materials and spare parts consumed	899.104	678.198
Other expenses	1.218.038	511.045
	358.112.678	**466.036.868**

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

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

NOTE 11- EXPENSES BY NATURE

	1 January- 31 March 2019	**1 January- 31 March 2018**
Direct raw materials consumed (*)	278.112.058	390.264.012
Depreciation and amortisation expenses (**)	65.145.031	62.526.083
Personnel expenses (***)	12.889.294	9.920.645
Maintenance and repair expenses	3.825.352	4.444.805
Insurance expenses (****)	3.111.770	3.033.608
Taxes and duties	1.962.271	787.735
Consultancy expenses	1.375.820	3.101.843
Other materials and spare parts consumed	899.104	678.198
IT expenses	897.925	462.241
Office expenses	575.943	521.447
Vehicle expenses	263.840	347.017
Travel expenses	258.876	161.472
Advertising expenses	94.185	154.850
Rent expenses	25.057	510.503
Other expenses	3.183.600	2.327.460
	372.620.126	**479.241.919**

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

(**) Depreciation and amortization expenses amounting to TL 64.001.986 (31 March 2018: TL 61.772.979) is classified in cost of sales, TL 749.561 (31 March 2018: TL 753.104) of amortization and depreciation expenses is classified in general administrative expenses.

(***) Personnel expenses amounting to TL 6.972.120 (31 March 2018: TL 5.383.526) is classified in cost of sales, TL 5.917.174 (31 March 2018: TL 4.537.119) is classified in general and administrative expenses.

(****) Insurance expenses amounting to TL 3.084.020 (31 March 2018: TL 2.982.303) is classified in cost of sales, TL 27.750 (31 March 2018: TL 51.305) is classified in general and administrative expenses.

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

NOTE 12 - OTHER OPERATING INCOME AND EXPENSE

a) Other operating income

	1 January- 31 March 2019	1 January- 31 March 2018
Foreign exchange gains from trading activities	2.271.290	1.063.344
Gain on risk sharing contracts (***)	711.719	3.261.656
Delay interests charged (*)	600.763	13.152
Provisions no longer required (**)	541.574	2.167.996
Income from energy services provided	150.918	-
Rediscount income from trading activities	-	368.073
Income related to capacity sales	-	332.640
Other income	249.489	222.037
	4.525.753	**7.428.898**

(*) Comprised of delay interests charges for trade receivables which are not collected at their due dates. As of 31 March 2019, the applied interest rate is 2,00% per month, unless there is a different interest rate agreed by the parties. (31 March 2018: 1,40%).

(**) As of 31 March 2019, TL 137.600 (31 March 2018: TL 364.196) of the provisions no longer required comprised of released provisions of litigation provisions, TL 403.974 (31 March 2018: TL 1.802.175) comprised of the released provisions of the personnel bonus provisions which are not paid and as of 31 March 2018 amounting to TL 1.625 comprised of the provisions of other provisions released.

b) Other operating expense

	1 January- 31 March 2019	1 January- 31 March 2018
Foreign exchange losses from trading activities	10.752.608	393.008
Rediscount expenses from trading activities	1.686.555	22.103
Provisions for litigations	200.350	-
Expenses related to energy services provided	148.001	62.353
Expenses on futures and options market	86.004	-
Losses on risk sharing contracts (***)	-	6.418.621
Other expenses	141.751	433.613
	13.015.269	**7.329.698**

(***) 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.x

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

NOTE 13 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

a) Income from investing activites

	1 January - 31 March 2019	1 January - 31 March 2018
Gain on sale of property,plant and equipment	149	38.983
	149	**38.983**

b) Expenses from investing activites

	1 January - 31 March 2019	1 January - 31 March 2018
Loss on sale of property,plant and equipment	130.291	-
	130.291	**-**

NOTE 14 - FINANCIAL INCOME AND EXPENSES

a) Financial income

	1 January - 31 March 2019	1 January - 31 March 2018
Gain on derivative financial instruments	8.749.886	5.968.837
Interest income	1.985.012	751.407
Foreign exchange gain	1.971.692	14.029.198
	12.706.590	**20.749.442**

b) Financial expenses

	1 January - 31 March 2019	1 January - 31 March 2018
Foreign exchange losses	270.714.501	139.635.301
Interest and commission expenses	99.001.195	72.136.617
Losses on derivative financial instruments	12.664.086	-
Other financial expenses (*)	5.874.125	7.686.622
	388.253.907	**219.458.540**

(*) For the period 1 January - 31 March 2019, TL 3.200.513 (1 January – 31 March 2018: TL 6.915.121) of the respective amount is comprised of the indexation difference of the liability due to Uluabat DSİ Water Use Agreement calculated by WPT.

