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

Akenerji Elektrik Üretim A.Ş.

Condensed consolidated financial statements for the interim period ended 1 January - 30 June 2018 together with independent auditor's review report

Building a better working world

Guney Bağımsız Denetim ve SMMM A.Ş
Maslak Mahallesi Eski Buyukdere Cad. Orjin Maslak Plaza No: 27
Sarıyer 34485
İstanbul - Türkiye

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920

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

Report on Review of Interim Condensed Consolidated Financial Statements

To the Board of Directors of Akenerji Elektrik Üretim A.Ş.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Akenerji Elektrik Üretim Anonim Şirketi ("the Company") and its subsidiaries ("the Group") as of June 30, 2018 and the interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of other comprehensive income, consolidated statement of changes in equity and the consolidated statement cash flows for the six-month period then ended. Group management is responsible for the preparation and presentation of this interim consolidated financial statements in accordance with Turkish Accounting Standard 34, Interim Financial Reporting ("TAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of Matter

We draw attention to note 2.7 to the consolidated financial statements which indicates the developments that significantly affect the costs of the Group's operations. Our opinion is not modified in respect of this matter.

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

Sinem Arı ÖZ, SMMM
Partner

August 15, 2018
İstanbul, Türkiye

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

TABLE OF CONTENTS **PAGE**

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

		Current period	**Prior period**
		Reviewed	**Audited**
			Restated (Note 2.5)
	Notes	**30 June 2018**	**31 December 2017**
ASSETS			
Current assets			
Cash and cash equivalents		12.064.743	45.241.003
Trade receivables			
- Due from related parties	*15*	*53.007.198*	*21.236.890*
- Due from third parties		*113.455.700*	*69.064.218*
Inventories		1.484.198	1.666.918
Other receivables			
- Due from third parties		*17.222.403*	*2.395.192*
Prepaid expenses		14.969.418	9.416.948
Derivative financial instruments	7	6.805	497.923
Current income tax assets	9	260.684	2.262.033
Other current assets		20.517.412	20.995.542
Total current assets		**232.988.561**	**172.776.667**
Non-current assets			
Trade receivables			
- Due from third parties		-	*8.055.071*
Other receivables			
- Due from third parties		*352.518*	*7.325.006*
Inventories		17.899.707	17.154.844
Financial investments		100.000	100.000
Property, plant and equipment	4	5.270.294.120	5.390.359.318
Intangible assets	5	112.003.996	113.308.159
Deferred tax assets	9	63.152.130	16.795.470
Prepaid expenses		5.053.455	1.894.505
Other non-current assets		62.214.942	67.654.140
Total non-current assets		**5.531.070.868**	**5.622.646.513**
TOTAL ASSETS		**5.764.059.429**	**5.795.423.180**

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

	Notes	Current period Reviewed 30 June 2018	Prior period Audited *Restated (Note 2.5)* 31 December 2017
LIABILITIES			
Current liabilities			
Short term borrowings	3	250.038.420	-
Short term portion of long term borrowings			
- Bank loans	*3*	*445.153.019*	*377.892.651*
- Financial leasing liabilities	*3*	*5.863.983*	*4.898.505*
Trade payables			
- Due to related parties	*15*	*23.700.915*	*11.847.438*
- Due to third parties		*187.889.129*	*176.033.413*
Current income tax liabilities	9	787.937	568.374
Other payables			
- Other payables to third parties		*5.531.741*	*1.770.215*
Derivative financial instruments	7	2.419.899	15.163.211
Employee benefit obligations		1.119.056	935.182
Short term provisions			
- Provisions for employee benefits		*1.405.000*	*2.975.000*
- Other short term provisions	*6*	*17.409.593*	*17.440.977*
Deferred income		71	232
Total current liabilities		**941.318.763**	**609.525.198**
Non-current liabilities			
Long term borrowings			
- Bank loans	*3*	*3.112.679.333*	*2.783.727.773*
- Financial leasing liabilities	*3*	*56.380.084*	*50.059.418*
Derivative financial instruments	7	12.693.314	17.585.703
Trade payables			
- Due to third parties		*174.638.017*	*200.734.583*
Other payables			
- Due to third parties		*16.044*	*15.728*
Long term provisions			
- Provisions for employee benefits		*4.040.952*	*3.746.304*
Deferred tax liabilities	9	250.396.304	328.626.654
Total non-current liabilities		**3.610.844.048**	**3.384.496.163**
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		*(13.144.130)*	*(15.159.903)*
Restricted reserves			
- Legal reserves	*8*	*12.053.172*	*12.053.172*
- Other reserves		*(4.322.722)*	*(4.322.722)*
Other comprehensive income/expense not to be reclassified to profit/loss			
- Increase on revaluation of property, plant and equipment		*2.466.503.246*	*2.526.950.583*
- Gains/(losses) on re-measurement of defined benefit plans		*(1.039.270)*	*(1.349.827)*
Retained earnings/(losses)		(1.537.695.100)	(1.090.945.284)
Net profit/(loss) for the period		(591.831.531)	(507.197.153)
Total equity		**1.211.896.618**	**1.801.401.819**
TOTAL LIABILITIES AND EQUITY		**5.764.059.429**	**5.795.423.180**

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

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

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

		Current period	Prior period		
		Reviewed	Reviewed		
	Notes	1 January - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Revenue	10	932.962.996	807.199.198	435.848.645	410.475.582
Cost of sales (-)	11	(882.959.838)	(774.365.090)	(416.922.970)	(398.744.189)
GROSS PROFIT		**50.003.158**	**32.834.108**	**18.925.675**	**11.731.393**
General administrative expenses (-)	11	(26.590.276)	(25.023.091)	(13.385.225)	(12.791.068)
Other operating income	12	11.359.562	8.457.175	7.192.320	1.148.037
Other operating expenses (-)	12	(14.899.987)	(30.093.787)	(10.831.945)	(10.385.118)
OPERATING PROFIT / (LOSS)		**19.872.457**	**(13.825.595)**	**1.900.825**	**(10.296.756)**
Income/(expenses) from investing activities, net	13	166.102	(796.226)	127.119	(875.281)
OPERATING PROFIT / (LOSS) BEFORE FINANCIAL INCOME/ (EXPENSE)		**20.038.559**	**(14.621.821)**	**2.027.944**	**(11.172.037)**
Financial income	14	26.464.471	26.561.180	5.715.029	5.931.133
Financial expenses (-)	14	(762.069.977)	(159.287.471)	(542.611.437)	18.095.675
PROFIT / (LOSS) BEFORE TAX		**(715.566.947)**	**(147.348.112)**	**(534.868.464)**	**12.854.771**
Tax (Expense)/Income					
Current income tax expense	9	(1.433.056)	(969.843)	(785.780)	(488.136)
Deferred tax (expense) / income	9	125.168.472	(26.012.136)	88.131.657	(34.878.862)
NET PROFIT / (LOSS) FOR THE PERIOD		**(591.831.531)**	**(174.330.091)**	**(447.522.587)**	**(22.512.227)**
Net profit / (loss) attributable to:					
Equity holders of the parent		(591.831.531)	(174.330.091)	(447.522.587)	(22.512.227)
		(591.831.531)	**(174.330.091)**	**(447.522.587)**	**(22.512.227)**
Earnings/(losses) per share (1.000 shares)		**(8,12)**	**(2,39)**	**(6,14)**	**(0,31)**

