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

Akenerji Elektrik Üretim A.Ş.

Consolidated financial statements as at 31 December 2018 and independent auditor's report

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working world

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Akenerji Elektrik Üretim A.Ş.:

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Akenerji Elektrik Üretim A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards ("TFRS").

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and Independent Auditing Standards ("InAS") which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) 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.

4) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters	How key audit matters addressed in the audit
Deferred taxes	
Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The calculation of deferred taxes takes into account the expected point in time when, and the manner in which, the assets and liabilities are expected to be realized or settled. The Group has recognized deferred taxes to the extent that the realization of the related tax benefits through future taxable profits are probable. The future taxable profits estimate is based on the business plan. The recognition of deferred taxes is therefore sensitive to changes in the business plan. Based on internal calculations with respect to the expected taxable profits in future years, the Group has recognized a deferred tax asset of TL 741.959 and deferred tax liability of TL 181.839.302. This area was important to our audit due to the importance of tax losses amount as well as the significant judgment involved in management's assessment of the likelihood of creating future taxable profits to realize or offset the deferred tax assets and liabilities. This assessment requires the management to make assumptions to be used in the forecasts of future taxable profits, including expectations for future sales and margin developments and overall market and economic conditions. For the reasons explained above, this matter has been considered as key audit matter. The details of deferred taxes are disclosed in footnote 19 to the consolidated financial statements.	Following procedures have been applied for the audit of the deferred taxes; - Evaluating the calculation method used to determine deferred tax assets and liabilities; - For each entity, assessing the tax rates at the time the tax differences are realized, - Reconciling the carrying amounts and the tax bases of assets and liabilities subject to deferred taxes, - Testing the mathematical accuracy of the deferred tax calculation, - Reviewing the management's assumptions on the recoverability of tax assets by controlling the expiration dates of carry forward tax losses with the projected budgets approved by the management, - Controlling the offsetting and the calculation assumptions related to the settlement timing, in the future, of deferred tax assets and liabilities accounted for in the statement of consolidated financial position and evaluation of the management's assumptions as to recoverability of those deferred taxes through taxable income in the future, in accordance with the business plan, - Involving tax experts from another entity that is a part of the same audit network to support our assessment about the assumptions and methods used by the Group, - Assessment of the adequacy of the deferred taxes disclosures to the consolidated financial statements and conformity with TFRS.

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Covenant breach	
According to the Loan Agreement signed at 30 September 2015, the Group is required to comply with the financial covenant, debt service cover ratio, which should be greater than 1,05, which was started to be calculated based on the consolidated financial statements after December 31, 2016. In accordance with the agreement made, financial calculation of the ratio and compliance with related conditions are monitored by the Group management every quarter and reported to the related banks at the year ends. The availability of sufficient funding and whether the Group will be able to continue meeting its obligations under the financing covenants are important for our audit. Given that the compliance with the special conditions in the agreements of the loans used by the Group is part of the going concern assumption, this matter was considered as key audit matter.	The compliance of the commitments being followed by the Group management with the relevant loan agreements has been verified. Detailed explanations about the loans are made in footnote 4. In addition, the mathematical accuracy of the ratio calculation made by the Group on the consolidated financial statement was tested.
Impairment test of the property, plant and equipment that is accounted using revaluation method	
As disclosed in footnote 13, The Group, has started to use revaluation method, one of the acceptable methods under TAS 16, for land, land improvements, buildings, machinery and equipments belonging its power plants commencing from 30 September 2015, by replacing the cost model method. As of December 31, 2018, the aforementioned assets are carried at their fair values which was determined as at December 2017. However, Group Management has performed an impairment test as of December 31, 2018 in order to determine whether there has been any impairment since the date of the most recent revaluation of the assets. The carrying values of property, plant and equipment that is accounted using revaluation method, are significant amounts for the consolidated financial statements. In addition, significant estimates and assumptions were used during the impairment tests performed by the management. These assumptions are the profit expectations before interest, tax and depreciation, long-term production and growth rates and the discount rates of cash flows' present value. These estimations and assumptions used are very sensitive to changes in future market conditions. Given these reasons, the aforementioned impairment test is significant to our audit and therefore considered as key audit matter.	The audit procedures we implemented includes the audit procedures such as the evaluation of the competence and independence of the valuation experts whom the Group Management obtains advise to determine the sectoral assumptions for future, evaluation of the appropriateness of valuation methods, comparison of the assumptions (growth rate, discount rate, etc.) with market data and the Company's historical performance, the utilization of expert work on such valuation calculations by including and incorporating the valuation experts of another entity included in the same network within our organization, assessing whether the high level estimates and judgments used in the valuation report are within the acceptable range of the judgments. Furthermore, within the scope of the above mentioned specific accounting, the adequacy and sufficiency of the information included in the financial statements and explanatory notes were inquired. Detailed explanations about the property, plant and equipment are made in footnote 13.

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5) Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, our responsibilities as the auditors are:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with standards on auditing as issued by the Capital Markets Board of Turkey and InAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on March 5, 2019.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2018 and financial statements are not in compliance with laws and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The name of the engagement partner who supervised and concluded this audit is Sinem Arı Öz.

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

Sinem Arı Öz, SMMM
Partner

March 5, 2019
İstanbul, Türkiye

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current period	Prior period
		Audited	**Audited**
			Restated (Note 2.5)
	Notes	**31 December 2018**	**31 December 2017**
ASSETS			
Current assets			
Cash and cash equivalents	3	19.319.811	45.241.003
Trade receivables			
- Due from related parties	*5,27*	*7.704.996*	*21.236.890*
- Due from third parties	*5*	*164.813.897*	*69.064.218*
Inventories	10	674.399	1.666.918
Other receivables			
- Due from third parties	*6*	*13.753.685*	*2.395.192*
Prepaid expenses	9	13.571.389	9.416.948
Derivative financial instruments	16	24.345	497.923
Current income tax assets	19	534.121	2.262.033
Other current assets	11	105.060.349	20.995.542
Total current assets		**325.456.992**	**172.776.667**
Non-current assets			
Trade receivables			
- Due from third parties	*5*	*-*	*8.055.071*
Other receivables			
- Due from related parties	*6,27*	*602.800*	*-*
- Due from third parties	*6*	*336.824*	*7.325.006*
Inventories	10	18.769.298	17.154.844
Financial investments	12	100.000	100.000
Property, plant and equipment	13	5.227.937.915	5.474.149.740
Intangible assets	14	110.933.961	113.308.159
Deferred tax assets	19	741.959	16.795.470
Prepaid expenses	9	590.860	1.894.505
Other non-current assets	11	19.098.093	67.654.140
Total non-current assets		**5.379.111.710**	**5.706.436.935**
TOTAL ASSETS		**5.704.568.702**	**5.879.213.602**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Current period	**Prior period**
		Audited	**Audited**
			Restated (Note 2.5)
	Notes	**31 December 2018**	**31 December 2017**
LIABILITIES			
Current liabilities			
Short term borrowings	4	236.637.968	-
Short term portion of long term borrowings			
- Bank loans	*4*	*873.780.809*	*377.892.651*
- Finance lease liabilities	*4*	*6.711.449*	*4.898.505*
Trade payables			
- Due to related parties	*7, 27*	*26.945.006*	*11.847.438*
- Due to third parties	*7*	*286.266.440*	*176.033.413*
Current income tax liabilities	19	107.071	568.374
Other payables			
- Other payables to third parties	*8*	*2.341.912*	*1.770.447*
Derivative financial instruments	16	12.919.531	15.163.211
Employee benefit obligations	17	581.002	935.182
Short term provisions			
- Provisions for employee benefits	*17*	*3.340.000*	*2.975.000*
- Other short-term provisions	*15*	*18.338.205*	*17.440.977*
Total current liabilities		**1.467.969.393**	**609.525.198**
Non-current liabilities			
Long term borrowings			
- Bank loans	*4*	*3.333.605.645*	*2.783.727.773*
- Finance lease liabilities	*4*	*61.151.542*	*50.059.418*
Derivative financial instruments	16	17.282.246	17.585.703
Trade payables			
- Due to third parties	*7*	*177.807.845*	*200.734.583*
Other payables			
- Due to third parties	*8*	*16.324*	*15.728*
Long term provisions			
- Provisions for employee benefits	*17*	*4.331.412*	*3.746.304*
Deferred tax liabilities	19	181.839.302	345.385.759
Total non-current liabilities		**3.776.034.316**	**3.401.255.268**
EQUITY			
Share capital	18	729.164.000	729.164.000
Adjustments to share capital	18	101.988.910	101.988.910
Share premiums		50.220.043	50.220.043
Other comprehensive income/expense to be reclassified to profit/loss			
- Gains/(losses) on cash flow hedging		*(11.891.988)*	*(15.159.903)*
Restricted reserves			
- Legal reserves	*18*	*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	*13*	*2.548.936.335*	*2.563.734.558*
- Gains/(losses) on re-measurement of defined benefit plans		*(1.045.003)*	*(1.349.827)*
Retained earnings/(losses)		(1.408.141.204)	(1.060.697.942)
Net profit/(loss) for the period		(1.556.396.550)	(507.197.153)
Total equity		**460.564.993**	**1.868.433.136**
TOTAL LIABILITIES AND EQUITY		**5.704.568.702**	**5.879.213.602**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

		Audited	**Audited**
			Restated (Note 2.5)
	Notes	**1 January - 31 December 2018**	**1 January - 31 December 2017**
Revenue	20	2.215.717.988	1.855.097.831
Cost of sales (-)	20	(2.156.701.251)	(1.801.560.026)
Gross profit		**59.016.737**	**53.537.805**
General administrative expenses (-)	22	(60.324.900)	(50.590.680)
Other operating income	23	43.474.247	23.906.042
Other operating expenses (-)	23	(87.661.815)	(76.943.080)
Operating profit / (loss)		**(45.495.731)**	**(50.089.913)**
Income from investing activities	24	173.753	117.556
Expenses from investing activities (-)	24	-	(60.263)
Operating profit / (loss) before financial income / (expense)		**(45.321.978)**	**(50.032.620)**
Financial income	25	24.193.277	25.251.189
Financial expenses (-)	25	(1.535.285.650)	(503.598.750)
Profit / (loss) before tax		**(1.556.414.351)**	**(528.380.181)**
Tax income / (expense)			
Current income tax expense (-)	19	(3.412.544)	(2.058.717)
Deferred tax income / (expense)	19	3.430.345	23.241.745
Net profit / (loss) for the period		**(1.556.396.550)**	**(507.197.153)**
Net profit / (loss) attributable to:			
Equity holders of the parent		(1.556.396.550)	(507.197.153)
Earnings / (losses) per share - TL	26	**(2,134)**	**(0,696)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current period Audited 1 January - 31 December 2018	Priod period Audited *Restated (Note 2.5)* 1 January - 31 December 2017
Net profit / (loss) for the period		**(1.556.396.550)**	**(507.197.153)**
Other comprehensive income/(expense)			
Not to be reclassified to profit or loss			
Increase on revaluation of property, plant and equipment	13, 19	-	1.492.456.889
Deferred tax effect	19	144.955.668	(298.491.378)
Gains/(losses) on cash flow hedging		4.084.776	19.755.767
Deferred tax effect	19	(816.861)	(3.951.153)
Actuarial gain/(loss) arising from defined benefit plans	17	381.030	(1.687.284)
Deferred tax effect	19	(76.206)	337.457
Other comprehensive income/(expense)		**148.528.407**	**1.208.420.298**
Total comprehensive income/(expense)		**(1.407.868.143)**	**701.223.145**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

				Other comprehensive income /(expenses) to be reclassified to profit or loss	Restricted reserves		Other comprehensive income /(expenses) not to be reclassified to profit or loss				
	Share capital	Adjustments to share capital	Share premiums	Gains / (losses) on cash flow hedging (**)	Other reserves	Legal reserves	Increase on revaluation of property, plant and equipment	Gains/(losses) on re-measurement of defined benefit plans	Retained earnings/(losses)	Net profit/(loss) for the period	Total equity
1 January 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 (*)	-	-	-	-	-	-	(76.723.996)	-	76.723.996	-	-
Total comprehensive expense	-	-	-	15.804.614	-	-	1.193.965.511	(1.349.827)	-	(505.044.383)	703.375.915
31 December 2017	**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**
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)	-	-	-	-	-	-	36.783.975	-	30.247.342	(2.152.770)	64.878.547
1 January 2018 – restated	**729.164.000**	**101.988.910**	**50.220.043**	**(15.159.903)**	**(4.322.722)**	**12.053.172**	**2.563.734.558**	**(1.349.827)**	**(1.060.697.942)**	**(507.197.153)**	**1.868.433.136**
Transfers	-	-	-	-	-	-	-	-	(507.197.153)	507.197.153	-
Other adjustments (*)	-	-	-	-	-	-	(159.753.891)	-	159.753.891	-	-
Total comprehensive expense	-	-	-	3.267.915	-	-	144.955.668	304.824	-	(1.556.396.550)	(1.407.868.143)
31 December 2018	**729.164.000**	**101.988.910**	**50.220.043**	**(11.891.988)**	**(4.322.722)**	**12.053.172**	**2.548.936.335**	**(1.045.003)**	**(1.408.141.204)**	**(1.556.396.550)**	**460.564.993**

(*) As of 31 December 2018, the depreciation difference between the acquisition cost and the carrying values of the assets subject to revaluation method amounting to TL 159.753.891 (31 December 2017: TL 82.266.181) without a deferred tax effect, provided in increase on revaluation of property, plant and equipment were reclassified under retained earnings / (losses) in full amounts (31 December 2017: net of the deferred tax impact amounting to 76.723.996 TL has been transferred from the increase on revaluation of property, plant and equipment to retained earnings).