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

NOTE 15 - RELATED PARTY DISCLOSURES

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

a) Transaction with related parties

- *Purchases from related parties*

	1 January - 31 March 2019	1 January - 31 March 2018
Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş") (1) (****)	6.375.207	5.245.088
Aksa Akrilik Kimya Sanayi A.Ş. ("Aksa) (1) (**)	1.376.623	1.151.000
Dinkal Sigorta Acenteliği A.Ş. ("Dinkal") (2) (**)	1.085.137	721.774
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş. ("Aktek") (3) (**)	865.859	598.734
Cez a.s. Turkey Daimi Tem. (4) (***)	804.321	1.397.241
Ak-Han Bakım Yön. Serv. Hiz. Güv. Malz. A.Ş. ("Ak-Han") (5) (**)	664.076	507.587
Akkök Holding A.Ş. ("Akkök") (6) (*)	433.208	1.470.931
Cez a.s. (4) (*)	319.225	7.137
Cez Trade Bulgaria Ead. (7) (***)	244.270	-
Other	26.989	20.633
	12.194.915	**11.120.125**

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

- *Sales to related parties*

	1 January - 31 March 2019	1 January - 31 March 2018
Sepaş (1) (****)	10.689.575	48.743.894
Cez a.s (2) (*)	9.244.580	-
Cez Trade Bulgaria Ead. (2) (***)	5.234.824	-
Aksa (3) (**)	1.546.433	1.717.137
Akcez Enerji Yat. San. ve Tic. A.Ş. ("Akcez") (****)	17.119	13.995
Other	11.324	85.109
	26.743.855	**50.560.135**

(1) In general, comprised of sharing of instability savings.
(2) In general, comprised of sales of electricity and capacity.
(3) In general, comprised of sharing of instability savings.
(*) Shareholder.
(**) Akkök Holding group company.
(***)Cez a.s. group company.
(****)Akkök Holding and Cez a.s. group company.

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

NOTE 15 - RELATED PARTY DISCLOSURES (Continued)

b) Balances with related parties

- *Short-term trade receivables from related parties*

	31 March 2019	31 December 2018
Sepaş (1) (****)	3.481.293	6.495.163
Cez a.s. (2) (*)	3.285.384	117.727
CEZ Trade Bulgaria Ead. (2) (***)	796.369	793.429
Aksa (1) (**)	643.345	282.504
Other	15.516	16.173
	8.221.907	**7.704.996**

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

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

- *Other receivables from related parties*

	31 March 2019	31 December 2018
Cez a.s. (1) (*)	631.880	602.800
	631.880	**602.800**

(1) Comprised of cash collateral given amounting to EUR 100.00 within the scope of electricity sold.

- *Short-term trade payables to related parties*

	31 March 2019	31 December 2018
Dinkal (1) (**)	7.292.899	13.398.127
Sepaş (2) (****)	2.749.598	5.252.676
Akkök (2) (*)	2.467.739	2.253.504
CEZ a.s. Turkey Daimi Tem. (2) (***)	1.780.706	4.607.288
Aktek (3) (**)	657.193	626.247
Aksa (2) (**)	528.150	282.538
Ak-Han (4) (**)	311.198	256.486
Ak Havacılık ve Ulaştırma Hiz. A.Ş. ("Ak Havacılık") (**)	186.756	174.562
Other	25.534	93.578
	15.999.773	**26.945.006**

(1) Comprised of payables to Dinkal for the insurances purchased from insurance companies by the intermediary of Dinkal.
(2) Comprised of payables on sharing of instability savings and consultancy services received.
(3) Comprised of payables related to IT services received.
(4) Comprised of payables related to building maintenance and other services received.
(*) Shareholder.
(**) Akkök Holding group company.
(***) Cez a.s. group company.
(****) Akkök Holding and Cez a.s. group company.

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

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

NOTE 15 - RELATED PARTY DISCLOSURES (Continued)

c) Key management compensation

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

	1 January - 31 March 2019	1 January - 31 March 2018
Salaries and benefits	761.029	630.360
Bonus payment	1.531.960	337.895
Attendance fee	192.940	216.137
	2.485.929	**1.184.392**

NOTE 16 – FINANCIAL RISK MANAGEMENT

- ***Foreign exchange risk***

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

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

	31 March 2019	31 December 2018
Assets	58.799.044	29.823.951
Liabilities	4.388.172.189	4.052.146.871
	(4.329.373.145)	**(4.022.322.920)**

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

NOTE 16 – FINANCIAL RISK MANAGEMENT (Continued)