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

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE INTERIM PERIODS BETWEEN 1 JANUARY - 30 JUNE 2018 AND 2017
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)

	Current period Reviewed 1 January - 30 June 2018	Prior period Reviewed 1 January - 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Net profit/(loss) for the period	**(591.831.531)**	**(174.330.091)**	**(447.522.587)**	**(22.512.227)**
Other comprehensive income/(expense)				
Not to be reclassified to profit or loss				
Actuarial gain/(loss) arising from defined benefit plans	388.196	(1.598.727)	37.509	-
Deferred tax income/(expense) effect	(77.639)	319.745	(7.502)	-
OTHER COMPREHENSIVE INCOME/(EXPENSE)	**310.557**	**(1.278.982)**	**30.007**	**-**
TOTAL COMPREHENSIVE INCOME/(LOSS)	**(591.520.974)**	**(175.609.073)**	**(447.492.580)**	**(22.512.227)**

(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 earning**	**Net profit/(loss) for the period**	**Total equity**
1 January 2017	**729.164.000**	**101.988.910**	**50.220.043**	**(30.964.517)**	**(4.322.722)**	**12.053.172**	**1.409.709.068**	**-**	**(618.995.310)**	**(548.673.970)**	**1.100.178.674**
Transfers	-	-	-	-	-	-	-	-	(548.673.970)	548.673.970	
Other adjustments (*)	-	-	-	7.837.357	-	-	(32.916.351)	-	32.916.351		7.837.357
Total comprehensive income/(loss)	-	-	-	-	-	-	-	(1.278.982)	-	(174.330.091)	(175.609.073)
30 June 2017	**729.164.000**	**101.988.910**	**50.220.043**	**(23.127.160)**	**(4.322.722)**	**12.053.172**	**1.376.792.717**	**(1.278.982)**	**(1.134.752.929)**	**(174.330.091)**	**932.406.958**
1 January 2018 – previously reported	**729.164.000**	**101.988.910**	**50.220.043**	**(15.159.903)**	**(4.322.722)**	**12.053.172**	**2.526.950.583**	**(1.349.827)**	**(1.090.945.284)**	**(505.044.383)**	**1.803.554.589**
Restatement effect (Note 2.5)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2.152.770)**	**(2.152.770)**
1 January 2018 - restated	**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)**	**(507.197.153)**	**1.801.401.819**
Transfers	-	-	-	-	-	-	-	-	(507.197.153)	507.197.153	-
Other adjustments (*)	-	-	-	2.015.773	-	-	(60.447.337)	-	60.447.337		2.015.773
Total comprehensive Income/(loss)	-	-	-	-	-	-	-	310.557	-	(591.831.531)	(591.520.974)
30 June 2018	**729.164.000**	**101.988.910**	**50.220.043**	**(13.144.130)**	**(4.322.722)**	**12.053.172**	**2.466.503.246**	**(1.039.270)**	**(1.537.695.100)**	**(591.831.531)**	**1.211.896.618**

(*) As of 30 June 2018 the depreciation difference between acquisition cost and carrying values of assets subjected to revaluation method is TL 75.559.172 (30 June 2017: TL 41.145.439) and were reclassified under the retained earnings net of the deferred tax impact amounting to TL 60.447.337 (30 June 2017: TL 32.916.351) has been transferred from the revaluation reserve to retained earnings.

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

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

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

	Notes	Reviewed Current period January 1, - June 30, 2018	Reviewed Prior period January 1, - June 30, 2017
A. Cash flow from operating activities		**(55.499.553)**	**119.594.177**
Net profit / (loss) for the period		(591.831.531)	(174.330.091)
Adjustments to reconcile net income		**635.754.015**	**255.768.269**
Adjustments for depreciation and amortization expenses	4, 11	125.033.007	89.036.912
Adjustment for provisions of receivables		-	599.204
Adjustments for provisions			
- Adjustments for litigation provisions	6	(103.604)	372.693
- Adjustments for other provisions	6	72.220	325.562
- Adjustment for provision for employee benefits		546.324	(839.716)
Adjustment for unrealized foreign exchange difference		548.565.460	(4.392.944)
Adjustment for tax (income) / expense		(123.735.416)	25.792.166
Adjustment for loss on sale of property, plant and equipment	13	(166.102)	(796.226)
Fair value of derivative instruments		(17.642.507)	9.796.696
Adjustment for interest (income)/expense, net		103.184.633	135.873.922
Changes in working capital		**(98.776.411)**	**40.685.648**
Increase / decrease in trade receivables from related parties		(31.770.308)	4.373.061
Increase / decrease in trade receivables from third parties		(36.113.297)	56.043.985
Increase / decrease in other receivables from related parties		-	(12.538)
Increase / decrease in other receivables from third parties		(7.854.723)	(15.009.339)
Increase / decrease in inventories		(562.143)	(1.048.286)
Increase / decrease in prepaid expenses		(8.711.420)	5.574.666
Increase / decrease in other assets		5.917.328	(9.746.731)
Increase / decrease in trade payables to related parties		(9.884.477)	(22.372.438)
Increase / decrease in trade payables to third parties		(14.240.850)	25.003.831
Increase / decrease in derivative financial instruments		497.924	(3.209.950)
Increase / decrease in deferred income		(161)	376.294
Increase / decrease in employee benefit obligations		183.874	(436.814)
Increase / decrease in other payables to third parties		3.761.842	1.149.907
Cash flows from operating activities		**(54.853.927)**	**122.123.826**
Payments related to provisions for employee benefits		(1.433.482)	(1.055.784)
Tax (payments) / receipts		787.856	(1.473.865)
B. Cash flows from investing activities		**(3.497.544)**	**(26.662.817)**
Cash outflows due to purchase of property, plant and equipment	4	(3.652.516)	(45.252.604)
Cash outflows due to purchase of intangible assets	5	(12.003)	(153.107)
Cash inflows due to sale of property, plant and equipment		166.975	1.779.046
Cash inflows from sales of assets held for sale		-	16.963.848
C. Cash flows from financing activities		**23.395.476**	**(270.481.071)**
Cash inflows due on borrowings received		268.274.320	-
Cash outflows due to repayment of bank borrowings		(177.870.435)	(149.110.438)
Interest paid		(66.205.163)	(138.084.316)
Interest received	14	1.622.115	7.200.060
Other cash inflows / (outflows) (*)		(2.425.361)	9.513.623
Net increase / (decrease) in cash and cash equivalents		**(35.601.621)**	**(177.549.711)**
Cash and cash equivalents at the beginning of the period (*)		**44.170.711**	**422.326.571**
Cash and cash equivalents at the end of the period (*)		**8.569.090**	**244.776.860**

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

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

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

NOTE 1 – GROUP'S ORGANISATION AND NATURE OF OPERATIONS

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

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

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

The Company is registered to the Capital Markets Board ("CMB"), and its shares are publicly traded in Istanbul Stock Exchange ("ISE"). As of 30 June 2018, 52,83% of its shares are open for trading (31 December 2017: 52,83%).

