

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

Akenerji Elektrik Üretim A.Ş.

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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

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

		Current period	Prior period
		Unaudited	Audited
	Notes	30 September 2020	31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents		258.712.458	88.187.054
Trade receivables			
- Due from related parties	15	13.411.912	4.966.185
- Due from third parties		79.966.608	67.172.514
Inventories		5.228.017	817.302
Other receivables			
- Due from third parties		3.124.085	5.239.483
Prepaid expenses		18.800.827	23.090.079
Derivative financial instruments	7	3.164.842	283.082
Current income tax assets	9	812.360	2.434.194
Other current assets		12.369.498	50.460.113
Total current assets		395.590.607	242.650.006
Assets held for sale		1.100.000	1.100.000
Non-current assets			
Other receivables			
- Due from related parties	15	9.128.100	1.330.120
- Due from third parties		1.183.608	1.786.397
Inventories		18.788.541	20.522.180
Financial investments		100.000	100.000
Property, plant and equipment	4	6.252.892.376	6.459.869.993
Intangible assets	5	106.594.656	108.555.151
Right of use assets		29.038.233	23.052.532
Deferred tax assets	9	2.058.624	4.420.521
Prepaid expenses		1.298.772	10.686.281
Total non-current assets		6.421.082.910	6.630.323.175
TOTAL ASSETS		6.817.773.517	6.874.073.181

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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

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

		Current period	Prior period
		Unaudited	Audited
	Notes	30 September 2020	31 December 2019
LIABILITIES			
Current liabilities			
Short term borrowings	3	-	6.112.169
Short term portion of long term borrowings			
- Bank loans	3	245.508.288	166.380.043
- Lease liabilities	3	12.086.152	9.768.189
Trade payables			
- Due to related parties	15	21.641.875	32.393.820
- Due to third parties		199.316.088	197.173.111
Other payables			
- Other payables to third parties		11.467.708	8.862.311
Derivative financial instruments	7	19.523.554	7.917.962
Employee benefit obligations		887.256	812.190
Short term provisions			
- Provisions for employee benefits		4.140.806	5.324.376
- Other short-term provisions	6	35.034.513	33.145.904
Deferred income		1.520.242	1.029.524
Total current liabilities		551.126.482	468.919.599
Non-current liabilities			
Long term borrowings			
- Bank loans	3	5.913.995.309	4.834.099.972
- Lease liabilities	3	102.045.114	82.207.395
Derivative financial instruments	7	46.948.918	26.746.806
Trade payables			
- Due to third parties		149.216.812	176.736.132
Other payables			
- Due to third parties		17.343	16.595
Long term provisions			
- Provisions for employee benefits		7.485.011	6.375.802
Deferred tax liabilities	9	203.429.183	317.803.371
Total non-current liabilities		6.423.137.690	5.443.986.073
EQUITY			
Share capital	8	729.164.000	729.164.000
Adjustments to share capital	8	101.988.910	101.988.910
Share premiums		50.220.043	50.220.043
Other comprehensive income/expense to be reclassified to profit/loss			
- Losses on cash flow hedging		(7.543.510)	(9.408.118)
Restricted reserves			
- Legal reserves	8	12.053.172	12.053.172
- Other reserves		(4.322.722)	(4.322.722)
Other comprehensive income/expense not to be reclassified to profit/loss			
- Increase on revaluation of property, plant and equipment		3.455.247.018	3.635.344.991
- Gains/(losses) on re-measurement of defined benefit plans		(1.734.448)	(1.442.122)
Retained earnings/(losses)		(3.401.797.332)	(2.811.757.372)
Net profit/(loss) for the period		(1.089.765.786)	(740.673.273)
Total equity		(156.490.655)	961.167.509
TOTAL LIABILITIES AND EQUITY		6.817.773.517	6.874.073.181

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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

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

	Notes	Current period		Prior period	
		Unaudited		Unaudited	
		1 January - 30 September 2020	1 January - 30 September 2019	1 July- 30 September 2020	1 July- 30 September 2019
Revenue	10	1.567.878.422	1.382.717.425	555.106.251	486.718.878
Cost of sales (-)	10	(1.404.471.115)	(1.180.489.200)	(535.521.089)	(508.221.252)
GROSS PROFIT		163.407.307	202.228.225	19.585.162	(21.502.374)
General administrative expenses (-)		(44.952.136)	(42.906.945)	(14.761.156)	(15.702.397)
Other operating income	12	30.001.680	18.691.167	11.518.253	3.428.747
Other operating expenses (-)	12	(44.638.923)	(23.238.091)	(13.406.398)	4.039.648
OPERATING PROFIT		103.817.928	154.774.356	2.935.861	(29.736.376)
Income from investing activities	13	18.513	17.020	18.331	-
Expenses from investing activities	13	-	(130.291)	-	-
OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)		103.836.441	154.661.085	2.954.192	(29.736.376)
Financial income	14	19.802.277	15.373.616	12.088.211	2.884.365
Financial expenses (-)	14	(1.355.274.522)	(663.235.137)	(624.921.411)	(43.780.322)
LOSS BEFORE TAX		(1.231.635.804)	(493.200.436)	(609.879.008)	(70.632.333)
Tax (Expense)/Income					
Current income tax expense	9	-	(141.808)	-	(17.301)
Deferred tax income	9	141.870.018	56.455.014	31.290.672	9.245.844
NET LOSS FOR THE PERIOD		(1.089.765.786)	(436.887.230)	(578.588.336)	(61.403.790)
Net loss attributable to:					
Equity holders of the parent		(1.089.765.786)	(436.887.230)	(578.588.336)	(61.403.790)
		(1.089.765.786)	(436.887.230)	(578.588.336)	(61.403.790)
Earnings losses per shares (1.000 shares)		(1,495)	(0,599)	(0,793)	(0,084)