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited Current period January 1, - 31 December 2018	Audited Prior period *Restated (Note 2.5)* January 1, - 31 December 2017
A. Cash flows from operating activities		**99.437.490**	**169.930.371**
Net profit / (loss) for the period		(1.556.396.550)	(507.197.153)
Adjustments to reconcile net profit / (loss) for the period		**1.719.153.830**	**658.724.853**
Adjustments for depreciation and amortisation expenses	21	258.745.997	178.308.441
Adjustments for provision for doubtful receivables	5	-	599.099
Adjustments for provisions			
- Adjustments for litigation provisions	15	1.982.286	7.944.325
- Adjustments for other provisions	15	(1.085.058)	1.196.434
- Adjustment for provisions for employee benefits	17	2.837.538	2.761.029
Adjustments for unrealized foreign exchange differences		1.161.443.003	193.685.222
Adjustments for tax (income) / expense	19	(17.801)	(21.183.028)
Adjustments for (gain) / loss on sale of property, plant and equipment	24	(166.102)	(57.293)
Fair value of derivative financial instruments		(6.208.749)	15.804.615
Adjustments for interest (income)/expense, net		301.622.716	279.666.009
Changes in working capital		**(59.667.456)**	**25.037.753**
Increase / decrease in trade receivables from related parties		13.531.894	1.735.667
Increase / decrease in trade receivables from third parties		(86.314.704)	50.689.803
Increase / decrease in other receivables from related parties		(602.800)	(47.062)
Increase / decrease in other receivables from third parties		(4.370.311)	(426.494)
Increase / decrease in inventories	10	(621.935)	(135.956)
Increase / decrease in prepaid expenses	9	(2.850.796)	16.557.426
Increase / decrease in other assets	11	(35.508.761)	(5.205.154)
Increase / decrease in trade payables to related parties	27	15.097.568	(24.516.521)
Increase / decrease in trade payables to third parties	5	37.619.318	4.742.462
Increase / decrease in derivative financial instruments		4.135.190	(10.346.041)
Increase / decrease in deferred income		-	(5.649.188)
Increase / decrease in employee benefit obligations		(354.180)	(5.897)
Increase / decrease in other payables to third parties		572.061	(2.355.292)
Cash flows from operating activities		**103.089.824**	**176.565.453**
Payments related to provisions for employee benefits		(1.506.399)	(4.639.442)
Tax (payments) / receipts		(2.145.935)	(1.995.640)
B. Cash flows from investing activities		**(9.993.872)**	**9.421.980**
Cash outflows due to purchase of property, plant and equipment		(9.891.978)	(5.673.718)
Cash outflows due to purchase of intangible assets		(268.869)	(2.066.612)
Cash inflows due to sale of property, plant and equipment		166.975	198.462
Cash inflows from sales of assets held for sale		-	16.963.848
C. Cash flows from financing activities		**(117.343.778)**	**(555.819.127)**
Cash inflows on borrowings received		382.009.533	-
Cash outflows due to repayment of borrowings		(311.487.036)	(299.211.826)
Interest paid		(189.675.093)	(280.087.532)
Interest received		3.787.786	13.121.348
Other cash inflows / (outflows) (*)		(1.978.968)	10.358.883
Net increase / (decrease) in cash and cash equivalents		**(27.900.160)**	**(376.466.776)**
Cash and cash equivalents at the beginning of the period (*)	**3**	**44.170.711**	**420.637.487**
Cash and cash equivalents at the end of the period (*)	**3**	**16.270.551**	**44.170.711**

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

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

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

NOTE 1 – ORGANISATION OF GROUP AND NATURE OF OPERATIONS

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

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

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

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

As of 31 December 2018, the number of employees employed by Akenerji and its subsidiaries (Akenerji and its subsidiaries will be referred called as the "Group") is 200 (31 December 2017: 206).

These consolidated financial statements for the year ended 31 December 2018 have been approved for the issue by the Board of Directors at 5 March 2019.

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

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

(*) With the decision of Board of Directors on 4 September 2018, it is decided to merge Egemer within the body of Akenerji with all of its assets and liabilities by using the "facilitated merger", and following the permissions and approvals retained, the merger is completed with the registry of Istanbul Registry of Commerce on 31 December 2018.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Financial reporting standards

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

The consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxanomy" which was published on 2 June 2016 by POA and the format and mandatory information recommended by CMB.

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

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

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TL, which is the functional currency of Akenerji and the presentation currency of the Group.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Basis of consolidation

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

b) Subsidiaries are companies in which Akenerji has the power to control the financial and operating policies for the benefit of itself, either through the power to exercise more than 50% of voting rights related to shares in the companies as a result of shares owned directly and/or indirectly by itself or although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies.

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

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

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

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

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

(*) With the decision of Board of Directors on 4 September 2018, it is decided to merge Egemer within the body of Akenerji with all of its assets and liabilities by using the "facilitated merger", and following the permissions and approvals retained, the merger is completed with the registry of Istanbul Registry of Commerce on 31 December 2018.

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

2.2 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2018 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and Turkey Financial Reporting Interpretations Committee's ("TFRIC") interpretations effective as of 1 January 2018.

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 transition to TFRS 15 - Revenue from Contracts with Customers and TFRS 9 - Financial Instruments is provided at Note 2.3.

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

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the 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
- Annual Improvements – 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)
- Prepayment Features with Negative Compensation (Amendments to TFRS 9)

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

(*) The Group is planning to adopt TFRS 16 using the simplified modified retrospective approach. The Group will adopt TFRS 16 to the contracts which were previously defined as leasing in accordance with TAS 17 Leases and TFRIC 4 Determining Whether an Arrangement Contains a Lease. Accordingly, the Group will not apply TFRS 16 to the contracts which were not previously defined as leasing in accordance with TAS 17 and TFRIC 4. The impact of the transition to TFRS 16 on the consolidated statement of financial position of the Group as an increase on intangible assets (use of rights) and finance lease liability is estimated to approximate TL 3.423.198 as of 31 December 2018.

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

- IFRS 17 - The new Standard for insurance contracts
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

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

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

The Group is in the process of assessing the impact of the standard on the financial position and performance of the the Group. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective.

2.3 Restatement and errors in the accounting policies and estimates

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

- *Transition to TFRS 15 "Revenue from Contracts with Customers"*

The performance obligations of the Group in accordance with TFRS 15 "Revenue from Contracts with Customers" which replaces TAS 18, consists of electricity sales and electricity sales related side services provided. The electricity sold is transferred to the customer by the electricity transmission lines. The customer consumes the economic benefit of the performance obligation of the Company at the same time it is transferred. Revenue of the electricity sold and electricity sales related side services provided are recognized at the time of the delivery. Considering the operations of the Group, TFRS 15, did not have any significant impact on the financial position and financial performance of the Group.

- *Transition to TFRS 9 "Financial instruments"*

The Group has applied TFRS 9 "Financial instruments" which replaces TAS 39 on 1 January 2018. TFRS 9 includes the classification and measurement of financial assets and liabilities and the expected credit risk model which replaces incurred credit risk model. The effect of the transition to TFRS 9 did not have any significant impact on the consolidated financial statements of the Group as at 1 January 2018.

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 since the fair value of financial assets approximate into their costs.

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

2.4 Summary of significant accounting policies

Significant accounting policies adopted in the preparation of consolidated financial statements are summarized below:

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.

(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. Financial assets of the Group carried at amortized cost comprised of "trade receivables", "other receivables" and "cash and cash equivalents" in the statement of financial position.

i. Trade and other receivables

Trade and other receivables that are created by the Group by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant.

ii. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. For the purpose of consolidated statements of cash flows, cash and cash equivalents includes cash and cash equivalents with original maturities less than three months, excluding the interest accruals. If any provision provided to the cash and cash equivalents as a result of a specific events, Group measures expected credit loss from these cash and cash equivalents 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 expectations for the future indications.

Impairment

Group has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost on its consolidated financial statements. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, the 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.

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

(b) Financial assets carried at fair value

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

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

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

- *Derivatives held for trading*

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The fair value of forward contracts calculated by calculating forward exchange rate, for remainder of agreement related foreign currency’s prevailed market interest rate, and comparing it to reporting date forward exchange rate.

Forward exchange contracts are recorded as assets or liabilities in the balance sheet, respectively, depends on whether their fair values are positive or negative. Gains and losses arising from changes in the fair value of forward exchange contracts are recognized as income and expense in the income statement.

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. Gains or losses on a financial asset carried at fair value through other comprehensive income is recognized in other comprehensive income under the scope of hedge accounting. The Group’s financial assets carried at fair value through other comprehensive income consist of interest rate swaps. When the financial assets carried at fair value through other comprehensive income are sold, fair value gain or loss classified in other comprehensive income is classified to retained earnings.

- *Derivatives held for hedging*

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The derivative instruments of the Group consists of interest rate swap and foreign currency forward contracts.

The Group presents gains and losses related to effective hedge accounting as " gains/(losses) on cash flow hedging " under equity. The gain or loss related to these transactions, which are accounted for as equity items if the commitment to be protected from financial liability or future probable transaction becomes an asset or liability, is included in the cost or book value of the related asset or liability. Profit/loss that are included in the carrying amount of the hedging instrument or in the carrying amount of the hedging instrument are reflected in the consolidated statement of profit or loss.

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a stipulated transaction or a transaction that will possibly be executed in the future is realized, it is accounted in the profit or loss statement, or if it is foreseen that it will not be realized, accumulated income and expense regarding the transaction are accounted in the financial statements by amortizing over the terms of the interest rate swap agreement.

Financial liabilities

Non-derivative financial liabilities of the Group comprised of "borrowings", "trade payables" and "other payables" in the statement of financial position.

i. Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are derecognised from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

In the case of a financial liability modification, any costs or fees occurred regarding these liabilities is deducted from the carrying amount of the liability and amortized during the terms of the modificated loan agreement by being.

If financing costs arising from the loans are associated with acquisition or construction of qualifying assets, they are included in cost value of qualifying assets. Qualifying assets refer to assets which require a long time to be available for use or sales as intended. Other borrowing costs are accounted in statement of profit or loss in the period they occur.

ii. Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Recognition and de-recognition of financial instruments

All purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or to sell the asset. These purchases or sales are the purchases or sales generally require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

(a) the rights to receive cash flows from the asset have expired
(b) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
(c) the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the consolidated financial statements.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Leases

i) Finance leasing

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the fair value of the leased asset, net of grants and tax credits receivable, or at the present value of the lease payment, whichever is the lower. Lease payments are treated as comprising capital and interest elements, the capital element is treated as reducing the capitalized obligation under the lease and the interest element is charged as expense to the consolidated statement of profit or loss. Depreciation on the relevant asset is also charged to the consolidated statement of profit or loss over its useful life.

ii) Operational leasing

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

Revenue recognition

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 five main principles:

(a) Identification of customer contracts
(b) Identification of performance obligations
(c) Determination of transaction price in the contract
(d) Allocation of price to performance obligations
(e) Recognition of revenue when the performance obligations are fulfilled

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

(a) 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,
(b) Group can identify each party's rights regarding the goods or services to be transferred,
(c) Group can identify the payment terms for the goods or services to be transferred;
(d) The contract has commercial substance,
(e) 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 performance obligations of the Group in accordance with TFRS 15 "Revenue from Contracts with Customers" which replaces TAS 18, consists of electricity sales and electricity sales related ancillary services provided. The electricity sold is transferred to the customer by the electricity transmission lines. The customer consumes the economic benefit of the performance obligation of the Group at the same time it is transferred. Revenue of the electricity sold and electricity sales related side services provided are recognized at the time of the delivery.

Foreign currency transactions

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Exchange gain or losses arising from the settlement and translation of foreign currency items have been included under financial income/ expenses and other operating income/ expenses in the consolidated statements of profit or loss..

Inventories

Inventories are valued at the lower of cost or net realizable value less costs to sell. Cost of inventories is comprised of the purchase cost and the cost of bringing inventories into their present location and condition. Inventories comprise of spare parts, lubricants and chemical materials required for the maintenance of the machines and equipments, and expensed as they are used. The cost of inventories is determined using the moving weighted average method.