As of 30 June 2018, the number of employees employed Akenerji and its subsidiaries (Akenerji and its subsidiaries will be referred called as the "Group") is 194 (31 December 2017: 206).

These condensed consolidated financial statements for the interim period between 1 January – 30 June 2018 have been approved for issue by the Board of Directors at 15 August 2018.

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

Principles of Preparation of Interim Condensed Consolidated Financial Statements

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

In accordance with the TAS 34 "Interim Financial Reporting", entities are allowed to prepare a complete or condensed set of interim financial statements. In this respect, the Group has preferred to prepare condensed consolidated financial statements in the interim periods. Accordingly, these interim condensed consolidated financial statements does not include all required explanatory notes as should be provided and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2017.

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

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

2.2 Basis of Consolidation

a) The condensed consolidated interim financial statements include the accounts of the parent company, Akenerji, and its Subsidiaries on the basis set out in sections (b) to (c) below. The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements and have been prepared in accordance with TAS by applying uniform accounting policies and presentation. The results of operations of Subsidiaries are included or excluded from their effective dates of acquisition or disposal respectively.

b) Subsidiaries are companies in which Akenerji has the power to control the financial and operating policies for the benefit of itself, either through the power to exercise more than 50% of voting rights related to shares in the companies as a result of shares owned directly and/or indirectly by itself.

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

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

The table below sets out all Subsidiaries and demonstrates the proportion of ownership interest as of 30 June 2018 and 31 December 2017:

	Direct and indirect ownership interest by the Company and its Subsidiaries (%)	
Subsidiaries	**30 June 2018**	**31 December 2017**
Akenerji Toptan	100,00	100,00
Ak-el	100,00	100,00
Egemer	100,00	100,00
Akel Kemah	100,00	100,00
Akenerji Doğalgaz	100,00	100,00

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

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

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

2.3 The New Standards, Amendments and Interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 June 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2018. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 1 January 2018 are as follows:

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

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

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

ii) Standards issued but not yet effective and not early adopted

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies

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

TFRS 9 Financial Instruments:

Financial assets - Classification and measurement

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

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

(a) Financial assets carried at amortised cost

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

Impairment

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

(b) Financial assets carried at fair value

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

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

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

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

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

Transition to TFRS 9 "Financial instruments"

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

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

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

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

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

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

TFRS 15 Revenue from Contracts with Customers:

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

Group recognizes revenue based on the following main principles:

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

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

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

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

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

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

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

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

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

2.5 Comparatives and restatement of prior year financial statements

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

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

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

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

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

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

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

As a result of the assessments made by the Group, income from provisions no longer required arising from unused vacation rights and employee termination benefits amounting to TL 375.616 accounted other operating income has been reclassified to personnel expenses under general administrative expenses in the accompanying statement of profit or loss for the interim period ended 30 June 2017.

As a result of the assessments made by the Group, banking commission and expenses amounting to TL 1.412.619 accounted general administrative expenses has been reclassified to finance expenses in the accompanying statement of profit or loss for the interim period ended 30 June 2017.

2.6 Critical accounting estimates and judgments

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

<u>Deferred tax assets for the carry forward tax losses:</u> Deferred tax assets are accounted for only where it is likely that related temporary differences and accumulated losses will be recovered through expected future profits when accounting for deferred tax assets it is necessary to make critical estimations and evaluations with regard to taxable profits in the future periods.

As of 30 June 2018, the Group has carry forward tax losses amounting to TL 349.602.731 (31 December 2017: TL 245.045.520) which are expected to be deducted from future profits and did not recognize deferred tax assets for the carry forward tax losses amounting to TL 620.145.936 (31 December 2017: TL 534.454.080) for which the Group believes it will not utilize in the future. If the net income projections which are explained in Note 9 are not realized, related deferred tax assets for the carry forward tax losses will be accounted as an expense in the consolidated statements of income.

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

<u>Explanations for revaluation method and fair value measurement:</u> Group has chosen revaluation method as an accounting policy among application methods mentioned under IAS 16 for lands, land improvements, buildings, machinery and equipments belonging its power plants commencing from 30 September 2015. The Group has applied revaluation method initially at 31 December 2015 and then 31 December 2017. The critical accounting estimates and judgments related to revaluation has been disclosed in financial statements of 31 December 2015 and 31 December 2017. Any difference in realization of these estimates and assumptions may have material impact on the fair value of these assets.

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

2.7 Going concern

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

The Group continuously monitors the financial and operational risks (changes in natural gas prices, changes in natural gas supply conditions and their impact on the electricity market, changes in foreign exchange rates (i.e. approximately 44% depreciation of TL against USD and approximately 41% depreciation of TL against EUR between 30 June 2018 and 14 August 2018) etc.) through its risk inventory and takes necessary actions to reduce the effects of risks.

On 1 August 2018, Boru Hatları ile Petrol Taşıma A.Ş. ("BOTAŞ"), increased the natural gas prices of the natural gas sold to power plants which is used in electricity production by 49,5% and decided the consideration to be paid in TL which will be converted from USD using the official spot rate of TCMB at the payment day. The cost of natural gas is a significant item on the cost of production of the Group due to Erzin combined natural gas cycle power plant of Egemer, which is a subsidiary of the Group. However, the Group management is in the opinion that, the impact of the increase in natural gas prices on the total consolidated cost of production will be limited through the Group's differentiation strategy of balanced, flexible and efficient portfolio by having different type of power plants and taking advantage of YEKDEM mechanism.

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

As BOTAŞ approved the monthly spot natural gas purchase from the private sector as of 1 February 2018, the private sector provided natural gas for the Erzin power plant at a discounted price as compared to the prices declared by BOTAŞ. If it is needed in the following months, the natural gas supply can continue to be provided from the private sector to maintain cost advantage.

Erzin combined natural gas cycle power plant has the significant advantage on competition in the daily profitability compared to similar plants under favor of its largest amount of reserves in Turkey in daily operations and the maximum amount of benefit from the ancillary services market operations (Primary Frequency Control and Secondary Frequency Control services). In addition, "Revenue on Capacity Mechanism", which was introduced in 2018 to support primary level electricity generation sources, contributes positively to the financial position of the Group.

Within the termed electricity trade, the studies carried out for the purpose of increasing the transaction intensity of the products indexed to BOTAS natural gas sale tariff are coming to an end and it is predicted that the profitability of electricity generation facilities based on natural gas consumption will be preserved as a long term as a result of these studies.

Akenerji, aware of all of its short term and long term liabilities, has been taking the necessary actions maintain its operations in a healthy financial structure within the framework of proactive approach.

2.8 Seasonality of Group's operations

The results of Group's operations do not show a significant change by season.