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

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

	Current period		Prior period	
	Unaudited		Unaudited	
	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Net loss for the period	(1.089.765.786)	(436.887.230)	(578.588.336)	(61.403.790)
Other comprehensive income/(expense)				
To be reclassified to profit or loss				
Gains on cash flow hedging				
Deferred tax effect	2.330.760 (466.152)	2.322.251 (464.454)	782.585 (156.518)	782.590 (156.522)
Not to be reclassified to profit or loss				
Increase on revaluation of property, plant and equipment	-	-	-	-
Deferred tax effect	(29.464.660)	11.832.382	(29.465.084)	-
Actuarial gain/(loss) arising from defined benefit plans	(365.408)	(22.741)	458.271	335.599
Deferred tax effect	73.082	4.548	(91.654)	(67.120)
OTHER COMPREHENSIVE EXPENSE	(27.892.378)	13.671.986	(28.472.400)	894.547
TOTAL COMPREHENSIVE LOSS	(1.117.658.164)	(423.215.244)	(607.060.736)	(60.509.243)

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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

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

	Share capital	Adjustments to share capital	Share premiums	Other comprehensive income / (expenses) to be reclassified to profit or loss	Restricted reserves		Other comprehensive income / (expenses) not to be reclassified to profit or loss	Retained earnings/ (losses)	Net profit/(loss) for the period	Total equity	
				Gains / (losses) on cash flow hedging (**)	Other reserves	Legal reserves	Increase on revaluation of property, plant and equipment				Gains/(losses) on re-measurement of defined benefit plans)
1 January 2019	729.164.000	101.988.910	50.220.043	(11.891.988)	(4.322.722)	12.053.172	2.548.936.335	(1.045.003)	(1.408.141.204)	(1.556.396.550)	460.564.993
Transfers	-	-	-	-	-	-	-	-	(1.556.396.550)	1.556.396.550	-
Other adjustments (*)	-	-	-	-	-	-	(117.380.642)	-	117.380.642	-	-
Total comprehensive expense	-	-	-	1.857.797	-	-	11.832.382	(18.193)	-	(436.887.230)	(423.215.244)
30 September 2019	729.164.000	101.988.910	50.220.043	(10.034.191)	(4.322.722)	12.053.172	2.443.388.075	(1.063.196)	(2.847.157.112)	(436.887.230)	37.349.749
1 January 2020	729.164.000	101.988.910	50.220.043	(9.408.118)	(4.322.722)	12.053.172	3.635.344.991	(1.442.122)	(2.811.757.372)	(740.673.273)	961.167.509
Transfers	-	-	-	-	-	-	-	-	(740.673.273)	740.673.273	-
Other adjustments(*)	-	-	-	-	-	-	(150.633.313)	-	150.633.313	-	-
Total comprehensive expense	-	-	-	1.864.608	-	-	(29.464.660)	(292.326)	-	(1.089.765.786)	(1.117.658.164)
30 September 2020	729.164.000	101.988.910	50.220.043	(7.543.510)	(4.322.722)	12.053.172	3.455.247.018	(1.734.448)	(3.401.797.332)	(1.089.765.786)	(156.490.655)

(*) As of 30 September 2020, the depreciation difference between the acquisition cost and the carrying values of the assets subject to revaluation method amounting to TL 150.633.313 (30 September 2019: TL 117.380.642) without a deferred tax effect, provided in increase on revaluation of property, plant and equipment were reclassified under retained earnings / (losses) in full amounts net of the deferred tax impact amounting to has been transferred from the increase on revaluation of property, plant and equipment to retained earnings).

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

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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

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

		Current period	Prior period
		Unaudited	Unaudited
		1 January -	1 January -
	Notes	30 September 2020	30 September 2019
A. Cash flows from operating activities		301.164.990	402.344.994
Net loss for the period		(1.089.765.786)	(436.887.230)
Adjustments to reconcile net profit / (loss) for the period		1.435.874.768	745.090.860
Adjustments for depreciation and amortisation expenses	11	226.436.061	194.706.617
Adjustments for provisions			
-Adjustments for litigation provisions	6	827.372	505.502
-Adjustments for other provisions	6	1.061.237	2.198.548
-Adjustment for provisions for employee benefits		5.341.953	3.915.320
Adjustments for unrealized foreign exchange differences		894.760.109	293.233.780
Adjustments for tax (income) / expense	9	(141.870.018)	(56.313.206)
Adjustments for (gain) / loss on sale of property, plant and equipment	13	-	130.142
Fair value of derivative financial instruments		36.881.127	24.046.769
Adjustments for interest (income)/expense, net		412.436.927	282.667.388
Changes in working capital		(40.784.103)	99.242.304
Increase / decrease in trade receivables from related parties		(8.445.727)	(789.411)
Increase / decrease in trade receivables from third parties		(12.794.094)	76.919.889
Increase / decrease in other receivables from related parties		(7.797.980)	(633.920)
Increase / decrease in other receivables from third parties		2.718.187	8.776.008
Increase / decrease in inventories		(2.677.076)	(1.338.836)
Increase / decrease in prepaid expenses		13.080.910	(3.259.723)
Increase / decrease in other assets		38.090.620	68.855.060
Increase / decrease in trade payables to related parties		(10.751.945)	(17.641.602)
Increase / decrease in trade payables to third parties		(47.423.737)	(29.662.688)
Increase / decrease in derivative financial instruments		(7.955.190)	(1.720.894)
Change in deferred income		490.718	-
Increase / decrease in employee benefit obligations		75.066	213.345
Increase / decrease in other payables to third parties		2.606.145	(474.924)
Cash flows from operating activities		305.324.879	407.445.934
Payments related to provisions for employee benefits		(5.781.723)	(3.328.795)
Tax (payments) / receipts		1.621.834	(1.772.145)
B. Cash flows from investing activities		(15.194.916)	(10.818.495)
Cash outflows due to purchase of property, plant and equipment	4	(15.147.322)	(10.636.197)
Cash outflows due to purchase of intangible assets	5	(75.788)	(208.698)
Cash inflows due to sale of property, plant and equipment		28.194	26.400
C. Cash flows from financing activities		(151.358.611)	(277.573.408)
Cash inflows on borrowings received	3	(2.218.714)	223.450.000
Cash outflows due to repayment of borrowings	3	(3.893.455)	(475.265.750)
Payments of lease liabilities	3	(11.636.430)	(9.808.229)
Interest paid	3	(103.067.403)	(18.997.890)
Interest received		5.371.331	13.556.167
Other cash inflows / (outflows) (*)		(35.913.940)	(10.507.706)
Net increase / (decrease) in cash and cash equivalents		134.611.463	113.953.091
Cash and cash equivalents at the beginning of the period (*)		72.486.079	16.270.551
Cash and cash equivalents at the end of the period (*)		207.097.542	130.223.642