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

Related parties

If one of the below listed criteria exists the party is regarded as related with the Group:

a) Directly, or indirectly through one or more intermediaries, the party:
   i) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
   ii) has an interest in the Group that gives it significant influence over the Group; or
   iii) has joint control over the Group;
b) The party is an associate of the Group;
c) The party is a joint venture in which the Group is a venture;
d) The party is member of the key management personnel of the Group or its parent;
e) The party is a close member of the family of any individual referred to in (a) or (d);
f) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to In (d) or (e); or
g) The party has a post-employment benefit plan for the benefit of employees of the Group, or of an entity that is a related party of the Group.

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged. A number of transactions are entered into with related parties in the normal course of business.

Property, plant and equipment

The Group, has chosen the revaluation method among application methods mentioned under IAS 16 for lands, land improvements, buildings, machinery and equipments belonging its power plants commencing from 31 December 2015. As at 31 December 2017, the Group used as a base fair value determined an independent valuation company licensed by CMB for lands, land improvements, buildings, machinery and equipments. Motor vehicles are presented on consolidated financial statements at their carrying amounts. Fair value of land, land improvements, buildings, machinery and equipments are subjected to valuation is determined by using “Income Approach - discounted cash flow analysis”.

Increase in property, plant and equipments due to the revaluation are credited after netting of the deferred tax effect in “increase on revaluation of property, plant and equipment“ account under shareholders' equity in the balance sheet. The difference between amortisation (reflected in income statement) calculated by the carried amounts of revalued assets and amortisation calculated by the acquisition costs of these assets is transferred to “retained earnings/(losses) account from the “increase on revaluation of property, plant and equipment“ account after netting of the deferred tax effect on a yearly basis. The same method is also applicable for disposals of property, plant and equipment .

The frequency of revaluations depends upon the changes in fair values of the items of property, plant and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is performed.

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

Land is not depreciated as it is deemed to have an indefinite useful life. Depreciation is provided on restated costs of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets. The useful lives of assets are presented below:

	Years
Buildings	33 - 50
Land improvements	8 – 46
Machinery and equipment	2 – 40
Motor vehicles	4 – 8
Furniture and fixtures	3 – 49
Leasehold improvements	5 – 37

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Expenses for the repair of property, plant and equipment are normally charged as expense. They are, however, capitalized if they result in an enlargement or substantial improvement of the respective assets.

Gains or losses on disposals of property, plant and equipment which are calculated as the difference between net carrying value and the collections made are included in the related income and expense accounts, as appropriate.

Intangible assets

Intangible assets are carried at restated cost less accumulated depreciation and impairment losses. Intangible assets are carried at cost less accumulated depreciation and impairment losses. Intangible assets comprise licenses and computer softwares.

Commercial business licenses

Commercial business licenses which obtained separately are recorded as cost values. Licenses are amortized on a straight-line basis over their estimated useful lives of 15- 49 years. Commercial business licenses have a limited useful life and are followed up with their future values accumulated amortisation from cost is deducted.

Computer softwares

Computer softwares are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives of 3- 15 years. Where an indication of impairment exists, the carrying amount of any intangible assets is assessed and written down immediately to its recoverable amount.

Impairment of non-financial assets

All assets are reviewed for impairment losses including property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. Impairment losses are recognized in the statement of comprehensive income.

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

Impairment losses on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

Provisions, contingent liabilities and assets

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in financial tables and are treated as contingent assets or liabilities.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized. A contingent asset is disclosed where an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

Provisions for employee benefits

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees, termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. Provision which is allocated by using defined benefit pension's current value is calculated by using prescribed liability method. Actuarial gains and losses are recognized as other comprehensive income or loss in shareholders' equity in the period in which they arise.

Provision for unused vacation rights

The Group is required to pay to the employee, whose employment is terminated due to any reasons, or to its inheritors, the wage of the deserved and unused vacation rights over the prevailing wage at the date the contract is terminated. Accordingly, the Group recognizes a provision for unused vacation days as a long term employee benefits. Provision for unused vacation days is measured on an undiscounted basis and are expensed as the related service is provided.

Current and deferred taxes

The tax expense for the year comprises current and deferred tax. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity.

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date and includes adjustments related to previous years' tax liabilities.

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

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax bases of assets and liabilities comprise of the amounts that will impact taxable income in future periods based on the tax legislation. Currently enacted tax rates, which are expected to be effective during the periods when the deferred income tax assets will be utilized or deferred income tax liabilities will be settled, are used to determine deferred income tax.

Deferred income tax assets and liabilities are recognized to the extent that they will impact taxes to be paid in the periods that temporary differences will disappear. Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Carrying value of deferred income tax assets are decreased to the extent necessary, if future taxable profits are not expected to be available to utilize deferred income tax assets partially or fully.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Deferred tax relating to items recognized directly in equity is recognized in equity.

Dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds

Share premium

Share premium represents differences resulting from the sale of the Company's Subsidiaries' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies.

Reporting of cash flows

In the consolidated statement of cash flows, cash flows during the period are classified under operating, investing or financing activities.

Cash flows from operating activities indicate cash flows due to the Group's operations.

Cash flows from investing activities indicate the Group cash flows that are used for and obtained from investments (investments in property, plant and equipment and financial investments).

Cash flows from financing activities indicate the cash obtained from financial arrangements and used in their repayment.

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

Subsequent events

Subsequent events consist of all events between balance sheet date and date of authorization for validity, even if they have been existed after public explanation of an announcement about profit or other financial information. In the case that events requiring an adjustment to the financial statements occur subsequent to the balance sheet date, the Group makes the necessary corrections on the financial statements.

Earnings / (losses) per share

Earnings per share are determined by dividing net gain by the weighted average number of shares that have been outstanding during the related year concerned. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and allowable reserves. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year.

2.5 Comparatives and restatement of prior year financial statements

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

Group has applied consistent accounting policies in the preparation of consolidated financial statements presented except for the following changes and the Group does not have any other significant changes in accounting policy and accounting estimates in the current period.

The Group recognised the option fee on the put option transaction as an expense item, which expired and not utilized in the year ended 31 December 2017, in the accompanying consolidated financial statements as of 31 December 2017. The restatement has made an impact of reducing the prepaid expenses provided in the consolidated 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 consolidated statement of profit or loss by TL 2.152.770.

The Group evaluated the effect of elimination adjustment of the borrowing costs capitalized on property plant and equipment at stand-alone financial statements of Akenerji and Egemer, since these borrowings costs are considered as part of the financing of the investments made during the investment period. It is understood that, these elimination adjustments booked at consolidated level should be recorded on the stand-alone financial statements those are included consolidation in order to have land, land improvements, buildings, machinery and equipment belonging to the power plants, which are accounted at fair value, are correctly presented with their respective fair values. The restatement resulted with an impact of increase in property, plant and equipment for an amount of TL 83.790.422 and increase in deferred tax liabilities for an amount of 16.759.106 TL and increase in revaluation of property, plant and equipment for an amount of TL 36.783.975 and increase in retained earnigs / (losses) for an amount of TL 30.247.342 provided in the accompanying consolidated statement of financial position as at 31 December 2017.

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED 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 provided in the consolidated statement of financial position as of 31 December 2017 has been reclassified to long-term other receivables from third parties in the accompanying consolidated 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 provided in the consolidated statement of financial position as of 31 December 2017 has been reclassified to short-term trade receivables from related parties in the accompanying consolidated statement of financial position as of 31 December 2017.

As a result of the asessments made by the Group, deffered income amounting to TL 232 provided in the consolidated statement of financial position as of 31 December 2017 has been reclassified in short-term other payables to third parties in the accompanying consolidated 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 provided in the consolidated statement of financial position as of 31 December 2017 has been reclassified to short-term other liabilities to third parties in the accompanying consolidated 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 413.561 accounted under other operating income provided in the consolidated statement of profit or loss as of 31 December 2017 has been reclassified to personnel expenses under general administrative expenses in the accompanying consolidated statement of profit or loss for the year ended 31 December 2017.

As a result of the assessments made by the Group, banking commission and expenses amounting to TL 2.991.944 accounted in general administrative expenses provided in the consolidated statement of profit or loss as of 31 December 2017 has been reclassified to finance expenses in the accompanying consolidated statement of profit or loss for the year ended 31 December 2017.

As a result of the assessments made by the Group, termination fee included in other operating expenses amounting to TL 5.000.000 provided in the consolidated statement of profit or loss 31 December 2017 has been reclassified to cost of sales in the accompanying consolidated statement of profit or loss for the year ended 31 December 2017 in accordance with TFRS 15 Revenue from contracts with customers.

As a result of the assessments made by the Group, risk sharing income previously provided net of from risk sharing expenses in other operating expenses amounting to TL 3.717.776 provided in the consolidated statement of profit or loss as of 31 December 2017 has been reclassified to other operating income in the accompanying consolidated statement of profit or loss for the year ended 31 December 2017.

As a result of the assessments made by the Group, income from capacity sales previously provided net of from expenses from capacity sales in other operating expenses provided in the consolidated statement of profit or loss as of 31 December 2017 amounting to TL 383.064 has been reclassified to other operating income in the accompanying consolidated statement of profit or loss for the year ended 31 December 2017.

As a result of the assessments made by the Group, gain on derivative financial instruments previously provided net of losses on derivative financial instruments in finance expenses amounting to TL 1.105.189 provided in the consolidated statement of profit or loss as of 31 December 2017 has been reclassified to finance income in the accompanying consolidated statement of profit or loss for the year ended 31 December 2017.

As a result of the assessments made by the Group, cash flows from investing activities amounting to TL 13.121.348 provided in the consolidated statement of cah flows as of 31 December 2017 has been reclassified to cash flows from financing activities in the accompanying consolidated statement of cash flows for the year ended 31 December 2017.

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

2.6 Critical accounting estimates and judgments

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

Deferred tax assets for the carry forward tax losses

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

As a result of the studies performed, the Group recognized deferred tax assets on carry forward tax losses amounting to TL 3.501.950 (31 December 2017: TL 245.045.520) as of 31 December 2018. The related deferred tax asset is calculated based on the net income projections of the Group and deferred tax liabilities will be recovered for the foreseeable future. If the net income projections which are explained in are not realized or temporary differences of deffered tax asasets and liabilities are recovered in a different period, related deferred tax assets for the carry forward tax losses will be accounted as an expense in the consolidated statements of income. For the remaining carry forward tax losses amounting to TL 649.299.029 (31 December 2017: TL 534.454.080), the Group did not recognize deferred tax assets since the Group believes those will not be utilized in the foreseeable future.

Fair value of derivative financial instruments

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

Explanations for revaluation method and fair value measurement

The Group has chosen revaluation method as an accounting policy among application methods mentioned under TAS 16 for lands, land improvements, buildings, machinery and equipment belonging its power plants (Uluabat hydroelectric power plant (HPP), Ayyıldız wind farm power plant (WFPP), Burç HPP, Feke I HPP, Feke II HPP, Bulam HPP, Gökkaya HPP, Himmetli HPP and Erzin natural gas combined cycle power plant commencing from 30 September 2015. The Group has applied revaluation method initially at 31 December 2015 and then 31 December 2017. The critical accounting estimates and judgments related to revaluation has been disclosed in financial statements of 30 September 2015 and 31 December 2017. As of 31 December 2018, the Group has performed an impairment analysis on the revalued amounts of the property, plant and equipment and did not identify any impairment. The related revaluation and impairment studies are carried out by using "income approach - discounted cash flow analysis".

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

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

2.7. Going concern

The Group has prepared its consolidated financial statements on a going concern basis in a foreseeable future. With the effect of revenue generated in USD indexed sales as part of the Renewable Energy Resources Support Mechanism (“YEKDEM”), total revenues of the Group for the year ended 31 December 2018 has increased significantly. Besides, the Group recognized operating profit before depreciation and amortisation on year ended 31 December 2018. The 12 years termed refinancing loan agreement with a one year nonrefundable period, signed with Yapı ve Kredi Bankası A.Ş. on 30 September 2015, positively contributed to the cash flows of the Group, where 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 with its total current liabilities exceeds its total current assets by TL 1.142.512.401 (31 December 2017: TL 436.748.531) and with its net loss for the period amounting to TL 1.556.396.550, 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 and supply conditions and their impact on the electricity market, changes in foreign exchange rates and etc.) through its risk inventory and takes necessary actions to reduce the possible effects of risks.

The cost of natural gas constitutes significant portion of the cost of production of the Group due to operations of Erzin combined natural gas cycle power plant. In addition, some part of natural gas purchased from private sector following the permission of BOTAŞ for the spot nature gas purchase from private sector since 1 February 2018, the Group benefits on natural gas with lower prices compared to BOTAŞ’s tariff and maintains its cost advantage. In addition, the Group management is in the opinion that, the impact of the increase in natural gas prices on the total consolidated cost of production will be limited through the Group’s differentiation strategy of balanced, flexible and efficient portfolio by having different type of power plants and taking advantage of YEKDEM mechanism. Erzin, which has an advantageous position in terms of efficiency, operation and location, has high financial potential in mid and long term. The Group management anticipates that, when cost-based pricing becomes the basis, low-efficient power plants come out of the system and the purchase guarantees for the Build-Operate plants terminates, electricity prices will be set at a more rational basis and level of predictability will increase and the Group management believes that, the potential adverse effects of increase on natural gas prices on the consolidated financial statements increase will be eliminated through the increases on electricity prices on spot and futures electricity markets.