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

NOTE 3 - BORROWINGS

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

	30 June 2018	31 December 2017
Short term borrowings		
-Bank loans	250.038.420	-
Total short term borrowings	**250.038.420**	**-**
Short-term portion of long term borrowings		
-Bank loans (*)	445.153.019	377.892.651
-Financial leasing payables (**)	5.863.983	4.898.505
Total short-term portion of long term borrowings	**451.017.002**	**382.791.156**
Long term borrowings		
-Bank loans (*)	3.112.679.333	2.783.727.773
- Financial leasing payables (**)	56.380.084	50.059.418
Total long term borrowings	**3.169.059.417**	**2.833.787.191**
Total short term and long term borrowings	**3.870.114.839**	**3.216.578.347**

As of 30 June 2018, the accrued interest expense on short-term and long-term bank borrowings is TL 69.687.466 (31 December 2017: TL 59.357.881).

(*) The loan obtained pursuant to the loan agreement ("Loan Agreement") signed with Yapı Kredi Bankası A.Ş. on 30 September 2015, amounts to TL 3.556.619.087 (TL 429.565.217 and USD 685.652.174). Commissions amounting to TL 69.558.797, including the new loan arrangement commission of TL 27.770.131 arrangement commission for paid-off loans amounting to TL 15.839.857 and early payment commission amounting to TL 25.948.810 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 Kredi Bankası A.Ş. and T. Vakıflar Bankası T.A.O. on October 11, 2011, commissions paid for the loans used pursuant to this agreement is also deducted from the loan amount as of 30 June 2018.

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

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

NOTE 3 – BORROWINGS (Continued)

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

				30 June 2018
	Currency	**Effective Interest rate %**	**Original Amount**	**Amount in TL**
Short-term bank loans	TL	24,90	250.038.420	250.038.420
Total short-term bank loans				**250.038.420**
Short-term portion of long-term bank loans	USD	6,66	84.433.676	385.076.666
Short-term portion of long-term bank loans	TL	11,95	60.076.353	60.076.353
Short-term portion of long-term finance lease payables	EURO	3,40	1.310.016	6.955.140
Cost of short-term portion of long-term finance leasing payables (-)	EURO	3,40	(205.522)	(1.091.157)
Total short-term borrowings				**451.017.002**
Long term bank loans	USD	6,66	613.478.261	2.734.824.532
Long term bank loans	TL	11,95	377.854.801	377.854.801
Long-term finance lease payables	EURO	3,40	13.120.165	69.657.580
Cost of long-term finance leasing payables (-)	EURO	3,40	(2.500.847)	(13.277.496)
Total long-term borrowings				**3.169.059.417**

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

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

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

NOTE 3 – BORROWINGS (Continued)

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

	30 June 2018	31 December 2017
Up to 1 - 2 years	366.197.569	309.303.086
Up to 2 - 3 years	366.197.569	309.303.086
Up to 3 - 4 years	366.197.569	309.303.086
Up to 4 - 5 years	366.197.569	309.303.086
More than 5 years	1.647.889.057	1.546.515.429
	3.112.679.333	**2.783.727.773**

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

	Minimum rent payments		Present value of financial leasing payables	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Up to 1-2 years	6.955.139	5.915.379	5.083.722	4.251.557
Up to 2-3 years	6.955.139	5.915.379	5.257.786	4.397.128
Up to 3-4 years	6.955.139	5.915.379	5.437.810	4.547.683
Up to 4-5 years	6.955.139	5.915.379	5.624.000	4.703.395
Up to 5-6 years	6.955.139	5.915.379	5.816.564	4.864.438
Up to 6-7 years	6.955.139	5.915.379	6.015.723	5.030.996
Up to 7-8 years	6.955.139	5.915.379	6.221.702	5.203.257
Up to 8-9 years	6.955.139	5.915.379	6.434.734	5.381.417
Up to 9-10 years	6.955.139	5.915.379	6.655.061	5.565.678
More than 10 years	7.061.329	8.963.384	3.832.982	6.113.869
	69.657.580	**62.201.795**	**56.380.084**	**50.059.418**

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

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2018	Additions	Transfers	Disposals	30 June 2018
Cost:					
Lands	159.340	-	-	-	159.340
Land improvements (*)	2.363.244.144	180.800	-	-	2.363.424.944
Buildings	652.618.266	-	-	-	652.618.266
Machinery and equipment (**)	2.714.836.619	49.816	-	-	2.714.886.435
Motor vehicles	1.048.929	111.438	-	(259.653)	900.714
Furniture and fixture	10.276.857	314.249	-	-	10.591.106
Leasehold improvements	1.082.778	97.225	-	-	1.180.003
Construction in progress (***)	28.843.107	2.898.988	-	-	31.742.095
	5.772.110.040	**3.652.516**	**-**	**(259.653)**	**5.775.502.903**
Accumulated depreciation:					
Land improvements	156.299.676	40.552.648	-	-	196.852.324
Buildings	24.651.424	8.776.881	-	-	33.428.305
Machinery and equipment	192.289.165	73.858.256	-	-	266.147.421
Motor vehicles	745.728	63.151	-	(258.780)	550.099
Furniture and fixture	7.009.494	412.607	-	-	7.422.101
Leasehold improvements	755.235	53.298	-	-	808.533
	381.750.722	**123.716.841**	**-**	**(258.780)**	**505.208.783**
Net book value	**5.390.359.318**				**5.270.294.120**

	1 January 2017	Additions	Transfers (****)	Disposals	30 June 2017
Cost:					
Lands	147.481	-	-	-	147.481
Land improvements	2.061.004.601	633.937	11.990.882	-	2.073.629.420
Buildings	412.844.609	37.000	-	-	412.881.609
Machinery and equipment	1.652.477.010	49.242.211	477.123	(1.100.437)	1.701.095.907
Motor vehicles	927.308	63.425	-	(92.573)	898.160
Furniture and fixture	9.837.999	338.084	-	-	10.176.083
Leasehold improvements	999.432	37.930	-	-	1.037.362
Construction in progress	42.083.278	43.480.183	(12.468.005)	-	73.095.456
	4.180.321.718	**93.832.770**	**-**	**(1.193.010)**	**4.272.961.478**
Accumulated depreciation:					
Land improvements	86.979.607	34.655.540	-	-	121.635.147
Buildings	13.596.792	5.525.944	-	-	19.122.736
Machinery and equipment	97.546.617	47.303.607	-	(117.821)	144.732.403
Motor vehicles	779.136	54.904	-	(92.369)	741.671
Furniture and fixture	6.160.069	424.532	-	-	6.584.601
Leasehold improvements	659.777	45.286	-	-	705.063
	205.721.998	**88.009.813**		**(210.190)**	**293.521.621**
Net book value	**3.974.599.720**				**3.979.439.857**

(*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through financial leasing as of 27 January 2017 is amounting to TL 495.485 (31 December 2017: TL 495.485). As of 30 June 2018, the total amount of accumulated depreciation of related land improvement is TL 19.559 (31 December 2017: TL 13.039).

(**) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through financial leasing as of 27 January 2017 is amounting to TL 49.219.854 (31 December 2017: TL 49.219.854). As of 30 June 2018, the total amount of accumulated depreciation of the related machinery and equipment is TL 7.382.979 (31 December 2017: TL 4.921.986).