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

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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

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

NOTE 1 – ORGANISATION OF GROUP AND NATURE OF OPERATIONS

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

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

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

The Company is registered to the Capital Markets Board (“CMB”), and its shares are publicly traded in Istanbul Stock Exchange (“ISE”). As of 30 September 2020, 52,83% of its shares are open for trading (31 December 2019: 52,83%).

As of 30 September 2020, the number of employees employed by Akenerji and its subsidiaries (Akenerji and its subsidiaries will be referred called as the “Group”) is 236 (31 December 2019: 237).

These condensed consolidated financial statements for the interim period 1 January – 30 September 2020 have been approved for the issue by the Board of Directors at 6 November 2020.

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
Akel Kemah Elektrik Üretim ve Ticaret A.Ş. (“Akel Kemah”)	Electricity production and trading	Gümüşsuyu / Istanbul
Akenerji Doğalgaz İthalat İhracat ve Toptan Ticaret A.Ş. (“Akenerji Doğalgaz”)	Natural gas trading	Gümüşsuyu / Istanbul

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Principles of Preparation of Interim Condensed Consolidated Financial Statements

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

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

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

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

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

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

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

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

2.2 Basis of consolidation

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

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

Subsidiaries	Direct and indirect ownership interest by the Company and its subsidiaries (%)	
	30 September 2020	31 December 2019
Akenerji Toptan	100,00	100,00
Akenerji Doğalgaz	100,00	100,00
Akel Kemah	100,00	100,00

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

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

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

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

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

2.3 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the interim condensed consolidated financial statements as at 30 September 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TAS/IFRS and IFRIC interpretations effective as of 1 January 2020. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at 30 September 2020 are as follows:

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

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

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

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

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

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

2.4 Restatement and errors in the accounting policies and estimates

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

2.5 Comparatives and restatement of prior year financial statements

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

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

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

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

2.6 Critical accounting estimates and judgments

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

The estimates and judgments that are material to the carrying values of assets and liabilities are outlined below:

Deferred tax assets for the carry forward tax losses:

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

As a result of the studies performed as of 30 September 2020, the Group recognized deferred tax assets on carry forward tax losses amounting to TL 384.530.826 (31 December 2019: TL 126.469.406). The said deferred tax asset has been calculated in accordance with projection of future taxable profits, and if the profit expectations are not realized, the deferred tax assets will be recorded as an expense in the consolidated statement of profit or loss. Deferred tax asset is not recognized for carryforward tax losses for the remaining TL 1.030.868.985 (31 December 2019: TL 540.862.450).

As of 30 September 2020, should the projected statutory net profits decreased by 10% and if all other variables are held constant, deferred tax liabilities accounted in condensed consolidated financial statements would have been increased by TL 7.543.008.

Explanations for revaluation method and fair value measurement

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

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

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

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

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

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

2.7 Important events occurred during the period

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

2.8 Going concern

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

In the first nine months of the year ended as of 30 September 2020, although the production of renewable energy plants of the Group decreased slightly compared to the same period of the previous year, the Group generated more consolidated revenue compared to last year since the increase in the foreign exchange rate and the significant increase in the unit profit margins of the Erzin power plant. In addition, as a result of the revenues obtained from the ancillary services (Primary Frequency Control, Secondary Frequency Control, 0-1 coded Instructions, Capacity Mechanism, etc.) provided with high operational convenience, consolidated revenues of the Group has increased significantly. Group, as a result of the liquidity decrease in the Turkey energy derivatives market, has reached a volume of 487 GWh in 5 countries including overseas physical electricity exports and financial transactions, it intensified commercial activity in this area and increased foreign exchange revenue.

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

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

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

With the Communiqué of Ministry of Commerce issued on the official gazette dated 15 September 2018 regarding the regulation on loss of capital and excess of liabilities over assets in relation to Article 376 of Turkish Commercial Code numbered 6102, it has been decided that, unrealized foreign exchange losses incurred from the foreign exchange based financial liabilities which are not yet fulfilled can be excluded on the calculation of loss of capital and excess of liabilities over assets. In relation to this regulation, it is calculated that, unrealized foreign exchange losses recognised under retained earnings/(losses) amounting to TL 1.337.158.415 and recognised under consolidated statement of profit or loss amounting to TL 906.647.359, in total amounting to TL 2.243.805.774 will be excluded on the calculation of loss of capital and excess of liabilities over assets by adding back to the total equity. In addition, as of 31 December 2019, re-measurement of fair value of lands, land improvements, buildings, machinery and equipment of Group’s power plant had a positive effect on its equity. Accordingly, there is no either issue of loss of capital or excess of liabilities over assets for the Group. The Group, as aware of all of its short term and long term liabilities, has been taking the necessary actions maintain its operations in a healthy financial structure within the framework of proactive approach.