Erzin combined natural gas cycle power plant has the significant advantage on competition compared to similar plants under favor of its largest amount of reserves in Turkey in its daily operations where the maximum amount of benefit derived from the ancillary services (Primary Frequency Control and Secondary Frequency Control services). Additionally, “Revenue on Capacity Mechanism”, which was introduced in 2018 to support primary level electricity generation sources, contributes positively to the financial position of the Group. In addition, it is expected that, the profitability of power plants with natural gas consumption will be preserved in the long term through the studies for the purpose of increasing the transaction intensity of the products indexed to BOTAS natural gas tariff at the future electricity market.

With the Communique of Ministry of Commerce regarding the regulation on loss of capital and excess of liabilities over assets in relation to Article 376 of Turkish Commercial Code numbered 6102, it has been decided that, unrealized foreign exchange losses incurred from the foreign exchange based financial liabilities which are not yet fulfilled can be excluded on the calculation of loss of capital and excess of liabilities over assets. In relation to this regulation, it is calculated that, unrealized foreign exchange losses recognised under retained earnings/(losses) amounting to TL 577.359.173 and recognised under consolidated statement of profit or loss amounting to TL 1.080.745.378, in total amounting to TL 1.658.105.151 will be excluded on the calculation of loss of capital and excess of liabilities over assets by adding back to the total equity. Accordingly, there is no existence of either issue of loss of capital or excess of liabilities over assets for the Group. The Group, as aware of all of its short term and long term liabilities, has been taking the necessary actions maintain its operations in a healthy financial structure within the framework of proactive approach.

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

NOTE 3 - CASH AND CASH EQUIVALENTS

The details of the cash and cash equivalents of the Group as of 31 December 2018 and 2017 are as follow:

	31 December 2018	**31 December 2017**
Cash	11.292	68.960
Banks		
- Demand deposits	2.417.109	1.999.649
- Time deposits	16.891.410	43.172.394
	19.319.811	**45.241.003**
Restricted cash	(3.049.260)	(1.060.833)
Interest accrual	-	(9.459)
Cash and cash equivalents provided in statement of cash flows	**16.270.551**	**44.170.711**

As of 31 December 2018, the average effective interest rate for TL time deposits is 23,46% (2017: 13,00%), for USD time deposits is 4,00% (2017: 3,08%) and for Euro time deposits is 1,60% (2017: 1.39%).

The remaining day to maturity of time deposits as of 31 December 2018 is shorter than one month.

As of 31 December 2018 the Group's restricted cash at Takasbank amounting to TL 3.049.260 (2017: TL 1.060.833) is related with the electricity purchase and sales operations of the Group.

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

NOTE 4 - BORROWINGS

The details of borrowings of the Group as of 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018	31 December 2017
Short term borrowings		
-Bank loans	236.637.968	-
Total short term borrowings	**236.637.968**	**-**
Short-term portion of long term borrowings		
-Bank loans (*)	873.780.809	377.892.651
-Finance lease liabilities (**)	6.711.449	4.898.505
Total short-term portion of long term borrowings	**880.492.258**	**382.791.156**
Long term borrowings		
-Bank loans (*)	3.333.605.645	2.783.727.773
- Finance lease liabilities (**)	61.151.542	50.059.418
Total long term borrowings	**3.394.757.187**	**2.833.787.191**
Total short term and long term borrowings	**4.511.887.413**	**3.216.578.347**

(*) The loan obtained pursuant to the loan agreement ("Loan Agreement") signed with Yapı ve Kredi Bankası A.Ş. on 31 December 2015, amounts to TL 4.273.117.853 (TL 470.888.320 and USD 722.733.664). Commissions amounting to TL 65.731.399, including the new loan arrangement commission of TL 24.057.623 arrangement commission for paid-off loans amounting to TL 17.152.772 and early payment commission amounting to TL 24.521.004 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 31 December 2015 is the modification of the loan agreement signed with the bank consortium consisting of T. Garanti Bankası A.Ş., Yapı ve Kredi Bankası A.Ş. and T. Vakıflar Bankası T.A.O. on October 11, 2011, commissions paid for the loans used pursuant to this agreement is also deducted from the loan amount as of 31 December 2018.

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

The interest accruals for short and long term bank borrowings provided on the balances of borrowings as of 31 December 2018 are TL 242.543.082 (31 December 2017: TL 59.357.881).

Letters of guarantee given, pledges and mortgages related to financial liabilities are disclosed in Note 15.

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

NOTE 4 - BORROWINGS (Continued)

As of 31 December 2018 and 31 December 2017, the original currencies and weighted average interest rates for short and long-term financial liabilities are as follows:

				31 December 2018
	Currency	**Effective Interest rate %**	**Original Amount**	**Amount in TL**
Short-term bank loans	TL	31,46	236.637.968	236.637.968
Total short-term bank loans				**236.637.968**
Short-term portion of long-term bank loans	USD	6,72	145.342.360	764.631.622
Short-term portion of long-term bank loans	TL	11,95	109.149.187	109.149.187
Short-term portion of long-term finance lease liabilities	EURO	3,40	1.481.848	8.932.581
Cost of short-term portion of long-term finance lease liabilities (-)	EURO	3,40	(368.469)	(2.221.132)
Total short-term borrowings				**880.492.258**
Long term bank loans	USD	6,72	577.391.304	2.971.866.515
Long term bank loans	TL	11,95	361.739.130	361.739.130
Long-term finance lease liabilities	EURO	3,40	12.465.157	75.139.967
Cost of long-term finance lease liabilities (-)	EURO	3,40	(2.320.575)	(13.988.425)
Total long-term borrowings				**3.394.757.187**

				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 liabilities	EURO	3,40	1.310.016	5.915.378
Cost of short-term portion of long-term finance lease liabilities (-)	EURO	3,40	(225.196)	(1.016.873)
Total short-term borrowings				**382.791.156**
Long term bank loans	USD	6,23	649.565.217	2.384.457.791
Long term bank loans	TL	11,95	399.269.982	399.269.982
Long-term finance lease liabilities	EURO	3,40	13.775.173	62.201.795
Cost of long-term finance lease liabilities (-)	EURO	3,40	(2.689.044)	(12.142.377)
Total long-term borrowings				**2.833.787.191**

As of 31 December 2018, USD bank borrowings of the Group amounting to TL 1.354.698 are subject to floating interest rate of USD Libor + 4,5% (31 December 2017: USD bank borrowings of the Group amounting to TL 973.397.715 are subject to floating interest rate of USD Libor + 4,5%).

As of 31 December 2018, all of the Euro finance lease liabilities of the Group are subject to floating interest rate of Eurbior + 3,4% (31 December 2017: All of the Euro finance lease liabilities of the Group are subject to floating interest rate of Eurbior + 3,4%).

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

NOTE 4 - BORROWINGS (Continued)

The details of redemption schedule of the long term bank borrowings as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Up to 1 - 2 years	416.700.705	309.303.086
Up to 2 - 3 years	416.700.705	309.303.086
Up to 3 - 4 years	416.700.705	309.303.086
Up to 4 - 5 years	416.700.705	309.303.086
More than 5 years	1.666.802.825	1.546.515.429
	3.333.605.645	**2.783.727.773**

The fair value of long-term financial liabilities is based on the cash flows discounted with the current debt ratio. Financial liabilities have been classified as the Level 3 in the fair value hierarchy since it has unobservable inputs including its own credit risk. The details of the carrying values and fair value of the long term bank borrowings as of 31 December 2018 and 2017 are as follows:

	31 December 2018		31 December 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
USD borrowings	3.736.498.137	3.733.691.952	2.701.864.323	2.681.640.126
TL	470.888.317	527.045.615	459.756.101	472.277.158
	4.207.386.454	**4.260.737.567**	**3.161.620.424**	**3.153.917.284**

The fair value of short-term borrowings and floating rate borrowings are considered to be equal to its carrying amount.

Compliance with the financial covenants

According to the Loan Agreement signed at 30 September 2015, under the terms of the loan agreement, the Group is required to comply with the financial covenant included of having a debt service cover ratio greater than 1,05 until end of the term of the contract. As of 31 December 2018, the Group is compliant with the financial covenant.

The principal repayment schedule of the Group's long-term finance lease obligations as at 31 December 2018 and 2017 is as follows:

	Minimum rent payments		Present value of finance lease liabilities	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Up to 1-2 years	7.896.778	5.915.379	5.869.978	4.251.557
Up to 2-3 years	7.896.778	5.915.379	6.070.964	4.397.128
Up to 3-4 years	7.896.778	5.915.379	6.278.831	4.547.683
Up to 4-5 years	7.896.778	5.915.379	6.493.817	4.703.395
Up to 5-6 years	7.896.778	5.915.379	6.716.165	4.864.438
Up to 6-7 years	7.896.778	5.915.379	6.946.126	5.030.996
Up to 7-8 years	7.896.778	5.915.379	7.183.962	5.203.257
Up to 8-9 years	7.896.778	5.915.379	7.429.943	5.381.417
Up to 9-10 years	7.896.778	5.915.379	7.684.346	5.565.678
More than 10 years	4.068.965	8.963.384	477.410	6.113.869
	75.139.967	**62.201.795**	**61.151.542**	**50.059.418**

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

NOTE 4 - BORROWINGS (Continued)

As of 31 December 2018 and 2017, the movements of borrowings are as follows:

	2018	2017
1 January	**3.216.578.347**	**3.274.118.519**
Cash inflows on borrowings received	382.009.533	-
Cash inflow due on financial lease	-	54.957.923
Cash outflows due to repayment of borrowings	(311.487.036)	(299.211.826)
Change in unrealized foreign exchange differences	1.165.080.269	193.685.222
Change in interest acrruals	59.706.300	(6.971.491)
31 December	**4.511.887.413**	**3.216.578.347**

NOTE 5 - TRADE RECEIVABLES

a) Short term trade receivables

	31 December 2018	31 December 2017
-Trade receivables from related parties (Note 27)	7.704.996	21.236.890
-Trade receivables from third parties	176.646.118	80.896.439
	184.351.114	**102.133.329**
Provision for doubtful receivables	(11.832.221)	(11.832.221)
Short term trade receivables, net	**172.518.893**	**90.301.108**

As of 31 December 2018, trade receivable maturities which less than 1 months and unearned finance income from credit sales does not exist (31 December 2017: None).

The movements for provision for doubtful receivables are as follows:

	2018	2017
1 January	**11.832.221**	**11.246.802**
Current year charges	-	599.099
Provisions no longer required	-	(13.680)
31 December	**11.832.221**	**11.832.221**

As of 31 December 2018 the amount of receivables which are overdue and impaired TL 11.832.221 (31 December 2017: TL 11.832.221). The aging list of these receivables as of 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
1 to 3 months	-	186.339
3 to 12 months	-	412.760
More than 12 months	11.832.221	11.233.122
	11.832.221	**11.832.221**

In accordance with the requirements of TFRS 9 introducing a new impairment model based on expected credit losses, the Group has modified impairment calculation method for trade receivables. The Group recognizes the impairment of trade receivables, weighting the lifetime expected credit losses by default (Probability of Default) for all trade receivables on each customer basis and including non-overdue receivables.

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

NOTE 5 - TRADE RECEIVABLES (Continued)

The amount of trade receivables that are past due but not impaired is TL 10.783.399 as of 31 December 2018 (31 December 2017: TL 392.930). The aging list of these receivables as of 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Up to 1 month	1.242.263	229.133
1 to 3 months	8.194.690	161.211
3 to 12 months and over	1.346.446	2.586
	10.783.399	**392.930**

b) Long term trade receivables

	31 December 2018	31 December 2017
-Trade receivables from third parties (*)	-	8.055.071
	-	**8.055.071**

(*) As of 31 December 2017, TL 4.665.263 of long-term trade receivables consists of electricity transmission values that it will net with Türkiye Elektrik Üretim A.Ş. ("TEİAŞ") with electricity sales for the future periods.

NOTE 6 - OTHER RECEIVABLES

a) Short-term other receivables

	31 December 2018	31 December 2017
- Other receivables from third parties (*)	13.753.685	2.395.192
	13.753.685	**2.395.192**

As of 31 December 2018 and 2017, the details of short-term receivables of the Group from third parties are as follows:

	31 December 2018	31 December 2017
Receivables from tax office	1.865.075	590.693
Receivables from various public institutions	240.789	244.607
Short-term other receivables (*)	11.647.821	1.559.892
	13.753.685	**2.395.192**

b) Long-term other receivables

	31 December 2018	31 December 2017
- Other receivables from third parties (Note 27)	602.800	-
- Other receivables from related parties (*)	336.824	7.325.006
	939.624	**7.325.006**

(*) As of 31 December 2018, the balance of short term other receivables provided in other receivables from third parties consist of sales of gas tribune amounting to TL 10.087.776 (31 December 2017: the balance of other receivables from third parties provided in long term other receivables consist of sales of gas tribune amounting to amounting to TL 7.009.504).