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

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

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

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Current period depreciation expense of amounting to TL 123.460.442 TL has been included in cost of sales (30 June 2017: TL 87.753.761) and TL 256.399 has been included in general administrative expenses (30 June 2017: TL 256.052).

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

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

NOTE 5 - INTANGIBLE ASSETS

	1 January 2018	Additions	Transfers	Disposals	30 June 2018
Costs:					
Rights	7.339.785	12.003	-	-	7.351.788
Licences	125.931.583	-	-	-	125.931.583
	133.271.368	**12.003**	**-**	**-**	**133.283.371**
Accumulated amortisation:					
Rights	3.472.262	449.124	-	-	3.921.386
Licences	16.490.947	867.042	-	-	17.357.989
	19.963.209	**1.316.166**	**-**	**-**	**21.279.375**
Net book value	**113.308.159**				**112.003.996**

	1 January 2017	Additions	Transfers	Disposals	30 June 2017
Costs:					
Rights	5.326.229	153.107	-	-	5.479.336
Licences	125.878.527	-	-	-	125.878.527
	131.204.756	**153.107**	**-**	**-**	**131.357.863**
Accumulated amortisation:					
Rights	3.136.815	132.186	-	-	3.269.001
Licences	14.703.898	894.913	-	-	15.598.811
	17.840.713	**1.027.099**	**-**	**-**	**18.867.812**
Net book value	**113.364.043**				**112.490.051**

Current period amortization expense amounting to TL 80.861 (30 June 2017: TL 57.289) has been included in cost of sales and remaining TL 1.235.305 (30 June 2017: TL 969.810) has been included in general administrative expenses.

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

NOTE 6 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

6.1 Other short-term provisions

As of 30 June 2018, there are various lawsuits against or in favor of the Group. The Group management estimates the outcomes of these lawsuits and the financial effects thereof, and the required provisions are accounted for based on these estimates. The amount of provisions for the lawsuits as of 30 June 2018 is TL 16.252.315 (31 December 2017: TL 16.355.919).

	30 June 2018	31 December 2017
Litigation provision	16.252.315	16.355.919
Expense accruals (*)	1.157.278	1.085.058
	17.409.593	**17.440.977**

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

The movements of litigation provision are as follows:

	2018	2017
1 January	16.355.919	8.411.591
Current period charges	370.146	1.338.186
Released provisions	(473.750)	(965.493)
30 June	**16.252.315**	**8.784.284**

6.2 Contingent Liabilities

a. Guarantees given

The commitments and contingent liabilities of the Group those are not expected to be resulted in a significant loss or liability to the Group are summarized below:

		30 June 2018		31 December 2017	
	Currency	Original currency	TL equivalent	Original currency	TL equivalent
Letters of guarantees given	TL	124.451.226	124.451.226	330.676.117	330.676.117
Letters of guarantees given	Euro	200.000	1.061.840	200.000	903.100
			125.513.066		**331.579.217**

Guarantees given, in general, comprised of the letters of guarantees given to the government authorities for the electricity transmission and distribution related transactions (mainly to EMRA and electricity transmission and distribution related government authorities).

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

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

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

Another lawsuit was brought against the revised positive EIA report on February 2016 and on 28 February 2018, it has been decided by the court of first instance to cancel the positive EIA report. Both the Company and the Ministry of Environment and Urban Planning of Turkey, lodged an appeal with the Supreme Court for the cancellation of the decision, it is expected that the process in the Supreme Court will be finalized in favor of the Group. Additionally, in accordance with the provisions provided in the decision of the court of first instance, the Company has prepared a revised EIA report and made an application to the Ministry of Environment and Urban Planning of Turkey.

In addition to this, with the decision of EMRA, all rights on the electricity production licence has been suspended and it is decided the period will be elapsed to be added to the term of the licence.

b. Purchase Commitment

Electricity purchase and sale commitments:

As of 30 June 2018, the Group has committed to sell 3.529.203 MWh of electricity energy within the scope of electricity energy sales contracts made with energy companies in 2018 and as of 30 June 2018, 1.999.765 MWh of the electricity energy was comitted to be sold is completed.

As of 30 June 2018, the Group has commited to purchase 1.346.798 MWh of electricity energy within the scope of electricity energy purchase agreements with energy companies in 2018 and as of 30 June 2018, 845.687 MWh of the electricity enerji was committed to be purchased is completed.

Within the context of the electricity purchase and sales transactions and within the scope of risk sharing agreements signed between the energy companies, as of 30 June 2018, the Group has committed to sell 971.010 MWh risk sharing sales and comitted to buy 7.320 MWh risk sharing purchase transactions. As of 30 June 2018, 540.330 MWh of the risk sharing sales transaction committed and 7.320 MWh of the risk sharing purchase transaction committed has been completed.

6.3 Contingent Assets

Guarantees received

			30 June 2018		**31 December 2017**
	Currency	**Original currency**	**TL Equivalent**	**Original currency**	**TL Equivalent**
Letters of guarantees received	TL	99.589.084	99.589.084	119.516.381	119.516.381
Letters of guarantees received	EURO	5.179.375	27.498.338	15.916.000	71.868.698
Letters of guarantees received	USD	4.000	18.243	4.000	15.088
Notes of guarantees received	TL	4.130.209	4.130.209	4.130.209	4.130.209
Notes of guarantees received	USD	4.656.023	21.234.724	4.656.023	17.562.053
Notes of guarantees received	EURO	93.229	494.971	93.229	420.976
Notes of guarantees received	GBP	5.675	33.942	5.675	28.831
Cheques of guarantees received	TL	408.500	408.500	408.500	408.500
Cheques of guarantees received	USD	100.559	458.619	100.559	379.298
Mortgages received	TL	4.242.000	4.242.000	-	-
			158.108.630		**214.330.034**

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

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

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

6.4 Guarantees, pledges, mortgages given by the Group

Guarantees, pledges, mortgages ("GPM") given by the Group as of 30 June 2018 and 31 December 2017 are as follows:

		30 June 2018		31 December 2017	
	Currency	**Original currency**	**TL equivalent**	**Original currency**	**TL equivalent**
GPMs given by the Group					
A. GPMs given for companies' own legal entity	TL	5.734.451.226	5.734.451.226	5.940.676.117	5.940.676.117
	EURO	200.000	1.061.840	200.000	903.100
B Total amount of GPM given for the subsidiaries and associates in the scope of consolidation		-	-	-	-
C.Total amount of GPM given for the purpose of maintaining operating activities		-	-	-	-
D.Total other GPMs given		-	-	-	-
i) Total amount of CPMB's given on behalf of the majority shareholder		-	-	-	-
iv) Total amount of CPMB's given to on behalf of other which are not in scope of B and C.		-	-	-	-
v) Total amount of CPMB's given on behalf of third parties which are not in scope of C.		-	-	-	-
			5.735.513.066		**5.941.579.217**

Details of the guarantees given by Akenerji for its own legal entity as of 30 June 2018 are as follows:

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

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

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

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

NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments held for hedging:

	30 June 2018		31 December 2017	
	Contract amount	**Fair value**	**Contract amount**	**Fair value**
Forward contracts				
- Short term	3.648.560	6.805	33.947.100	497.923
Derivative financial assets		**6.805**		**497.923**
Forward contracts				
- Short term	5.928.910	88.025	-	-
Interest rate swaps				
- Short term	140.437.635	2.331.874	386.071.336	15.163.211
- Long term	764.457.693	12.693.314	447.750.536	17.585.703
Derivative financial liabilities		**15.113.213**		**32.748.914**

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

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

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

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

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

NOTE 8 - EQUITY

Share capital

Akenerji adopted the registered capital system applicable to the companies registered on the CMB and defined a limit to its registered capital for shares whose nominal value is TL1 ("One Turkish Lira"). As of 30 June 2018 and 31 December 2017 the share capital held is as follows:

	30 June 2018	31 December 2017
Limit on registered share capital (historical)	1.500.000.000	1.500.000.000
Issued capital	729.164.000	729.164.000

The Company's shareholders and shareholding structure as of 30 June 2018 and 31 December 2017 are as follows:

	30 June 2018		31 December 2017	
	Share (%)	Amount	Share (%)	Amount
CEZ a.s.	37,36	272.425.943	37,36	272.425.943
Akkök Holding A.Ş.	20,43	148.989.090	20,43	148.989.090
Akarsu Enerji Yatırımları San. ve Ticaret A.Ş. ("Akarsu")	16,93	123.436.852	16,93	123.436.852
Publicly held	25,28	184.312.115	25,28	184.312.115
	100,00	**729.164.000**	**100,00**	**729.164.000**
Adjustment to share capital		101.988.910		101.988.910
Total paid-in capital		**831.152.910**		**831.152.910**

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

Share Premium

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

Reserves

	30 June 2018	31 December 2017
Legal reserves	12.053.172	12.053.172

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

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

NOTE 9 - TAXES ASSETS AND LIABILITIES

	30 June 2018	**31 December 2017**
Current income tax expense	1.433.056	2.058.717
Less: Prepaid taxes	(905.803)	(3.752.376)
Current income tax liabilities / (Current income tax assets), net	**527.253**	**(1.693.659)**

	30 June 2018	**31 December 2017**
Deferred tax assets	63.152.130	16.795.470
Deferred tax liabilities	(250.396.304)	(328.626.654)
Deferred tax liabilities, net	**(187.244.174)**	**(311.831.184)**

Corporation Tax

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

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

In Turkey, there is no application with the tax authorities on the tax reconciliation. The corporate tax declaration is declared until the evening of the 25th day of the fourth month following the end of the accounting period and paid until the end of the month.

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

Income Tax Withholding

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

The details of tax income / expense for the period 1 January – 30 June 2018 and 2017 are as follows:

	1 January - 30 June 2018	**1 January - 30 June 2017**	**1 April - 30 June 2018**	**1 April - 30 June 2017**
Current year income tax expense	(1.433.056)	(969.843)	(785.780)	(488.136)
Deferred tax (expense)/income	125.168.472	(26.012.136)	88.131.657	(34.878.862)
	123.735.416	**(26.981.979)**	**87.345.877**	**(35.366.998)**

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

NOTE 9 - TAXES ON INCOME (Continued)

Deferred taxes

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

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

The breakdown of cumulative temporary differences and the resulting deferred income tax assets / (liabilities) are as follows:

	Temporary differences		Deferred tax assets / (liabilities)	
	30 June 2018	**31 December 2017**	**30 June 2018**	**31 December 2017**
Deferred tax assets on tax losses	(349.602.731)	(245.045.520)	71.957.637	50.579.904
Derivative financial instruments	(13.271.741)	(28.914.130)	2.654.348	5.782.826
Investment incentives (*)	(78.906.675)	(78.906.675)	15.781.335	15.781.335
Provisions for lawsuits	(16.252.315)	(16.355.919)	3.250.463	3.271.184
Provision for employment termination benefit	(3.076.617)	(3.244.119)	615.323	648.824
Provision for unused vacations	(964.335)	(502.185)	211.326	107.533
Other provisions	(435.453)	(111.376)	87.091	22.275
Adjustments to property, plant and equipment	1.379.412.712	1.906.166.416	(276.288.055)	(381.676.492)
Borrowing commissions	27.828.513	31.593.508	(5.565.703)	(6.318.702)
Unrecognised credit finance expense	-	(223.114)	-	44.623
Unrecognised credit finance revenue	2.229.529	3.679.640	(490.496)	(731.534)
Bonus provision	(1.405.000)	(2.975.000)	308.713	640.745
Other	(1.062.923)	(81.475)	233.844	16.295
Deferred tax assets/(liabilities), net			**(187.244.174)**	**(311.831.184)**

(*) In the scope of Article 19 of GVK Mülga, the amount of depreciated investment is mainly due to investment expenditures of Uluabat Hes.

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

Year incurred	Year can be used	June 30, 2018	December 31, 2017
2015	2020	78.543.767	78.540.000
2016	2021	100.548.498	100.550.000
2017	2022	84.237.706	65.955.520
2018	2023	86.272.760	-
		349.602.731	**245.045.520**

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

Year incurred	Year can be used	June 30, 2018	December 31, 2017
2013	2018	74.805.541	74.805.541
2014	2019	233.051.421	235.153.357
2015	2020	4.934.047	4.934.047
2016	2021	63.729.320	63.729.320
2017	2022	152.664.573	155.831.815
2018	2023	90.961.034	-
		620.145.936	**534.454.080**

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

NOTE 10 – REVENUE

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

	1 January - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Wholesale electricity sales revenue	739.268.335	665.950.317	330.066.558	335.177.288
Revenue on YEKDEM mechanism	63.041.064	42.528.788	33.187.820	22.689.903
Revenue on imbalance mechanism	52.196.984	35.605.135	29.815.942	15.112.695
Revenue on capacity mechanism	31.130.881	-	20.659.862	-
Revenue on seconder frequency control	24.068.743	-	13.333.306	-
Revenue on loading instructions	21.600.669	61.299.874	7.900.359	35.926.539
Revenue on past period correction item	1.310.098	1.481.703	772.706	1.481.660
Revenue on primary frequency control	121.778	-	97.318	-
Other	224.444	333.381	14.774	87.497
	932.962.996	**807.199.198**	**435.848.645**	**410.475.582**

NOTE 11 – EXPENSES BY NATURE

	1 January - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Direct raw materials consumed	726.718.231	662.496.264	336.454.219	342.247.839
Depreciation and amortization expenses (*)	125.033.007	89.036.912	62.506.924	44.519.833
Personnel expenses (**)	16.528.580	17.136.019	7.741.488	7.901.113
General overhead expenses	14.479.417	10.558.532	7.943.974	5.682.877
Consultancy expenses	7.404.409	5.799.710	4.302.566	3.287.095
Insurance expenses (***)	6.097.343	5.682.333	3.063.735	2.894.532
Other materials and spare parts consumed	4.294.977	890.075	3.639.689	519.091
Taxes and duties	1.578.673	2.283.641	790.939	1.682.877
Rent expenses	1.129.652	802.613	619.149	455.945
Office expenses	951.136	910.750	429.689	456.843
IT expenses	927.841	991.443	465.600	497.537
Vehicle expenses	713.967	659.337	366.950	347.387
Travel expenses	343.427	502.501	181.955	271.946
Advertising expenses	192.287	193.749	37.437	150.558
Other expenses	3.157.167	1.444.302	1.763.881	619.784
	909.550.114	**799.388.181**	**430.308.195**	**411.535.257**

(*) Depreciation and amortization expenses amounting to TL 123.541.303 (30 June 2017: TL 87.811.050) is classified in cost of sales, TL 1.491.704 (30 June 2017: TL 1.225.862) of amortization and depreciation expenses is classified in general administrative expenses.