NOTE 3 - BORROWINGS

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

	30 September 2020	31 December 2019
Short term borrowings		
-Bank loans	-	6.112.169
Total short term borrowings	-	6.112.169
Short-term portion of long term borrowings		
-Bank loans	245.508.288	166.380.043
-Lease liabilities	12.086.152	9.768.189
Total short-term portion of long term borrowings	257.594.440	176.148.232
Long term borrowings		
-Bank loans	5.913.995.309	4.834.099.972
-Lease liabilities	102.045.114	82.207.395
Total long term borrowings	6.016.040.423	4.916.307.367
Total short term and long term borrowings	6.273.634.863	5.098.567.768

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

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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

NOTE 3 - BORROWINGS (Continued)

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

30 September 2020				
	Currency	Effective Interest rate %	Original Amount	Amount in TL
Short-term portion of long-term bank loans	USD	7,90	31.443.172	245.508.288
Short-term portion of long-term lease liabilities	EUR	3,42	1.417.188	12.936.229
Interest cost of short-term portion of long-term lease liabilities (-)	EUR	3,40	(302.889)	(2.764.801)
Short-term portion of long-term lease liabilities	TL	17,46	1.914.724	1.914.724
Total short-term borrowings				257.594.440
Long term bank loans	USD	7,90	441.725.241	3.448.990.683
Long term bank loans	TL	12,28	2.465.004.626	2.465.004.626
Long-term lease liabilities	EUR	3,40	9.845.123	89.867.280
Interest cost of long-term lease liabilities (-)	EUR	3,40	(1.681.455)	(15.348.487)
Long-term lease liabilities	TL	17,46	27.526.321	27.526.321
Total long-term borrowings				6.016.040.423
31 December 2019				
	Currency	Effective Interest rate %	Original Amount	Amount in TL
Short-term bank loans	TL	-	6.112.169	6.112.169
Total short-term bank loans			6.112.169	6.112.169
Short-term portion of long-term bank loans	USD	7,90	28.009.165	166.380.043
Short-term portion of long-term lease liabilities	EUR	3,40	1.527.770	10.160.586
Interest cost of short-term portion of long-term lease liabilities (-)	EUR	3,40	(336.231)	(2.236.138)
Short-term portion of long-term lease liabilities	TL	17,85	1.843.741	1.843.741
Total short-term borrowings				176.148.232
Long term bank loans	USD	7,90	433.390.522	2.574.426.382
Long term bank loans	TL	12,28	2.259.673.590	2.259.673.590
Long-term lease liabilities	EUR	3,40	11.184.552	74.383.982
Interest cost of long-term lease liabilities (-)	EUR	3,40	(1.984.344)	(13.197.077)
Long-term lease liabilities	TL	17,85	21.020.490	21.020.490
Total long-term borrowings				4.916.307.367

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NOTE 3 - BORROWINGS (Continued)

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

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

	30 September 2020	31 December 2019
Up to 1 - 2 years	258.635.895	182.408.672
Up to 2 - 3 years	247.678.065	184.610.054
Up to 3 - 4 years	239.455.847	165.883.604
Up to 4 - 5 years	3.513.490.493	3.021.384.267
More than 5 years	1.654.735.009	1.279.813.375
	5.913.995.309	4.834.099.972

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

	30 September 2020	31 December 2019
Up to 1-2 years	11.464.691	8.404.847
Up to 2-3 years	11.319.965	7.373.756
Up to 3-4 years	11.280.396	7.184.462
Up to 4-5 years	10.552.051	7.424.753
Up to 5-6 years	10.917.748	7.689.230
Up to 6-7 years	11.296.691	7.955.862
Up to 7-8 years	11.679.730	8.232.177
Up to 8-9 years	783.267	8.510.342
Up to 9-10 years	70.279	572.619
More than 10 years	22.690.446	18.859.347
	102.055.264	82.207.395

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

	2020	2019
1 January	5.098.567.768	4.511.887.413
TFRS 16 transition effect (Note 2)	-	22.684.883
Cash flow impact	(120.816.004)	(280.621.869)
Change in unrealized foreign exchange differences	894.760.109	293.233.780
Change in interest accruals	393.430.105	283.719.876
Changes in lease liabilities (Note 2)	7.692.885	1.803.787
30 September	6.273.634.863	4.832.707.870

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NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2020	Additions	Transfers (***)	Disposals	30 September 2020
Cost					
Lands	281.604	-	-	-	281.604
Land improvements (*)	3.533.196.145	1.042.333	-	-	3.534.238.478
Buildings	766.660.909	2.285.020	-	-	768.945.929
Machinery and equipment (**)	3.027.499.249	679.039	3.150.568	-	3.031.328.856
Motor vehicles	1.610.896	-	-	-	1.610.896
Furnitures and fixtures	11.341.659	490.921	-	(2.200)	11.830.380
Leasehold improvements	1.759.367	144.448	-	-	1.903.815
Construction in progress	36.506.648	10.505.561	(3.150.568)	(26.177)	43.835.464
	7.378.856.477	15.147.322	-	(28.377)	7.393.975.422
Accumulated depreciation					
Land improvements	321.739.933	88.948.221	-	-	410.688.154
Buildings	62.592.718	15.818.935	-	-	78.411.653
Machinery and equipment	524.502.489	116.577.409	-	-	641.079.898
Motor vehicles	734.368	200.669	-	-	935.037
Furnitures and fixtures	8.466.844	472.222	-	(183)	8.938.883
Leasehold improvements	950.132	79.289	-	-	1.029.421
	918.986.484	222.096.745	-	(183)	1.141.083.046
Net book value	6.459.869.993				6.252.892.376

(*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through finance lease on 27 January 2017 is amounting to TL 495.485. As of 30 September 2020, the total amount of accumulated depreciation of related land improvement is TL 48.896.