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

NOTE 7 – TRADE PAYABLES

a) Short-term trade payables

	31 December 2018	31 December 2017
-Trade payables to third parties (*)	286.266.440	176.033.413
-Trade payables to relaed parties (Note 27)	26.945.006	11.847.438
	313.211.446	**187.880.851**

b) Long-term trade payables

	31 December 2018	31 December 2017
-Trade payables to third parties (*)	177.807.845	200.734.583
	177.807.845	**200.734.583**

The details of long-term trade payables of the Group as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Payables to DSİ (*)	124.781.041	112.046.259
Other long-term trade payables (**)	53.026.804	88.688.324
	177.807.845	**200.734.583**

(*) The Group signed an agreement with the General Directorate of State Hydraulic Works (DSİ) Department of Investigation and Planning for the Water Usage of Ulubat Power Tunnel and Hydroelectric Energy Power Plant within the scope of the Emet-Orhaneli Çınarcık Dam Project on 6 June 2005. In accordance with the agreement, the liabilities relating to the Energy Share Contribution Fee to be paid for the project are incurred at the commissioning date, and the payments will start after 5 years and with 10 equal installments, where these liabilities are subject to indexation with the Producer Price Index (PPI). As of balance sheet date, 3 installments were paid, and considering the indexation and remaining installments, the amount reclassified as short-term trade payables to third parties amounts to TL 51.946.925 (31 December 2017: TL 17.755.055) and long-term trade payables to third parties amounts to TL 124.781.041 TL'dir (31 December 2017: TL 112.046.259).

(**) Other long-term trade payables are related to the maintenance work of Erzin Combined Cycle Natural Gas Plant, with 450 days of maturity on average. Its unaccrued financial income for 2018 is TL 1.993.086 (31 December 2017: TL 3.679.640).

NOTE 8 – OTHER PAYABLES

a) Short-term other payables

	31 December 2018	31 December 2017
- Other payables to third parties	2.341.912	1.770.447
	2.341.912	**1.770.447**

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

NOTE 8 – OTHER PAYABLES (Continued)

As of 31 December 2018 and 2017, details of short-term other payables of the Group are as follows:

	31 December 2018	31 December 2017
Taxes and funds payable	1.253.911	1.532.050
Deposit and guarantees taken	540.672	63.912
Other payables	547.329	174.485
	2.341.912	**1.770.447**

b) Long-term other payables

	31 December 2018	31 December 2017
- Other payables to third parties	16.324	15.728
	16.324	**15.728**

NOTE 9 - PREPAID EXPENSES

Prepaid expenses as of 31 December 2018 and 2017 are as follows:

a) Short-term prepaid expenses

	31 December 2018	31 December 2017
Prepaid expenses for following months	12.052.320	6.946.704
Advances given for purchases	1.519.069	2.470.244
	13.571.389	**9.416.948**

b) Long-term prepaid expenses

	31 December 2018	31 December 2017
Prepaid expenses for following years	506.703	526.945
Advances given for property, plant, equipments	84.157	1.367.560
	590.860	**1.894.505**

NOTE 10 – INVENTORIES

a) Short-term inventories

	31 December 2018	31 December 2017
Spare parts	650.553	1.660.677
Other raw materials	3.576	1.373
Operating supplies	20.270	4.868
	674.399	**1.666.918**

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

NOTE 10 – INVENTORIES (Continued)

b) Long-term inventories

	31 December 2018	31 December 2017
Spare parts (*)	18.769.298	17.154.844
	18.769.298	**17.154.844**

(*) TL 13.959.009 (31 December 2017: TL 12.511.578) of spare parts classified in long-term inventories with an amount of TL 18.769.298 are related to the Erzin combined natural gas cycle power plant held within the scope of long-term maintenance contracts and remaining spare parts amounting to TL 4.810.286 (31 December 2017: TL 4.643.266) belongs to the other power plants of the Group are held for the purpose of repair and maintenance necessities. Such spare parts are reclassified under long term inventories by considering their estimated usage period interval. The Group manages the level of its spare parts by considering the planned maintenance schedule and the ability of intervening the incidents immediately.

NOTE 11 - OTHER ASSETS

a) Other current assets

	31 December 2018	31 December 2017
Deferred VAT	104.519.308	20.589.533
Personnel advances	150.720	40.071
Job advances	390.321	365.938
	105.060.349	**20.995.542**

b) Other non-current assets

	31 December 2018	31 December 2017
VAT deductible in following years	19.098.093	67.654.140
	19.098.093	**67.654.140**

NOTE 12 - FINANCIAL INVESTMENTS

Akenerji Toptan, a subsidiary of the Group, has participated to Enerji Piyasaları İşletme Anonim Şirketi'ne ("EPİAŞ") who is estabilished with a share capital TL 61.572.770, by 0,16% with 100,000 C Type shares. (31 December 2017: TL 100.000).

	31 December 2018	31 December 2017
Long-term securities	100.000	100.000
Total	**100.000**	**100.000**

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 since the fair value of financial assets approximate into their costs.

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

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	1 January 2018 – previously reported	Restatement effect	1 January 2018 – restated	Additions	Transfers	Disposals	31 December 2018
Cost							
Lands	159.340	-	159.340	-		-	159.340
Land improvements (*)	2.363.244.144	8.329.827	2.371.573.971	1.658.800	2.040.075	-	2.375.272.846
Buildings	652.618.266	20.643.968	673.262.234	28.800	-	-	673.291.034
Machinery and equipment (**)	2.714.836.619	85.063.970	2.799.900.589	939.970	1.772.905	-	2.802.613.464
Motor vehicles	1.048.929	-	1.048.929	603.142	-	(259.653)	1.392.418
Furnitures and fixtures	10.276.857	-	10.276.857	708.431	-	-	10.985.288
Leasehold improvements	1.082.778	-	1.082.778	107.928	569.000	-	1.759.706
Construction in progress	28.843.107	-	28.843.107	5.844.907	(4.381.980)	-	30.306.034
	5.772.110.040	**114.037.765**	**5.886.147.805**	**9.891.978**	**-**	**(259.653)**	**5.895.780.130**
Accumulated depreciation							
Land improvements	156.299.676	1.879.367	158.179.043	81.659.390	-	-	239.838.433
Buildings	24.651.424	1.789.906	26.441.330	18.065.643	-	-	44.506.973
Machinery and equipment	192.289.165	26.578.070	218.867.235	155.322.471	-	-	374.189.706
Motor vehicles	745.728	-	745.728	133.292	-	(258.780)	620.240
Furnitures and fixtures	7.009.494	-	7.009.494	814.566	-	-	7.824.060
Leasehold improvements	755.235	-	755.235	107.568	-	-	862.803
	381.750.722	**30.247.343**	**411.998.065**	**256.102.930**	**-**	**(258.780)**	**667.842.215**
Net book value	**5.390.359.318**	**83.790.422**	**5.474.149.740**				**5.227.937.915**

(*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through finance lease on 27 January 2017 is amounting to TL 495.485. As of 31 December 2018, the total amount of accumulated depreciation of related land improvement is TL 26.078.

(**) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through finance lease on 27 January 2017 is amounting to TL 49.219.854. As of 31 December 2018, the total amount of accumulated depreciation of the related machinery and equipment is TL 9.843.971.

Current period depreciation expense amounting to TL 255.589.956 has been included in cost of sales and TL 512.974 has been included in general administrative expenses.

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2017	Additions	Transfers(****)	Disposals	Revaluation effect	31 December 2017
Cost						
Lands	147.481	-	-	-	11.859	159.340
Land improvements (*)	2.061.004.601	648.641	15.719.677	-	285.871.225	2.363.244.144
Buildings	412.844.609	37.000	1.133.336	-	238.603.321	652.618.266
Machinery and equipment (**)	1.652.477.010	49.368.891	45.207.927	(187.693)	967.970.484	2.714.836.619
Motor vehicles	927.308	258.950	-	(137.329)	-	1.048.929
Furnitures and fixtures	9.837.999	438.858	-	-	-	10.276.857
Leasehold improvements	999.432	83.346	-	-	-	1.082.778
Construction in progress (***)	42.083.278	50.627.116	(63.867.287)	-	-	28.843.107
	4.180.321.718	**101.462.802**	**(1.806.347)**	**(325.022)**	**1.492.456.889**	**5.772.110.040**
Accumulated depreciation						
Land improvements	86.979.607	69.320.069	-	-	-	156.299.676
Buildings	13.596.792	11.054.632	-	-	-	24.651.424
Machinery and equipment	97.546.617	94.762.644	-	(20.096)		192.289.165
Motor vehicles	779.136	103.717	-	(137.125)	-	745.728
Furnitures and fixtures	6.160.069	849.425	-	-	-	7.009.494
Leasehold improvements	659.777	95.458	-	-	-	755.235
	205.721.998	**176.185.945**	**-**	**(157.221)**	**-**	**381.750.722**
Net book value	**3.974.599.720**					**5.390.359.318**

(*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through finance lease on 27 January 2017 is amounting to TL 495.485. As of 31 December 31 2017, the total amount of accumulated depreciation of related land improvement is TL 13.039.

(**) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through finance lease on 27 January 2017 is amounting to TL 49.219.854. As of 31 December 31 2017, the total amount of accumulated depreciation of the related machinery and equipment is TL 4.921.986.

(***) Construction in progress mainly related to additional investment made for Erzin combined cycl natural gas power plant

(****) Comprised of investment made within the scope of the Bandırma Ayyıldız wind power plant capacity expansion project and additional investments made for Erzin combined cycle natural gas power plant and transfers to intangible assets.

Current period depreciation expense amounting to TL 175.667.619 has been included in cost of sales and TL 518.326 has been included in general administrative expenses.

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

There are no capitalized borrowing costs on construction in progress for the year ended 31 December 2018 (31 December 2017: None).

Details of the guarantees, pledges and mortgages on property, plant and equipments as of 31 December 2018 and 2017 are explained in Note 15.

As of 31 December 2018 and 2017 the movements for increase on revaluation of property, plant and equipment are as follows:

	2018	2017
1 January – previously reported	**2.526.950.583**	**1.409.709.068**
Restatement effect (Note 2.5)	36.783.975	-
1 January – restated	**2.563.734.558**	**1.409.709.068**
Revaluation of land	-	11.859
Revaluation of land improvements	-	285.871.225
Revaluation of buildings	-	238.603.321
Revaluation of machinery and equipments	-	967.970.484
	2.563.734.558	**2.902.165.957**
Adjustments of deferred tax related to increase on revaluation of property, plant and equipment	144.955.668	(298.491.378)
Disposal from the increase on revaluation of property, plant and equipment	-	(10.911.051)
Depreciation and amortisation transfers	(159.753.891)	(65.812.945)
31 December	**2.548.936.335**	**2.526.950.583**

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

NOTE 14 - INTANGIBLE ASSETS

As of 31 December 2018 and 2017, movements of intangible assets are as follow:

	1 January 2018	Additions	Transfers	Disposals	31 December 2018
Cost					
Rights	7.339.785	29.503	-	-	7.369.288
Licenses	125.931.583	239.366	-	-	126.170.949
	133.271.368	**268.869**	**-**	**-**	**133.540.237**
Accumulated amortisation					
Rights	3.472.262	896.895	-	-	4.369.157
Licenses	16.490.947	1.746.172	-	-	18.237.119
	19.963.209	**2.643.067**	**-**	**-**	**22.606.276**
Net book value	**113.308.159**				**110.933.961**

	1 January 2017	Additions	Transfers(*)	Disposals	31 December 2017
Cost					
Rights	5.326.229	207.209	1.806.347	-	7.339.785
Licenses	125.878.527	53.056	-	-	125.931.583
	131.204.756	**260.265**	**1.806.347**	**-**	**133.271.368**
Accumulated amortisation					
Rights	3.136.815	335.447	-	-	3.472.262
Licenses	14.703.898	1.787.049	-	-	16.490.947
	17.840.713	**2.122.496**	**-**	**-**	**19.963.209**
Net book value	**113.364.043**				**113.308.159**

(*) Transferred from property, plant and equipment.

Current period amortisation expense amounting to TL 160.805 (31 December 2017: TL 138.387) has been included in cost of sales and remaining TL 2.482.262 (31 December 2017: TL 1.984.109) has been included in general administrative expenses.

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

NOTE 15 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

a) Other short-term provisions

As of 31 December 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 31 December 2018 is TL 18.338.205 (31 December 2017: TL 16.355.919).