(**) Personnel expenses amounting to TL 7.810.130 (30 June 2017: TL 7.059.804) is classified in cost of sales, TL 8.718.450 (30 June 2017: TL 10.076.215) is classified in general and administrative expenses.

(***) Insurance expenses amounting to TL 5.997.894 (30 June 2017: TL 5.582.601) is classified in cost of sales, TL 99.449 (30 June 2017: TL 99.732) is classified in general and administrative expenses.

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

NOTE 12 - OTHER OPERATING INCOME AND EXPENSE

a) Other operating income

	1 January - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Foreign exchange gains from trading activities	4.460.544	2.456.789	3.397.200	120.664
Provisions no longer required (*)	2.277.550	2.480.366	109.554	960.877
Income from option premiums	1.009.008	251.760	676.368	81.840
Income from insurances	448.126	406.071	447.392	406.071
Rediscount income from trading activities	223.114	1.096.567	(144.959)	(789.884)
Previous period income	64.434	1.170.153	3.024	-
Income from projects	60.146	134.595	13.995	47.117
Income from delay interest (**)	32.056	54.776	18.904	11.268
Income from carbon certificate sales	3.116	94.825	-	90.688
Other	2.781.468	311.273	2.670.842	219.396
Total	**11.359.562**	**8.457.175**	**7.192.320**	**1.148.037**

(*) As of 30 June 2018, TL 473.750 of the provisions no longer required comprised of released provisions of litigation provisions, TL 1.802.175 comprised of the released provisions of the personnel bonus provisions which is not realized and TL 1.625 comprised of the released other provisions.

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

b) Other operating expenses

	1 January - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Risk sharing expenses (*)	7.573.208	23.707.783	4.416.243	7.883.671
Foreign exchange losses from trading activities	4.206.257	1.628.765	3.813.249	159.136
Rediscount expenses from trading activities	1.450.111	-	1.428.008	-
Previous period expenses	456.325	1.055.896	97.997	18.523
Expenses on option premiums	372.048	222.024	372.048	81.840
Provisions for litigations	73.657	1.338.186	73.657	1.338.186
Expenses on energy systems	40.085	46.800	(22.268)	46.800
Costs of stopped power plants	1.040	662.573	(184)	348.013
Other	727.256	1.431.760	653.195	508.949
Total	**14.899.987**	**30.093.787**	**10.831.945**	**10.385.118**

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

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

NOTE 13 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Gain/(losses) on sale of property, plant and equipment, net	166.102	(796.226)	127.119	(875.281)
	166.102	**(796.226)**	**127.119**	**(875.281)**

NOTE 14 - FINANCIAL INCOME AND EXPENSES

a) Financial income:

	1 January – 30 June 2018	1 January – 30 June 2017	1 April – 30 June 2018	1 April – 30 June 2017
Income from derivative financial instruments	16.991.663	-	2.962.465	(351.872)
Foreign exchange gain	7.841.748	19.361.120	1.872.911	4.058.764
Interest income	1.631.060	7.200.060	879.653	2.224.241
	26.464.471	**26.561.180**	**5.715.029**	**5.931.133**

b) Financial expenses:

	1 January – 30 June 2018	1 January – 30 June 2017	1 April – 30 June 2018	1 April – 30 June 2017
Foreign exchange losses	582.017.002	5.234.426	442.381.701	(93.205.644)
Interest and commission expenses	158.713.107	134.041.974	86.576.490	64.198.337
Expenses from derivative financial instruments	-	8.469.877	-	8.469.877
Other financial expenses (*)	21.339.868	11.541.194	13.653.246	2.441.755
	762.069.977	**159.287.471**	**542.611.437**	**(18.095.675)**

(*) For the period 1 January - 30 June 2018, TL 20.287.843 (1 January – 30 June 2017: TL 10.128.576) of the respective amount is comprised of the indexation difference of the liability due to Uluabat DSİ Water Use Agreement calculated by WPT.

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

NOTE 15 - RELATED PARTY DISCLOSURES

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

a- Transaction with related parties

- *Purchases from related parties*

	1 January - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş") (1)	20.344.013	36.766.372	15.098.925	12.518.462
Dinkal Sigorta Acenteliği A.Ş. ("Dinkal") (2)	16.507.162	5.697.775	15.785.388	4.725.856
Cez a.s. Turkey Daimi Tem. (3)	3.479.062	2.156.310	2.081.821	2.147.798
Akkök Holding A.Ş. ("Akkök") (4)	2.797.029	3.493.016	1.326.098	1.299.204
Aktek Bilgi İletişim Teknolojisi San. ve Tic. A.Ş. ("Aktek") (5)	1.753.753	1.572.971	1.155.019	1.020.019
Aksa Akrilik Kimya Sanayi A.Ş. ("Aksa) (6)	1.580.004	-	429.004	-
Ak-Han Bakım Yön. Serv. Hiz. Güv. Malz. A.Ş. ("Ak-Han") (7)	1.060.287	852.692	552.700	407.744
Ak-pa Tekstil İhracat Pazarlama A.Ş. ("Ak-pa")	39.450	51.502	19.725	31.095
Cez a.s.	7.137	44.320	-	27.165
Ak Havacılık ve Ulaştırma Hiz. A.Ş. ("Ak-Hava")	-	60.890	-	60.890
Diğer	908	5.976	-	5.976
	47.568.805	**50.701.824**	**36.448.680**	**22.244.209**

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

- *Sales to related parties*

	1 January - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Sepaş (1)	134.465.814	102.632.345	85.721.920	49.118.814
Aksa (2)	2.090.657	5.500	373.520	2.000
Akcez	123.306	12.095	109.311	10.867
Akiş Gayrimenkul Yatırım A.Ş.	90.000	30.000	45.000	30.000
Aktek	32.156	195.000	-	-
Cez a.s. Turkey Daimi Tem.	18.084	15.000	10.131	7.500
	136.820.017	**102.889.940**	**86.259.882**	**49.169.181**

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

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

NOTE 15 - RELATED PARTY DISCLOSURES (Continued)

b- Balances with related parties

- *Short-term trade receivables from related parties*

	30 June 2018	31 December 2017
Sepaş (1)	52.752.392	20.679.510
Aksa (2)	116.169	431.346
Akcez	113.823	43.577
CEZ a.s. Turkey Daimi Tem	7.113	9.385
Diğer	17.701	73.072
	53.007.198	**21.236.890**

(1) Comprised of receivables from the sale of electricity.
(2) Comprised of receivables from sharing of instability saving.