(**) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through finance lease on 27 January 2017 is amounting to TL 49.219.854. As of 30 September 2020, the total amount of accumulated depreciation of the related machinery and equipment is TL 18.457.445.

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

Current period depreciation expense amounting to TL 221.701.095 has been included in cost of sales and TL 395.650 has been included in general administrative expenses.

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NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

(*) Within the capacity increase project of Ayyıldız wind power plant, the cost of land improvement acquired through finance lease on 27 January 2017 is amounting to TL 495.485. As of 30 September 2019, the total amount of accumulated depreciation of related land improvement is TL 35.857.

(**) Within the capacity increase project of Ayyıldız wind power plant, the cost of machinery and equipment acquired through finance lease on 27 January 2017 is amounting to TL 49.219.854. As of 30 September 2019, the total amount of accumulated depreciation of the related machinery and equipment is TL 13.535.460.

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

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

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NOTE 4 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

NOTE 5 - INTANGIBLE ASSETS

	1 January 2020	Additions	Transfers	Disposals	30 September 2020
Costs					
Rights	7.812.361	75.788	-	-	7.888.149
Licenses	126.007.599	-	-	-	126.007.599
	133.819.960	75.788	-	-	133.895.748
Accumulated amortisation					
Rights	5.327.913	741.664	-	-	6.069.577
Licenses	19.936.896	1.294.619	-	-	21.231.515
	25.264.809	2.036.283			27.301.092
Net book value	108.555.151		-	-	106.594.656

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

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

Current period amortization expense amounting to TL 143.212 (30 September 2019: TL 130.160) has been included in cost of sales and remaining TL 1.893.071 (30 September 2019: TL 1.879.539) has been included in general administrative expenses.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 6 - PROVISIONS, COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES**a) Other short-term provisions**

As of 30 September 2020, there are various lawsuits against or in favor of the Group. These lawsuits are mainly action of debt and business cases. The Group management estimates the outcomes of these lawsuits and the financial effects thereof, and the required provisions are accounted for based on these estimates. The amount of provisions for the lawsuits as of 30 September 2020 is TL 32.344.005 (31 December 2019: TL 31.516.633).

	30 September 2020	31 December 2019
Litigation provision	32.344.005	31.516.633
Other expense accruals	2.690.508	1.629.271
	35.034.513	33.145.904

The movements of litigation provision are as follows:

	2020	2019
1 January	31.516.633	18.338.205
Interest charges of litigation provision	1.059.100	1.169.049
Current period charges	722.157	1.963.613
Released provisions	(953.885)	(2.627.160)
30 September	32.344.005	18.843.707

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:

	Original currency	30 September 2020		31 December 2019	
		Original Amount	TL equivalent	Original Amount	TL Equivalent
Letters of guarantees given	TL	123.889.942	123.889.942	112.488.595	112.488.595
	USD	8.190.000	63.947.520	6.622.421	39.338.503
	EUR	-	-	200.000	1.330.120
			187.837.462		153.157.218

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

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

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

	Currency	30 September 2020		31 December 2019	
		Original currency	TL equivalent	Original currency	TL equivalent
GPMs given by the Group					
A. GPMs given					
for companies' own legal entity	TL	6.542.350.785	6.542.350.785	6.530.949.438	6.530.949.438
	USD	925.705.600	7.227.909.325	924.138.021	5.489.564.670
	EUR	-	-	200.000	1.330.120
B.Total amount of GPM given for the subsidiaries and associates in the scope of consolidation					
	-	-	-	-	-
C.Total amount of GPM given for the purpose of maintaining operating activities					
	-	-	-	-	-
D.Total other GPMs given					
i) Total amount of CPMB's given on behalf of the majority shareholder	-	-	-	-	-
ii) Total amount of CPMB's given to on behalf of other which are not in scope of B and C.	-	-	-	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C.	-	-	-	-	-
			13.770.260.110		12.021.844.228

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

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

As of 30 September 2020, GPMs given by the Group to equity ratio is -8.799% (31 December 2019: 1.251%).

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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

- Sales and purchase commitments

Electricity sales and purchase commitments:

The Group has committed to sell 1.393.400 MWh of physical electricity energy within the scope of electricity energy sales contracts made with energy companies in 2020 and as of 30 September 2020, 1.198.202 MWh of the electricity energy was committed to be sold is completed.

The Group has committed to purchase 125.635 MWh of physical electricity energy within the scope of electricity energy purchase agreements with energy companies in 2020 and as of 30 September 2020, 109.973 MWh of the electricity energy was committed to be purchased is completed.

As of 30 September 2020, the Group has a 43.800 MWh physical electricity purchase protocol and a 43.800 MWh sales protocol to be committed in 2021 and beyond.