	31 December 2018	31 December 2017
Litigation provision	18.338.205	16.355.919
Periodical maintenance provisions	-	1.085.058
	18.338.205	**17.440.977**

The movements of litigation provision are as follows:

	2018	2017
1 January	**16.355.919**	**8.411.594**
Current period charges (*)	3.350.002	14.177.332
Released provisions	(1.367.716)	(6.233.007)
31 December	**18.338.205**	**16.355.919**

(*) Current period charges consist of additional litigation provision amounting to TL 252.003 (31 December 2017: TL 8.214.472 (Note 23) and interest expense arising from existing litigation amounting to TL 3.097.999 (31 December 2017: TL 5.962.860).

b) Contingent liabilities

- **Guarantees given**

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

		31 December 2018		31 December 2017	
	Original currency	Original Amount	TL equivalent	Original currency	Original amount
Letters of guarantees given	TL	124.487.592	124.487.592	330.676.117	330.676.117
	Euro	400.000	2.411.200	200.000	903.100
			126.898.792		**331.579.217**

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

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

NOTE 15 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

		31 December 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	5.734.487.592	5.734.487.592	5.940.676.117	5.940.676.117
	EURO	400.000	2.411.200	200.000	903.100
B.Total amount of GPM given for the subsidiaries and associates in the scope of consolidation	-	-	-	-	-
C.Total amount of GPM given for the purpose of maintaining operating activities	-	-	-	-	-
D.Total other GPMs given	-	-	-	-	-
i) Total amount of CPMB's given on behalf of the majority shareholder	-	-	-	-	-
ii) Total amount of CPMB's given to on behalf of other which are not in scope of B and C.	-	-	-	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C.	-	-	-	-	-
			5.736.898.792		**5.941.579.217**

Details of the guarantees given by Akenerji for its own legal entity as of 31 December 2018 are as follows:

On 31 December 2015, a Refinancing Loan Agreement of USD 1.1 billion was concluded by and between Yapı ve Kredi Bankası A.Ş. ("Bank") and Akenerji ("Borrower") for a total period of 12 years, 1 year of which is nonrefundable, in order to ensure refinancing and extension of term for all current debts of our the Group. In addition to the related Loan Agreement to provide guarantees for the loans that it has used under the loan contract, Akenerji has signed the following agreements: Loan Settlement (Trade receivables including EPİAŞ, insurance, shareholder receivables, etc.), Account Pledge, and Mortgage Agreements. In accordance with the Commercial Business Pledge Agreements signed between Akenerji and the Bank, a commercial enterprise pledge amounting to TL 5.610.000.000 has been established in order to create an upper limit for Akenerji. In addition, Yapı ve Kredi Bankası A.Ş. is defined as a pledge creditor in insurance policies of power plants.

As of 31 December 2018, GPMs given by the Group to equity ratio is 1.246% (31 December 2017: 318%).

- **Other significant matters**

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

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

NOTE 15 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

Since the appeal process on the EAI report is precisely finalized in favor of the Group, the application on the revised EIA report to the Ministry of Environment and Urban Planning of Turkey is cancelled as this is not necessary anymore. In addition, the suspension of all rights on the electricity production license of Kemah Dam & Hydroelectric Plant Project which is established following the application of the Group to EMRA will requested to be restored.

- **Sales and purchase commitments**

Electricity sales and purchase commitments:

As of 31 December 2018, the Group has realized all of the purchase and sales commitments of electricity energy within the scope of sales and purchase contracts made with energy companies in 2018 and there are no remaining commitments of the Group to be fullfilled in 2018. In addition, the Group has entered into contracts in 2018 to sell electricity energy amounting to MWh 218.478 and to buy electricity energy amounting to MWh 26.675 which will be executed in 2019. These contracts does not have any impact on the financial statements of the Group for the year ended 31 December 2018.

As part of electricity purchase and sales operations of the Group, as of 31 December 2018, the Group has realized all the commitments on risk sharing contracts made with other energy companies in 2018 and there are no commitments of the Group to be fullfilled in 2018. In addition, there are no risk sharing contracts that the Group has entered into in 2018 which will be undertaken in 2019.

Natural gas puchase commitments:

The Group has a minimum purchase commitment in accordance with its contracts with natural gas suppliers in 2018. As of 31 December 2018, there are no liabilities for remaining drawbacks (31 December 2017: None).

c) Contingent Assets

Guarantees received

		31 December 2018		31 December 2017	
	Currency	Original Currency	TL Equivalent	Original currency	TL Equivalent
Letters of guarantees received	TL	76.664.407	76.664.407	119.516.381	119.516.381
Letters of guarantees received	EURO	4.355.000	26.251.940	15.916.000	71.868.698
Letters of guarantees received	USD	32.500	170.979	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	24.494.873	4.656.023	17.562.053
Notes of guarantees received	EURO	93.229	561.987	93.229	420.976
Notes of guarantees received	GBP	5.675	37.755	5.675	28.831
Cheques of guarantees received	TL	108.500	108.500	408.500	408.500
Cheques of guarantees received	USD	100.559	529.031	100.559	379.298
Mortgages received	TL	3.242.000	3.242.000	-	-
			136.191.681		**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 16 - DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2018		31 December 2017	
	Contract amount	Fair value	Contract amount	Fair value
Forward contracts	5.260.900	24.345	33.947.100	497.923
Derivative financial assets	**5.260.900**	**24.345**	**33.947.100**	**497.923**
Interest rate swaps				
- Short-term	168.112.060	3.648.843	386.071.336	15.163.211
- Long-term	796.239.846	17.282.246	447.750.536	17.585.703
Forward contracts				
- Short-term	125.139.178	9.270.688	-	-
Derivative financial liabilities	**1.089.491.084**	**30.201.777**	**833.821.872**	**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 as "Gains/(losses) on cash flow hedging". Due to the change in principle amount and repayment dates of Group's borrowings following the Loan Agreement signed on 30 September 2015, the Group ceased the hedge accounting for interest rate swap contracts.

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

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

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

NOTE 17 - EMPLOYEE BENEFITS

a) Employee benefit obligations

	31 December 2018	31 December 2017
Social security payment	536.656	896.725
Due to personnel	44.346	38.457
	581.002	**935.182**

b) Short-term provisions for employee benefits

	31 December 2018	31 December 2017
Bonus provision	3.340.000	2.975.000
	3.340.000	**2.975.000**

The movements of bonus provision are as follows:

	2018	2017
1 January	**2.975.000**	**3.236.250**
Current year charges	3.359.000	2.975.000
Payments during the year	(1.191.825)	(2.606.550)
Provisions no longer required	(1.802.175)	(629.700)
31 December	**3.340.000**	**2.975.000**

c) Long-term provisions for employee benefits

	31 December 2018	31 December 2017
Provisions for employee termination benefits	3.419.847	3.244.119
Provisions for unused vacation rights	911.565	502.185
	4.331.412	**3.746.304**

Under the Turkish Labor Law, companies are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 5.001,76 for each year of service as of 31 December 2018 (31 December 2017: TL 4.732,48).

Termination benefits liability is not dependent on any funding legally and any funding requirement does not exist.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees.

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

NOTE 17 – EMPLOYEE BENEFITS (Continued)

TFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans, The Group makes a calculation for the employment termination benefit by applying the prescribed liability method, by the experiences and by considering the personnel who become eligible for pension, this provision is calculated by expecting the present value of the future liability which will be paid for the retired personnel.

Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2018	2017
Discount rate (%)	6,86	4,67
Turnover rate related the probability of retirement (%)	97,18	95,24

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of full TL 6.017,60 (1 January 2018: full TL 5.001,76) which is effective from 1 January 2019 has been taken into consideration in calculating the reserve for employment termination benefits of the Group.

The movements of provisions for employment termination benefits are as follows:

	2018	2017
1 January	**3.244.119**	**1.770.806**
Service cost	424.444	725.886
Interest cost	389.294	152.490
Actuarial losses / (gains)	(381.030)	1.687.284
Payments during the year	(256.980)	(1.092.347)
31 December	**3.419.847**	**3.244.119**

The movements of provisions for unused vacation rights are as follows:

	2018	2017
1 January	**502.185**	**718.897**
Current year provision	466.974	58.010
Payment during the year	(57.594)	-
Provisions no longer required	-	(274.722)
31 December	**911.565**	**502.185**

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

NOTE 18 – EQUITY

Share capital

Akenerji adopted the registered capital system applicable to the companies registered on the CMB and defined a limit to its registered capital for shares whose nominal value is TL 1 ("One Turkish Lira"). As of 31 December 2018 and 31 December 2017 the share capital held is as follows:

	31 December 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 31 December 2018 and 31 December 2017 are as follows:

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

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

Share Premium

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

Reserves

	31 December 2018	31 December 2017
Legal reserves	12.053.172	12.053.172
	12.053.172	**12.053.172**

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

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

NOTE 18 – EQUITY (Continued)

Dividend distribution

Dividends are distributed according to Communiqué Serial: IV, No: 27 on "Principles Regarding Distribution of Interim Dividends for quoted entities subject to Capital Market Board Law", principles on corporate articles and dividend distribution policy which is declared by Companies.

In addition to the CMB, it is stipulated that companies which have the obligation to prepare consolidated financial statements, calculate the net distributable profit amount by taking into account the net profits for the period in the consolidated financial statements that will be prepared and announced to the public in accordance with the Communiqué II-14,1 that sufficient reserves exists in the stand alone statutory books.

The remaining current year income and the reserves of the Group that can be subject to the dividend distribution does not exist (31 December 2017: None).

NOTE 19 - TAX ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Current income tax expenses	3.412.544	2.058.717
Prepaid taxes	(3.839.594)	(3.752.376)
Current income tax liabilities / (Current income tax assets), net	**(427.050)**	**(1.693.659)**

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.

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

NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

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 year ended 31 December 2018 and 2017 are as follows:

	1 January - 31 December 2018	**1 January - 31 December 2017**
Current income tax expense (-)	(3.412.544)	(2.058.717)
Deferred tax (expense)/income	3.430.345	23.241.745
	17.801	**21.183.028**

As of 31 December 2018 and 2017 the reconciliation of tax income stated in consolidated profit or loss statement is as follows:

	2018	**2017**
Profit / (loss) before tax	**(1.556.414.351)**	**(528.380.181)**
Tax rate (%)	22%	20%
Tax income / (expense) calculated at domestic tax rate	342.411.157	105.676.036
Tax exemptions	6.249.934	2.450.562
Expenses not deductible for tax purposes	(12.648.538)	(3.373.850)
Temprorary differences not subject to deferred tax calculation	(314.023.742)	(79.439.375)
Utilized carry forward tax losses	1.235.013	-
Effect of different tax rate	(18.173.755)	-
Investment incentives	(5.308.841)	(2.114.291)
Other	276.573	(2.016.054)
Current year tax income / (expense)	**17.801**	**21.183.028**

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

NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

Deferred taxes

	31 December 2018	31 December 2017
Deferred tax assets	741.959	16.795.470
Deferred tax liabilities	(181.839.302)	(345.385.759)
Deferred tax assets, net	**(181.097.343)**	**(328.590.289)**

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 tax assets/liabilities provided using principal tax rates is as follows:

	Total temporary differences		Deferred tax assets / (liabilities)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Deferred tax assets on tax losses	(3.501.950)	(245.045.520)	700.390	50.579.904
Derivative financial instruments	-	(28.914.130)	-	5.782.826
Investment incentives (*)	(105.450.881)	(78.906.675)	21.090.176	15.781.335
Provisions for lawsuits	-	(16.355.919)	-	3.271.184
Provision for employment termination benefit	(2.133.623)	(3.244.119)	426.725	648.824
Provision for unused vacations	(646.500)	(502.185)	130.340	107.533
Other provisions	-	(111.376)	-	22.275
Adjustments to property, plant and equipment	1.006.655.643	1.989.961.945	(201.331.129)	(398.435.597)
Adjustments to borrowings	11.125.433	31.593.508	(2.225.087)	(6.318.702)
Unrecognised credit finance expense	-	(223.114)	-	44.623
Unrecognised credit finance income	-	3.679.640	-	(731.534)
Bonus provision	(510.823)	(2.975.000)	111.242	640.745
Other	-	(81.475)	-	16.295
Deferred tax assets/(liabilities), net			**(181.097.343)**	**(328.590.289)**

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

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

NOTE 19 - TAX ASSETS AND LIABILITIES (Continued)

The movements of deferred tax assets and liabilities for the year ended 31 December 2018 and 2017 are as follows:

	2018	2017
1 January – previously reported	**(328.590.289)**	**(37.121.949)**
Restatement effect (Note 2.5)	-	(16.759.106)
1 January – restated	**(328.590.289)**	**(53.881.055)**
Recognised in statement of profit or loss	3.430.345	23.241.745
Recognised in other comprehensive income	144.062.601	(297.950.979)
31 December	**(181.097.343)**	**(328.590.289)**

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

Year incurred	Year can be used	31 December 2018	31 December 2017
2015	2020	-	78.540.000
2016	2021	-	100.550.000
2017	2022	3.501.950	65.955.520
		3.501.950	**245.045.520**

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

Year incurred	Year can be used	31 December 2018	31 December 2017
2013	2018	-	74.805.541
2014	2019	109.461.080	235.153.357
2015	2020	51.724.908	4.934.047
2016	2021	104.375.065	63.729.320
2017	2022	86.943.115	155.831.815
2018	2023	296.794.861	-
		649.299.029	**534.454.080**