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

- *Short-term trade payables to related parties*

	30 June 2018	31 December2017
Dinkal (1)	15.880.910	1.994.545
Sepaş (2)	2.758.538	6.560.640
CEZ a.s. Turkey Daimi Tem. (3)	2.727.121	891.789
Akkök (3)	1.546.106	1.626.409
Aktek (4)	369.426	412.012
Ak-Han	243.515	236.080
Cez a.s	88.666	101.336
Aksa	78.874	-
Diğer	7.759	24.627
	23.700.915	**11.847.438**

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

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

- *Key management compensation*

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

	1 January - 30 June 2018	1 January - 30 June 2017	1 April - 30 June 2018	1 April - 30 June 2017
Salaries and benefits	1.259.992	1.177.966	628.456	417.717
Bonus	337.895	1.105.557	-	119.796
Attendance fee	446.694	452.725	230.557	235.894
	2.044.581	**2.736.248**	**859.013**	**773.407**

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

NOTE 16 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Foreign exchange risk

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

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

	30 June 2018	31 December 2017
Assets	17.389.430	49.895.211
Liabilities	3.397.913.386	3.000.579.473
Net foreign currency position	**(3.380.523.956)**	**(2.950.684.262)**

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

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

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

				30 June 2018				31 December 2017
	TL Equivalent	**USD**	**Euro**	**Other**	**TL Equivalent**	**USD**	**Euro**	**Other**
Cash and cash equivalents	3.454.971	323.905	372.277	208	40.324.426	8.358.837	1.947.897	-
Trade receivables from third parties	2.463.761	-	464.055	-	83.047	13.751	6.905	-
Trade receivables from related parties	108.069	-	20.355	-	-	-	-	-
Other receivables from third parties	9.806.982	1.917.500	200.000	-	7.232.618	1.917.500	-	-
Prepaid expenses	1.537.236	326.737	8.869	-	2.239.467	327.617	222.285	-
Derivative financial instruments	6.805	1.492	-	-	-	-	-	-
Current assets	**17.377.824**	**2.569.634**	**1.065.556**	**208**	**49.879.558**	**10.617.705**	**2.177.087**	**-**
Other receivables from third parties	15.506	3.400	-	-	15.653	4.150	-	-
Non-current assets	**15.506**	**3.400**	**-**	**-**	**15.653**	**4.150**	**-**	**-**
Total assets	**17.393.330**	**2.573.034**	**1.065.556**	**208**	**49.895.211**	**10.621.855**	**2.177.087**	**-**
Derivative financial instruments	2.419.898	530.598	-	-	13.059.920	3.462.425	-	-
Short-term portion of long term borrowings	385.076.666	84.433.676	-	-	317.406.533	84.150.304	-	-
Trade payables to related parties	18.735.546	3.396.256	611.437	-	2.851.128	227.879	441.056	-
Trade payables to third parties	70.263.207	14.387.399	875.197	-	31.285.644	8.001.360	244.743	35
Financial leasing liabilities	5.863.980	-	1.104.494	-	4.898.505	-	1.084.820	-
Other short-term provisions	1.157.279	224.099	25.471	-	5.405.305	1.433.046	-	-
Current liabilities	**483.516.576**	**102.972.028**	**2.616.599**	**-**	**374.907.035**	**97.275.014**	**1.770.619**	**35**
Borrowings	12.693.313	2.783.194	-	-	33.148.503	8.788.277	-	-
Financial leasing liabilities	2.797.890.305	613.478.261	-	-	2.450.095.044	649.565.217	-	-
Trade payables to third parties	56.380.083	-	10.619.318	-	50.059.418	-	11.086.130	-
Other payables to third parties	47.431.280	10.400.000	-	-	92.367.964	24.488.445	-	-
	1.824	400	-	-	1.509	400	-	-
Non-current liabilities	**2.914.396.805**	**626.661.855**	**10.619.318**	**-**	**2.625.672.438**	**682.842.339**	**11.086.130**	**-**
Total liabilities	**3.397.913.381**	**729.633.883**	**13.235.917**	**-**	**3.000.579.473**	**780.117.353**	**12.856.749**	**35**
Net foreign currency assets/(liabilities)	**(3.380.520.051)**	**(727.060.849)**	**(12.170.361)**	**208**	**(2.950.684.262)**	**(769.495.498)**	**(10.679.662)**	**(35)**

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

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

The Group is mainly exposed to foreign exchange risk through the impact of rate changes in the translation of USD and EUR denominated assets and liabilities to local currency. As of 30 June 2018 and 31 December 2017, had the TL appreciated or depreciated by 20% against USD and EUR with all other variables held constant, the effect over current period consolidated net income would be as follows:

				30 June 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	(663.181.283)	663.181.283	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(663.181.283)**	**663.181.283**	**-**	**-**
+/- 20% fluctuation of EUR rate				
4- EUR net asset / liability	(12.922.976)	12.922.976	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	**(12.922.976)**	**12.922.976**	**-**	**-**
+/- 20% fluctuation of other currencies rate against to TL				
7- Other currencies net asset / liability	249	(249)	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	**249**	**(249)**	**-**	**-**
Total (3+6+9)	**(676.104.010)**	**676.104.010**	**-**	**-**

				31 December 2017
		Profit /Loss		**Equity**
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
+/- 20% fluctuation of USD rate				
1- USD net asset / liability	(580.492.014)	580.492.014	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(580.492.014)**	**580.492.014**	**-**	**-**
+/- 20% fluctuation of EUR rate				
4- EUR net asset / liability	(9.644.803)	9.644.803	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	**(9.644.803)**	**9.644.803**	**-**	**-**
+/- 20% fluctuation of other currencies rate against to TL				
7- Other currencies net asset / liability	(36)	36	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	**(36)**	**36**	**-**	**-**
Total (3+6+9)	**(590.136.853)**	**590.136.853s**	**-**	**-**

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

Fair value of financial instruments

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

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

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

Financial assets

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

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

Financial liabilities

The fair values of floating interest rate borrowings and other financial liabilities are estimated to be their fair values.

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

As of 30 June 2018, the Group has short-term and long-term liabilities from derivative financial instruments amounting to TL 2.419.899 (31 December 2017: TL 15.163.211) and TL 12.693.314 (31 December 2017: TL 17.585.703) respectively and has current assets for derivative financial instruments amounting to TL 6.805 TL (31 December 2017: TL 497.923), which are categorized as level 2.

Fair value of the lands, land improvements, buildings, machinery and equipment of the Group's power plants were measured by a professional independent valuation company on December 31, 2017 through other valuation techniques involving direct and indirect observable inputs (Level 3).

NOTE 17 - SUBSEQUENT EVENTS

None.

……………………………..