Natural gas purchase commitments:

In 2020, the Group provides 70% of its natural gas supply by Botaş and 30% from the free market through Akenerji Doğalgaz Company. The minimum purchase commitment amount is available only for the Botaş contract in accordance with the agreements made within this scope, and there is no minimum purchase commitment for Akenerji Doğalgaz. The Group has completed its take-or-pay obligation with consumption exceeding its commitment to the 2020 Botaş Agreement for the first nine months within October. Although the Group has consumed the 2020 Botaş Agreement, it has fulfilled the 80.214.420 sm³ buy-or-pay obligation, equivalent to the 1-month consumption of the Erzin combined natural gas cycle power plant transferred from 2019 and Group foresees to complete it in the light of the planned consumption amounts in 2020. For the aforementioned 2019 missing draw amount, the relevant contract defines the right to compensate in 2020 and 2021 without being subjected to penalties or any application.

c) Contingent assets

Guarantees received

	Currency	30 September 2020		31 December 2019	
		Original Currency	TL Equivalent	Original currency	TL Equivalent
Letters of guarantees received	TL	14.546.042	14.546.042	22.774.713	22.774.713
	EURO	2.319.537	21.172.962	2.035.264	13.535.729
	USD	4.000	31.232	4.000	23.761
Notes of guarantees received	TL	2.752.432	2.752.432	2.752.432	2.752.432
	USD	4.340.544	33.890.968	4.340.544	25.783.699
	EURO	33.800	308.530	33.800	224.790
	GBP	5.675	56.925	5.675	44.132
Cheques of guarantees received	TL	106.000	106.000	106.000	106.000
	USD	16.650	130.003	16.650	98.904
Mortgages received	TL	3.242.000	3.242.000	3.242.000	3.242.000
		76.237.094		68.586.160	

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

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NOTE 7 - DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2020		31 December 2019	
	Contract amount	Fair value	Contract amount	Fair value
Forward contracts	-	-	11.880.400	283.082
Forward-term electricity trading contracts	5.458.112	3.164.842	-	-
Derivative financial assets	5.458.112	3.164.842	11.880.400	283.082
Interest rate swaps				
- Short-term	276.723.328	16.796.977	203.624.116	7.829.133
- Long-term	773.464.384	46.948.918	695.428.124	26.738.480
Forward contracts				
- Short-term	2.920.992	328.347	2.926.264	88.829
- Long-term	-	-	266.024	8.326
Forward-term electricity trading contracts				
- Short-term	3.193.830	2.398.230	-	-
Derivative financial liabilities	1.056.302.534	66.472.472	902.244.528	34.664.768

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

NOTE 8 - EQUITY**Share capital**

Akenerji adopted the registered capital system applicable to the companies registered on the CMB and defined a limit to its registered capital for shares whose nominal value is TL 1 (“One Turkish Lira”). As of 30 September 2020 and 31 December 2019 the share capital held is as follows:

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

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NOTE 8 - EQUITY (Continued)

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

	30 September 2020		31 December 2019	
	Share (%)	Amount	Share (%)	Amount
CEZ a.s.	37,36	272.425.943	37,36	272.425.943
Akkök Holding A.Ş.	20,43	148.989.090	20,43	148.989.090
Akarsu Enerji Yatırımları San. ve Ticaret A.Ş. (“Akarsu”)	16,93	123.436.852	16,93	123.436.852
Publicly held	25,28	184.312.115	25,28	184.312.115
		729.164.000		729.164.000
Adjustment to share capital		101.988.910		101.988.910
Total paid-in capital		831.152.910		831.152.910

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

Share premium

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

Reserves

	30 September 2020	31 December 2019
Legal reserves	12.053.172	12.053.172
	12.053.172	12.053.172

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

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NOTE 9 - TAX ASSETS AND LIABILITIES

	30 September 2020	31 December 2019
Current income tax expenses	-	113.408
Prepaid taxes	(812.090)	(2.547.602)
Current income tax liabilities / (Current income tax assets), net	(812.090)	(2.434.194)

Corporation tax

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

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

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

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

Income tax withholding

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

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

	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Current income tax expense (-)	-	(141.808)	-	(17.301)
Deferred tax income	141.870.018	56.455.014	31.290.672	9.245.844
	141.870.018	56.313.206	31.290.672	9.228.543

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

	30 September 2020	31 December 2019
Deferred tax assets	2.058.624	4.420.521
Deferred tax liabilities	(203.429.183)	(317.803.371)
Deferred tax assets, net	(201.370.559)	(313.382.850)

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

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

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

	Total temporary differences		Deferred tax assets / (liabilities)	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Deferred tax assets on tax losses	(384.530.826)	(126.469.406)	77.053.774	25.572.342
Derivative financial instruments	766.611	-	(168.655)	-
Investment incentives (*)	(128.427.767)	(113.212.065)	25.685.553	22.642.413
Provisions for lawsuits	(2.752.900)	(2.357.013)	550.580	471.403
Provision for employment termination benefit	(4.595.939)	(3.700.012)	919.188	740.002
Provision for unused vacations	(274.410)	(232.869)	54.882	46.574
Adjustments to property, plant and equipment	1.395.844.316	1.752.700.400	(279.160.662)	(350.531.881)
Adjustments to borrowings	131.526.093	66.018.516	(26.305.219)	(13.203.703)
Provision for doubtful receivables	-	(4.000.000)	-	880.000
Deferred tax assets/(liabilities), net			(201.370.559)	(313.382.850)

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

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NOTE 9 - TAX ASSETS AND LIABILITIES (Continued)

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

Year incurred	Year can be used	30 September 2020	31 December 2019
2017	2022	-	3.501.950
2019	2024	119.926.775	122.967.456
2020	2025	264.604.051	-
		384.530.826	126.469.406

As of 30 September 2020, details of tax losses on which deferred taxes are not recognized, along with the year it is incurred and the maximum year it can be utilized, are provided below:

Year incurred	Year can be used	30 September 2020	31 December 2019
2015	2020	51.724.908	51.724.908
2016	2021	104.375.065	104.375.065
2017	2022	86.943.115	86.943.115
2018	2023	296.812.402	296.812.402
2019	2024	153.977.387	1.006.960
2020	2025	337.036.108	-
		1.030.868.985	540.862.450

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NOTE 10 - REVENUE AND COST OF SALES**a) Revenue**

	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Electricity sales revenue	1.011.573.772	1.014.549.190	316.361.024	343.892.691
Revenue on sharing of instability savings	274.545.321	151.627.424	107.600.259	72.297.742
Revenue on loading instructions	125.757.948	84.966.454	85.317.834	44.059.721
Revenue on seconder frequency control	79.056.510	78.978.922	28.881.948	14.339.456
Revenue on capacity mechanism	56.644.271	45.877.630	12.475.626	10.701.277
Other	20.300.600	6.717.805	4.469.560	1.427.991
	1.567.878.422	1.382.717.425	555.106.251	486.718.878

b) Cost of sales

	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Direct raw materials consumed and cost of electricity purchased (*)	1.111.112.642	936.708.021	446.647.533	427.163.640
Depreciation and amortisation expenses	222.317.487	191.216.945	64.562.218	62.908.491
Personnel expenses	26.719.992	22.254.026	8.815.446	7.629.291
Maintenance and repair expenses	22.348.892	13.207.657	9.692.450	5.843.939
Insurance expenses	11.525.394	9.398.683	3.870.722	3.174.879
Other materials and spare parts consumed	2.482.414	2.132.420	1.012.854	646.755
Other	7.964.294	5.571.448	919.866	854.257
	1.404.471.115	1.180.489.200	535.521.089	508.221.252

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

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NOTE 11- EXPENSES BY NATURE

	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Direct raw materials consumed and cost of electricity purchased	1.111.112.642	936.708.021	446.647.533	427.163.640
Depreciation and amortization expenses (*)	226.436.062	194.706.617	65.951.429	64.154.872
Personnel expenses (**)	47.715.327	40.636.304	16.036.478	14.195.378
Maintenance and repair expenses	22.348.892	13.207.657	9.692.450	5.843.939
Insurance expenses (***)	11.701.202	9.455.872	3.929.417	3.189.194
Taxes and duties	4.695.107	6.982.581	1.333.787	3.314.579
Advertising and sponship	3.708.963	-	1.236.204	-
IT expenses	3.135.003	2.600.443	1.082.377	777.913
Other materials and spare parts consumed	2.482.414	2.132.420	1.012.854	646.755
Consultancy expenses	2.307.032	2.666.249	669.861	659.603
Office expenses	2.248.454	1.709.524	796.388	549.970
Vehicle expenses	470.546	908.871	140.361	298.893
Travel expenses	231.849	704.878	74.007	212.084
Other expenses	10.829.758	10.976.708	1.679.099	2.916.829
	1.449.423.251	1.223.396.145	550.282.245	523.923.649

(*) Depreciation and amortization expenses amounting to TL 222.317.487 TL (30 September 2019: TL 191.216.945) is classified in cost of sales, TL 4.118.575 (30 September 2019: TL 3.489.672) of amortization and depreciation expenses is classified in general administrative expenses.

(**) Personnel expenses amounting to TL 26.719.992 (30 September 2019: TL 22.254.026) is classified in cost of sales, TL 20.995.335 (30 September 2019: TL 18.382.278) is classified in general and administrative expenses.

(***) Insurance expenses amounting to TL 11.525.394 (30 September 2019: TL 9.398.683) is classified in cost of sales, TL 175.808 (30 September 2019: TL 57.189) is classified in general and administrative expenses.

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

	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Gain on futures and options market	8.740.141	7.298.308	2.707.441	1.793.933
Gain on risk sharing contracts	6.328.454	1.077.029	2.123.316	-
Provisions no longer required (*)	5.048.425	4.281.134	4.379.694	2.466.987
Foreign exchange gains from trading activities	4.202.193	1.216.124	2.078.617	(2.688.380)
Profits from forward electricity purchase and sale contracts	3.164.842	-	(831.872)	-
Income from insurance compensation	1.416.118	353.937	528.058	-
Income from compensation	103.888	1.349	103.888	1.349
Income from energy services	70.287	561.404	-	128.904
Income from delay interest charges (**)	1.695	2.994.908	463	1.236.455
Other	925.637	906.974	428.648	489.499
	30.001.680	18.691.167	11.518.253	3.428.747

(*) As of 30 September 2020, TL 953.885 (30 September 2019: TL 2.627.160) of the provisions no longer required comprised of released provisions of litigation provisions, TL 82.134 of premium provisions (30 September 2019: TL 403.974), TL 4.000.000 (30 September 2019: 0) released provisions of doubtful receivables, and TL 12.406 of other provisions (30 September 2019: TL 1.250.000).