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

NOTE 20 - REVENUE AND COST OF SALES

a) Revenue

	1 January- 31 December 2018	1 January- 31 December 2017
Electricity sales revenue	1.800.065.821	1.692.624.693
Revenue on sharing of instability savings	173.945.286	71.648.387
Revenue on loading instructions	97.760.197	88.826.324
Revenue on seconder frequency control	70.402.258	7.227
Revenue on capacity mechanism	70.279.441	-
Revenue on past period correction item	1.989.535	1.604.663
Revenue on primary frequency control	174.128	-
Other revenues	1.101.322	386.537
	2.215.717.988	**1.855.097.831**

b) Cost of sales

	1 January- 31 December 2018	1 January- 31 December 2017
Direct raw materials consumed	1.836.358.597	1.573.140.170
Depreciation and amortisation expenses	255.750.761	175.806.006
Personnel expenses	21.442.051	19.021.067
Maintenance and repair expenses	21.117.328	16.750.937
Insurance expenses	12.164.650	11.612.640
Other materials and spare parts consumed	6.582.279	3.126.668
Rent expenses	195.018	30.147
Other expenses	3.090.567	2.072.391
	2.156.701.251	**1.801.560.026**

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

NOT 21 - GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2018	1 January - 31 December 2017
Consultancy expenses	20.390.354	12.557.451
Personnel expenses	19.041.529	19.148.122
Taxes and duties	3.828.319	5.264.077
Depreciation and amortisation expenses	2.995.236	2.502.435
Rent expenses	2.205.716	1.635.667
IT expenses	2.087.298	1.833.430
Office expenses	1.887.454	1.719.579
Vehicle expenses	1.579.374	1.339.948
Travel expenses	736.130	944.703
Advertising and sponsorship expenses	279.443	453.487
Insurance expenses	181.893	226.229
Other expenses	5.112.154	2.965.552
	60.324.900	**50.590.680**

NOTE 22 - EXPENSES BY NATURE

	1 January - 31 December 2018	1 January - 31 December 2017
Direct raw materials consumed	1.836.358.597	1.573.140.170
Depreciation and amortisation expenses	258.745.997	178.308.441
Personnel expenses	40.483.580	38.169.189
Maintenance and repair expenses	21.117.328	16.750.937
Consultancy expenses	20.390.354	12.557.451
Insurance expenses	12.346.543	11.838.869
Other materials and spare parts consumed	6.582.279	3.126.668
Taxes and duties	3.828.319	5.574.899
Rent expenses	2.400.734	1.665.814
IT expenses	2.087.298	1.833.430
Office expenses	1.887.454	1.719.579
Vehicle expenses	1.579.374	1.339.948
Travel expenses	736.130	944.703
Advertising and sponsorship expenses	279.443	453.487
Other expenses	8.202.721	4.727.121
	2.217.026.151	**1.852.150.706**

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

NOTE 23 - OTHER OPERATING INCOME AND EXPENSES

a) Other operating income

	1 January - 31 December 2018	1 January - 31 December 2017
Gain on derivative contracts for natural gas payments	10.869.300	-
Foreign exchange gains from trading activities	10.421.552	3.275.457
Income from compensations (**)	8.574.017	-
Delay interests charged (***)	3.534.292	75.434
Provisions no longer required (*)	3.171.516	9.396.707
Rediscount income from trading activities	1.909.669	989.234
Income related to capacity sales	1.227.897	1.379.904
Income from energy services provided	1.060.703	1.272.820
Income from insurances	523.901	904.492
Income from central management services provided	390.000	-
Gain on risk sharing contracts	197.634	3.717.776
Income from carbon certificate sales	29.272	228.651
Other income	1.564.494	2.665.567
	43.474.247	**23.906.042**

(*) As of 31 December 2018, TL 1.367.716 (31 December 2017: TL 6.233.007) of the provisions no longer required comprised of released provisions of litigation provisions, TL 1.802.175 (31 December 2017: TL 629.700) comprised of the released provisions of the personnel bonus provisions which are not paid and TL 1.625 (31 December 2017: TL 2.237.078) comprised of the released provisions of other provisions.

(**) Income from compensations resulted from compensation received from the contractors within the scope of various contracts of the Group (31 December 2017: None).

(***) Comprised of delay interests charges for trade receivables which are not collected at their due dates. As of 31 December 2018, the applied interest rate is 2,00% per month, unless there is a different interest rate agreed by the parties. (31 December 2017: 1,40%).

b) Other operating expenses

	1 January - 31 December 2018	1 January - 31 December 2017
Losses on risk sharing contracts (*)	48.343.518	58.036.482
Foreign exchange losses from trading activities	20.842.627	3.755.632
Losses on derivative contracts for natural gas payments	9.467.800	-
Rediscount expenses from trading activities	3.679.640	-
Expenses on option premiums	-	2.152.770
Expenses related to capacity sales	1.679.078	383.064
Expenses on futures and options market	988.593	-
Expenses related to energy services provided	862.720	437.173
Provisions for litigations	252.003	8.214.472
Discontinued plant expenses	1.023	675.309
Provision for doubtful receivables	-	599.100
Other expenses	1.544.813	2.689.078
	87.661.815	**76.943.080**

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

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

NOTE 24 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

a) Income from investing activites

	1 January - 31 December 2018	1 January - 31 December 2017
Gain on sale of property,plant and equipment	166.102	117.556
Dividend income	7.651	-
	173.753	**117.556**

b) Expenses from investing activites

	1 January - 31 December 2018	1 January - 31 December 2017
Loss on sale of property,plant and equipment	-	60.263
	-	**60.263**

NOTE 25 - FINANCIAL INCOME AND EXPENSES

a) Financial income

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange gain	13.408.962	12.704.307
Gain on derivative financial instruments	6.987.070	1.105.189
Interest income	3.797.245	11.441.693
	24.193.277	**25.251.189**

b) Financial expenses

	1 January - 31 December 2018	1 January - 31 December 2017
Foreign exchange losses	1.088.109.733	201.894.711
Interest and commission expenses	380.558.687	273.142.673
Losses on derivative financial instruments	18.625.464	6.615.159
Other financial expenses (*)	47.991.766	21.946.207
	1.535.285.650	**503.598.750**

(*) For the period 1 January - 31 December 2018, TL 44.966.492 (1 January – 31 December 2017: TL 18.954.262) of the respective amount is comprised of the indexation difference of the liability due to Uluabat DSİ Water Use Agreement calculated by WPT.

NOTE 26 – EARNINGS / (LOSSES) PER SHARE

	31 December 2018	31 December 2017
Weighted average number of issued shares	72.916.400.000	72.916.400.000
Net loss for the period	(1.556.396.550)	(507.197.153)
Losses per share - TL	**(2,134)**	**(0,696)**

Nominal value of each of the issued share as of 31 December 2018 and 2017 is 1 Kr.

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

NOTE 27 - RELATED PARTY DISCLOSURES

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

a) Transaction with related parties

- *Purchases from related parties*

	1 January - 31 December 2018	**1 January - 31 December 2017**
Sakarya Elektrik Perakende Satış A.Ş. (“Sepaş”) (1) (****)	82.565.976	76.549.786
Dinkal Sigorta Acenteliği A.Ş. (“Dinkal”) (2) (**)	18.213.798	7.170.862
Cez a.s. Turkey Daimi Tem. (3) (***)	7.171.618	4.923.947
Akkök Holding A.Ş. (“Akkök”) (4) (*)	5.380.907	5.804.547
Aktek Bilgi İletişim Tek. San. ve Tic. A.Ş. (“Aktek”) (5) (**)	3.557.012	3.229.279
Aksa Akrilik Kimya Sanayi A.Ş. (“Aksa) (6) (**)	2.999.289	501.706
Ak-Han Bak. Yön. Serv. Hiz. Güv. Malz. A.Ş. (“Ak-Han”) (7) (**)	2.343.342	1.821.122
Ak Havacılık ve Ulaştırma Hiz. A.Ş. (“Ak Havacılık”) (8) (**)	188.458	114.341
Ak-pa Tekstil İhracat Pazarlama A.Ş. (“Ak-pa”) (9) (**)	91.015	117.207
Cez a.s. (*)	74.202	102.984
Other	3.468	5.976
	122.589.085	**100.341.757**

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

- *Sales to related parties*

	1 January - 31 December 2018	**1 January - 31 December 2017**
Sepaş (1) (****)	296.515.048	186.653.769
Cez Trade Bulgaria Ead. (1) (***)	12.512.973	-
Cez a.s. (1) (*)	5.901.363	-
Aksa (2) (**)	3.151.164	1.290.109
Akcez Enerji Yat. San. ve Tic. A.Ş. (“Akcez”) (3) (****)	151.296	57.621
Akiş Gayrimenkul Yatırım A.Ş. (4) (**)	105.000	120.000
Cez a.s. Turkey Daimi Tem. (***)	36.167	-
Aktek (**)	32.156	195.000
Diğer	-	1.268
	318.405.167	**188.317.767**

(1) In general, comprised of sales of electricity and capacity.
(2) In general, comprised of sharing of instability savings.
(3) In general, comprised of consultancies provided.
(4) In general, comprised of income on energy services provided.
(*) Shareholder.
(**) Akkök Holding group company.
(***) Cez a.s. group company.
(****)Akkök Holding and Cez a.s. group company.

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

NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

b) Balances with related parties

- *Short-term trade receivables from related parties*

	31 December 2018	31 December 2017
Sepaş (1) (****)	6.495.163	20.679.510
CEZ Trade Bulgaria Ead. (2) (***)	793.429	-
Aksa (3) (**)	282.504	431.346
Cez a.s. (1) (*)	117.727	-
CEZ a.s. Turkey Daimi Tem. (***)	10.669	9.385
Akcez (****)	5.504	43.577
Diğer	-	73.072
	7.704.996	**21.236.890**

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

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

- *Other receivables from related parties*

	31 December 2018	31 December 2017
Cez a.s. (1)	602.800	-
	602.800	**-**

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

- *Short-term trade payables to related parties*

	31 December 2018	31 December 2017
Dinkal (1) (**)	13.398.127	1.994.545
Sepaş (2) (****)	5.252.676	6.560.640
CEZ a.s. Turkey Daimi Tem. (3) (***)	4.607.288	891.789
Akkök (3) (*)	2.253.504	1.626.409
Aktek (4) (**)	626.247	412.012
Aksa (5) (**)	282.538	-
Ak-Han (**)	256.486	236.080
Ak Havacılık (**)	174.562	-
Cez a.s (*)	93.578	101.336
Diğer	-	24.627
	26.945.006	**11.847.438**

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

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

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

NOTE 27 - RELATED PARTY DISCLOSURES (Continued)

c) Key management compensation

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

	1 January - 31 December 2018	1 January - 31 December 2017
Salaries and benefits	2.661.431	2.020.674
Attendance fee	792.555	747.583
Bonus	337.895	1.345.149
	3.791.881	**4.113.406**

NOTE 28 - FINANCIAL RISK MANAGEMENT

Financial risk management

Financial risk factors

The Group’s activities expose it to a variety of financial risks. These risks are liquidity risk, market risk (foreign exchange risk, interest risk), credit risk and funding risks.

Management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. The Group uses financial instruments to hedge certain risk exposures.

Risk management is carried out by a Finance and Treasury Department where policies are approved by the Board of Directors, Finance and Treasury Department identifies, evaluates and hedges financial risks in close co-operation with the Group’s operating units.

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

NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)

a) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions, Due to the dynamic nature of business, the group aims to maintain flexibility in funding by keeping committed credit lines available. The Group, as aware of all of its short term and long term liabilities, has been taking the necessary actions and has been benefiting from all opportunities by communication with the financial instutions to maintain its operations in a healthy financial structure, to adjust the maturities of its liabilities in accordance with its cash flows and to provide a positive effect on its cash flows within the framework its proactive approach.

The following tables detail the Group’s contractual maturities for its non-derivative financial liabilities as of 31 December 2018 and 2017. The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group could be required to pay. The table includes both interest and principal amounts. These amounts are contractual undiscounted cash flows. Balances with maturities less than 3 months are equal to their carrying values due to the negligible discounting effect.