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

			31 March 2019				31 December 2018	
	TL Equivalent	**USD**	**Euro**	**Other**	**TL Equivalent**	**USD**	**Euro**	**Other**
Cash and cash equivalents	41.004.801	2.081.936	4.634.631	208	9.860.630	489.375	1.208.476	208
Trade receivable from related parties	4.081.755	-	645.970	-	911.156	-	151.154	-
Trade receivables from third parties	1.272.814	1.475	200.119	-	8.319.357	-	1.380.119	-
Other receivables from third parties	10.792.457	1.917.500	-	-	10.087.776	1.917.500	-	-
Derivative financial instruments	996.200	176.995	-	-	24.345	4.628	-	-
Current assets	**58.148.027**	**4.177.906**	**5.480.720**	**208**	**29.203.264**	**2.411.503**	**2.739.749**	**208**
Other receivables from related parties	631.880	-	100.000	-	602.800	-	100.000	-
Other receivables from third parties	19.137	3.400	-	-	17.887	3.400	-	-
Non-current assets	**651.017**	**3.400**	**100.000**	**-**	**620.687**	**3.400**	**100.000**	**-**
Total assets	**58.799.044**	**4.181.306**	**5.580.720**	**208**	**29.823.951**	**2.414.903**	**2.839.749**	**208**
Derivative financial instruments	7.297.710	1.296.587	-	-	12.919.531	2.455.764	-	-
Short-term portion of long term borrowings	1.089.551.872	193.581.102	-	-	764.631.622	145.342.360	-	-
Lease liabilities	7.171.839	-	1.135.000		6.711.449	-	1.113.379	-
Trade payables to related parties	8.826.623	1.098.845	418.099	-	18.032.492	2.453.577	850.111	-
Trade payables to third parties	143.073.247	25.161.865	229.823	-	80.791.171	15.114.065	211.942	-
Current liabilities	**1.255.921.291**	**221.138.399**	**1.782.922**	**-**	**883.086.265**	**165.365.766**	**2.175.432**	**-**
Derivative financial instruments	24.069.740	4.276.480	-	-	17.282.246	3.285.036	-	-
Long-term borrowings	3.046.677.392	541.304.348	-	-	3.037.597.911	577.391.304	-	-
Lease liabilities	61.501.515	-	9.733.100	-	61.151.542	-	10.144.582	-
Trade payables to third parties	-	-	-	-	53.026.803	10.079.417	-	-
Other payables to third parties	2.251	400	-	-	2.104	400	-	-
Non-current liabilities	**3.132.250.898**	**545.581.228**	**9.733.100**	**-**	**3.169.060.606**	**590.756.157**	**10.144.582**	**-**
Total liabilities	**4.388.172.189**	**766.719.627**	**11.516.022**	**-**	**4.052.146.871**	**756.121.923**	**12.320.014**	**-**
Net foreign currency assets/(liabilities)	**(4.329.373.145)**	**(762.538.321)**	**(5.935.302)**	**208**	**(4.022.322.920)**	**(753.707.020)**	**(9.480.265)**	**208**

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

NOTE 16 – FINANCIAL RISK MANAGEMENT (Continued)

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and EURO. The following table details the Group's sensitivity to a 20% increase and decrease in the TL against relevant foreign currencies as of 31 March 2019 and 31 December 2018, all other variables held constant.

				31 March 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	(858.374.137)	858.374.137	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(858.374.137)**	**858.374.137**	**-**	**-**
+/- 20% fluctuation of EUR rate				
4- EUR net asset/liability	(7.500.798)	7.500.798	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	**(7.500.798)**	**7.500.798**	**-**	**-**
+/- 20% fluctuation of other currencies rate against to TL				
7- Other currencies net asset/ liability	305	(305)	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	**305**	**(305)**	**-**	**-**
Total (3+6+9)	**(865.874.630)**	**865.874.630**	**-**	**-**

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

NOTE 17 – FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial assets

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

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

Financial liabilities

The fair values of floating rate and short-term bank borrowings and other financial liabilites are estimated to coverge 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 31 March 2019, the Group has short-term and long-term liabilities from derivative financial instruments amounting to TL 7.297.710 (31 December 2018: TL 12.919.531) and TL 24.069.740 (31 December 2018: TL 17.282.246) respectively and TL 996.200 derivative financial instruments in its current assets (31 December 2018: TL 24.345), which are categorized as level 2.

Fair value of the lands, land improvements, buildings, machinery and equipment of the Group's power plants were measured by a professional independent valuation company on 31 December 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 31 March 2019 which are measured on 31 December 2017.

NOTE 18 – SUBSEQUENT EVENTS

None.

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