31 December 2018 **Maturities in accordance with contract**	**Carrying value**	**Total contractual cash outflow (I-II-III-IV)**	**Demand or up to 3 months (I)**	**3 months - 1 year (II)**	**1 - 5 years (III)**	**5 years and over (IV)**
Non-derivative financial liabilities						
Borrowings	4.511.887.413	5.929.534.982	705.317.197	630.783.617	2.554.526.076	2.038.908.092
Trade payables	491.019.291	493.012.377	214.302.685	98.908.761	155.010.068	24.790.863
Other payables	2.358.236	2.358.236	2.341.912	-	16.324	-
Derivative financial liabilities						
Derivative financial instrument	30.201.777	30.201.777	2.229.080	10.690.451	17.282.246	-
	5.035.466.717	**6.455.107.372**	**924.190.874**	**740.382.829**	**2.726.834.714**	**2.063.698.955**

31 December 2017 **Maturities in accordance with contract**	**Carrying value**	**Total contractual cash outflow (I-II-III-IV)**	**Demand or up to 3 months (I)**	**3 months - 1 year (II)**	**1 - 5 years (III)**	**5 years and over (IV)**
Non-derivative financial liabilities						
Borrowings	3.216.578.347	4.357.191.332	121.013.919	436.881.816	1.921.985.763	1.877.309.834
Trade payables	388.615.434	392.295.074	143.058.689	44.822.162	167.065.470	37.348.753
Other payables	1.786.175	1.786.175	1.770.447	-	15.728	-
Derivative financial liabilities						
Derivative financial instrument	32.748.914	32.748.914	-	15.163.211	16.555.801	1.029.902
	3.639.728.870	**4.784.021.495**	**265.843.055**	**496.867.189**	**2.105.622.762**	**1.915.688.489**

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

NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)

b) Market risk

- *Interest rate risk*

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The Group manages interest rate risk by using fixed or floating interest bearing assets and liabilities by considering the borrowing market conditions and expectations. In order to minimize the interest rate risk, the Group utlise borrowings with the most favorable conditions in line with the analysis of fixed and floating interest rates. Interest rate risk arising from assets and liabilities exposed to floating interest rate are managed through interest rate swap agreements.The Group invests, cash and cash equivalents which are not used, in time deposits.

The table of the interest position of the Group as of 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Financial instruments with fixed interest rates		
Cash and cash equivalents	16.891.410	43.172.394
Trade receivables	172.518.893	98.356.179
Other receivables	14.693.309	9.720.198
Borrowings	3.065.677.421	2.217.091.347
Trade payables	314.291.325	257.894.799
Financial instruments with floating interest rates		
Financial liabilities	1.446.209.992	999.487.000
Trade payables	176.727.966	130.720.635

The Group has analyzed various scenarios including refinancing the existing situation alternative financing options and to avoid the hedging risk. According to these scenarios, if annual interests of floating interest rated loans were 100 basis point high/low with all the other parameters are constant, current year income before tax have been TL 10.778.121 lower/higher as a result of interest expense of floating interest rated loans and swap transactions (2017: TL 3.138.313).

- *Foreign exchange risk*

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

The details of the foreign currency assets and liabilities as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Assets	29.221.151	49.533.860
Liabilities	4.052.146.871	3.002.682.765
	(4.022.925.720)	**(2.953.148.905)**

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

NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)

Assets and liabilities denominated in foreign currency held by the Group at 31 December 2018 and 2017 and their TL equivalent are as follows:

	31 December 2018				31 December 2017			
	TL Equivalent	**USD**	**Euro**	**Other**	**TL Equivalent**	**USD**	**Euro**	**Other**
Cash and cash equivalents	9.860.630	489.375	1.208.476	208	40.324.426	8.358.837	1.947.897	-
Trade receivable from related parties	911.156	-	151.154	-	-	-	-	-
Trade receivables from third parties	8.319.357	-	1.380.119	-	83.047	13.751	6.905	-
Other receivables from third parties	10.087.776	1.917.500	-	-	7.232.618	1.917.500	-	-
Derivative financial instruments	24.345	4.628	-	-	1.878.116	497.923	-	-
Current assets	**29.203.264**	**2.411.503**	**2.739.749**	**208**	**49.518.207**	**10.788.011**	**1.954.802**	**-**
Other receivables from third parties	17.887	3.400	-	-	15.653	4.150	-	-
Non-current assets	**17.887**	**3.400**	**-**	**-**	**15.653**	**4.150**	**-**	**-**
Total assets	**29.221.151**	**2.414.903**	**2.739.749**	**208**	**49.533.860**	**10.792.161**	**1.954.802**	**-**
Derivative financial instruments	12.919.531	2.455.764	-	-	15.163.211	4.020.046	-	-
Short-term portion of long term borrowings	764.631.622	145.342.360	-	-	317.406.532	84.150.304	-	-
Trade payables to related parties	18.032.492	2.453.577	850.111	-	2.851.128	227.879	441.056	-
Trade payables to third parties	80.791.171	15.114.065	211.942	-	31.285.644	8.001.360	244.743	35
Finance lease liabilities	6.711.449	-	1.113.379	-	4.898.505	-	1.084.820	-
Other short-term provisions	-	-	-	-	5.405.309	1.433.046	-	-
Current liabilities	**883.086.265**	**165.365.766**	**2.175.432**	**-**	**377.010.329**	**97.832.635**	**1.770.619**	**35**
Derivative financial instruments	17.282.246	3.285.036	-	-	33.148.503	8.788.277	-	-
Borrowings	3.037.597.911	577.391.304	-	-	2.450.095.045	649.565.217	-	-
Finance lease liabilities	61.151.542	-	10.144.582	-	50.059.415	-	11.086.129	-
Trade payables to third parties	53.026.803	10.079.417	-	-	92.367.964	24.488.445	-	-
Other payables to third parties	2.104	400	-	-	1.509	400	-	-
Non-current liabilities	**3.169.060.606**	**590.756.157**	**10.144.582**	**-**	**2.625.672.436**	**682.842.339**	**11.086.129**	**-**
Total liabilities	**4.052.146.871**	**756.121.923**	**12.320.014**	**-**	**3.002.682.765**	**780.674.974**	**12.856.748**	**35**
Net foreign currency assets/(liabilities)	**(4.022.925.720)**	**(753.707.020)**	**(9.580.265)**	**208**	**(2.953.148.905)**	**(769.882.813)**	**(10.901.946)**	**(35)**

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

NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)

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

				31 December 2018
		Profit /Loss		**Equity**
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
+/- 20% fluctuation of USD rate				
1- USD net asset / liability	(793.035.452)	793.035.452	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(793.035.452)**	**793.035.452**	**-**	**-**
+/- 20% fluctuation of EUR rate				
4- EUR net asset / liability	(11.549.967)	11.549.967	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	**(11.549.967)**	**11.549.967**	**-**	**-**
+/- 20% fluctuation of other currencies rate against to TL				
7- Other currencies net asset / liability	277	(277)	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	**277**	**(277)**	**-**	**-**
Total (3+6+9)	**(804.585.142)**	**804.585.142**	**-**	**-**

				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	(580.784.196)	580.784.196	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	**(580.784.196)**	**580.784.196**	**-**	**-**
+/- 20% fluctuation of EUR rate				
4- EUR net asset / liability	(9.845.547)	9.845.547	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	**(9.845.547)**	**9.845.547**	**-**	**-**
+/- 20% fluctuation of other currencies rate against to TL				
7- Other currencies net asset / liability	(36)	36	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	**(36)**	**36**	**-**	**-**
Total (3+6+9)	**(590.629.779)**	**590.629.779**	**-**	**-**

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

NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)

c) Funding risk

The funding risk of the current and future debt requirements is managed through rendering the availability of the qualified lenders. The Group's bank loans are provided by financially strong financial institutions.

d) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The Group monitors capital on the basis of the ratio of net debt to total equity. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the consolidated balance sheet) less cash and cash equivalents. Total equity is calculated as the difference between assets and liabilities. Additionally, the Group calculates the total equity/total assets ratio. Group’s construction in progress is financed by miscellaneous potential financial institutions as mentioned in the funding risk. Completion periods and cash outflows of investments are assessed and valorized within capital risk management by the Group. The periods after the completion of investments expect a significant reduction in the ratio of net debt/total capital.

Net debt/total equity ratio as of 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Trade payables to related parties and third parties	491.019.291	388.615.434
Total borrowings	4.511.887.413	3.216.578.347
Other payables	2.358.236	1.786.175
Total debt	**5.005.264.940**	**3.606.979.956**
Less: Cash and Cash Equivalents (Note 3)	**(19.319.811)**	**(45.241.003)**
Net debt	**4.985.945.129**	**3.561.738.953**
Total equity	**460.564.993**	**1.868.433.136**
Net debt/total equity ratio	**%1.083**	**%191**

e) Credit risk

The Group is exposed to credit risks due to its open receivable position with future collection dates and time deposits. If counterparties fail on the fulfillment of the agreement, the Group is exposed to the risk upon holding the financial instruments. Management covers the risk by limiting the average risk of counterparties (except for related parties) on agreements and by obtaining guarantees if necessary.

The Group has internal credit procedures, the credit rating system and internal policies for credit risk management related with the trade receivables from its customers. According to these procedures, the Group separately approves, increase or decrease the credit limits for customers with significant balances. The credit limits are determined in accordance with the historical payment performances, financial strengths, commercial relations, commercial growth potential, and management styles. Credit limits are reviewed every year and the group use bank guarantees, marketable securities and other guarantees for the customers which considered as high risk.

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

NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)

The exposure of the Group to credit risk as of 31 December 2018 based on types of financial instruments is as follows:

	Trade receivables		Other receivables			
31 December 2018	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Cash at banks**	**Derivative financial instruments**
Maximum exposure to credit risk as of reporting date (*) (A+B+C+D+E)	7.704.996	164.813.897	602.800	14.090.509	19.308.519	24.345
- Secured with guarantees	-	33.273.950	-	-	-	-
A.Net book value of neither past due nor impaired financial assets (*)	7.704.996	154.030.498	602.800	14.090.509	19.308.519	24.345
- Secured with guarantees	-	23.982.268	-	-	-	-
				-	-	-
B.Net book value of restructured financial assets	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
C.Net book value of past due but not impaired financial assets	-	10.783.399	-	-	-	-
- Secured with guarantees	-	9.291.682	-	-	-	-
D.Net book value of impaired assets						
- Past due (gross net book value)	-	11.832.221	-	-	-	-
- Impairment (-)	-	(11.832.221)	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
- Not past due (gross net book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
E.Collective provision for impairment (-)	-	-	-	-	-	-

(*) As of 31 December 2018, trade receivables from third parties categorized on neither past due nor impaired financial assets amounting to TL 119.654.422 are comprised of receivables from EPİAŞ and TEİAŞ within the scope of electricity trading operations with a due date less than 1 month.

Maturity of expected credit loss

31 December 2018	**Not due**	**Overdue up to 1 months**	**Overdue 1-3 months**	**Overdue 3-12 months**	**Overdue more than 1 year**	**Total**
Closing balance	161.735.494	1.242.263	8.194.690	1.346.446	11.832.221	184.351.114
Credit loss rate (%)	0%	0%	0%	0%	100%	%6
Expected credit losses	-	-	-	-	(11.832.221)	(11.832.221)

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

NOTE 28 - FINANCIAL RISK MANAGEMENT (Continued)

The exposure of the Group to credit risk as of 31 December 2017 based on types of financial instruments is as follows:

	Trade receivables		**Other receivables**			
31 December 2017	**Related parties**	**Third parties**	**Related parties**	**Third parties**	**Cash at banks**	**Derivative financial instruments**
Maximum exposure to credit risk as of reporting date (*) (A+B+C+D+E)	21.236.890	77.119.289	-	9.720.198	45.172.043	497.923
- Secured with guarantees	-	69.292.459	-	-	-	-
A.Net book value of neither past due nor impaired financial assets (*)	21.234.965	76.726.359	-	9.720.198	45.172.043	497.923
- Secured with guarantees	-	32.634.261	-	-	-	-
				-	-	-
B.Net book value of restructured financial assets						
- Secured with guarantees	-	-	-	-	-	-
C.Net book value of past due but not impaired financial assets	1.925	392.930	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
D.Net book value of impaired assets						
- Past due (gross net book value)	-	11.832.221	-	-	-	-
- Impairment (-)	-	(11.832.221)	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
- Not past due (gross net book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
E.Collective provision for impairment (-)	-	-	-	-	-	-

(*) As of 31 December 2017, trade receivables from third parties categorized on neither past due nor impaired financial assets amounting to TL 34.347.103 are comprised of receivables from EPİAŞ and TEİAŞ within the scope of electricity trading operations with a due date less than 1 month.

NOTE 29 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial assets

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

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

Financial liabilities

The fair values of floating rate and short-term bank borrowings and other financial liabilites are estimated to coverge to their fair values. The fair values of long-term bank borrowings of the Group are provided in Note 4.

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

As of 31 December 2018, the Group has short-term and long-term liabilities from derivative financial instruments amounting to TL 12.919.531 (31 December 2017: TL 15.163.211) and TL 17.282.246 (31 December 2017: TL 17.585.703) respectively and TL 24.345 derivative financial instruments in its current assets (31 December 2017: TL 497.923), which are categorized as level 2.

Fair value of the lands, land improvements, buildings, machinery and equipment of the Group's power plants were measured by a professional independent valuation company on 31 December 2017 through other valuation techniques involving direct and indirect observable inputs (Level 3). In addition the related property, plant and equipment are carried with their fair values as of 31 December 2018 which are measured on 31 December 2017.

NOTE 30 - SUBSEQUENT EVENTS

None.

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