(**) Comprised of delay interests charges for trade receivables which are not collected at their due dates. As of 30 September 2020, the applied interest rate is 1,60% per month, unless there is a different interest rate agreed by the parties. (30 September 2019: 2,5%).

b) Other operating expense

	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Foreign exchange losses from trading activities	26.484.122	9.451.983	10.572.388	(6.652.731)
Losses on futures and options market	9.481.144	9.990.251	962.197	3.037.818
Losses on risk sharing contracts	3.945.691	557.846	2.576.773	-
Losses from forward electricity purchase and sale contracts	2.398.230	-	(923.977)	-
Discount expenses from trading activities	1.129.993	406.410	-	(1.280.145)
Provisions for litigations	722.157	1.963.613	100.756	486.250
Energy systems expenses	88.000	388.463	-	71.900
Other expenses	389.586	479.525	118.261	297.260
	44.638.923	23.238.091	13.406.398	(4.039.648)

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

	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Dividend income	18.331	16.871	18.331	-
Gain on sale of property, plant and equipment	182	149	-	-
	18.513	17.020	18.331	-

b) Expenses from investing activities

	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Losses on sale of property, plant and equipment	-	130.291	-	-
	-	130.291	-	-

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

	1 January – 30 September 2020	1 January – 30 September 2019	1 July – 30 September 2020	1 July – 30 September 2019
Foreign exchange gain	11.063.218	798.232	9.057.438	(1.530.967)
Interest income	5.391.431	13.578.640	2.870.655	7.353.512
Gain on derivative financial instruments	3.347.628	996.744	160.118	(2.938.180)
	19.802.277	15.373.616	12.088.211	2.884.365

b) Financial expenses

	1 January – 30 September 2020	1 January – 30 September 2019	1 July – 30 September 2020	1 July – 30 September 2019
Foreign exchange losses	892.120.276	276.207.028	462.282.272	(69.360.502)
Interest and commission expenses	404.297.938	343.648.275	143.157.656	107.616.620
Losses on derivative financial instruments	35.295.416	30.577.045	9.161.623	6.305.422
Other financial expenses (*)	23.560.892	12.802.789	10.319.860	(781.218)
	1.355.274.522	663.235.137	624.921.411	43.780.322

(*) For the period 1 January - 30 September 2020, TL 19.649.164 (1 January – 30 September 2019: TL 9.775.017) of the respective amount is comprised of the indexation difference of the liability due to Uluabat DSİ Water Use Agreement calculated by WPT.

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NOTE 15 - RELATED PARTY DISCLOSURES

a) Transaction with related parties

- Purchases from related parties

	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş") ^{(1) (****)}	27.052.467	18.905.177	8.633.682	8.788.148
Aksa Akrilik Kimya Sanayi A.Ş. ("Aksa") ^{(2) (**)}	12.180.581	3.531.450	4.634.647	1.099.710
Cez Trade Bulgaria Ead. ^{(3) (***)}	6.374.377	1.251.242	1.436.161	900.744
Cez a.s. ^{(4) (*)}	4.934.928	557.846	2.521.331	178.155
Aktek Bilgi İlet. Tekn. San. ve Tic. A.Ş. ("Aktek") ^{(5) (**)}	4.206.249	3.471.637	1.236.725	977.032
Ak-Han Bak.Yön.Serv.Hiz.Güv.Mal. A.Ş. ("Ak-Han") ^{(6) (**)}	2.529.254	2.177.045	874.672	757.406
Dinkal Sigorta Acenteliği A.Ş. ("Dinkal") ^{(7) (**)}	2.213.933	2.042.956	984.191	940.834
Akkök Holding A.Ş. ("Akkök") ^{(8) (*)}	520.610	462.958	175.965	160.705
Other	79.171	88.063	1.423	34.085
	60.091.570	32.488.374	20.498.797	13.836.819

(1) Comprised of sharing of instability savings.

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

(3) Comprised of purchase of electricity and capacity.

(4) Comprised of electricity and risk sharing contracts

(5) Comprised of IT services received.

(6) Comprised of building maintenance and other services received.

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

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

- Sales to related parties

	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Sepaş ^{(1) (****)}	367.825.367	32.094.054	226.241.104	10.554.190
Cez Trade Bulgaria Ead. ^{(2) (***)}	17.540.626	23.146.726	5.690.028	5.484.990
Cez a.s. ^{(3) (*)}	7.447.380	21.455.253	2.453.595	6.067.336
Aksa ^{(4) (**)}	2.613.027	6.201.785	425.664	3.161.617
Akcez Enerji Yatırımları San ve Tic A.Ş. ^{(5) (****)}	65.154	99.642	19.728	33.950
Cez a.s. Turkey Daimi Tem. ^{(6) (***)}	42.710	227.905	14.524	12.247
Other	1.085	8.942	24	5.214
	395.535.349	83.234.307	234.844.667	25.319.544

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

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

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

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

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

(6) In general, comprised of rent reflections.

(*) Shareholder.

(**) Akkök Holding group company.

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

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

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NOTE 15 - RELATED PARTY DISCLOSURES (Continued)**b) Balances with related parties**

- *Short-term trade receivables from related parties*

	30 September 2020	31 December 2019
Sepaş (1) (****)	10.219.610	2.881.024
CEZ Trade Bulgaria Ead. (2) (***)	1.813.726	460.571
CEZ a.s. (3) (*)	1.236.315	1.246.456
Aksa (4) (**)	123.954	358.298
CEZ a.s. Turkey Daimi Tem. (****)	10.613	11.086
Akcez (****)	7.694	8.750
	13.411.912	4.966.185

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

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

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

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

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

- *Other receivables from related parties*

	30 September 2020	31 December 2019
Cez a.s. (1) (*)	9.128.100	1.330.120
	9.128.100	1.330.120

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

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NOTE 15 - RELATED PARTY DISCLOSURES (Continued)

- Short-term trade payables to related parties

	30 September 2020	31 December 2019
Dinkal (1) (**)	9.088.914	22.382.188
Akkök (2) (*)	3.361.672	2.759.257
Sepaş (3) (****)	2.639.107	3.713.756
CEZ a.s. Turkey Daimi Tem. (4) (***)	1.922.329	1.400.581
Aksa (5) (**)	1.887.955	403.656
CEZ a.s (6) (*)	1.121.521	-
Aktek (7) (**)	805.414	430.151
Ak-Han (8) (**)	349.753	361.375
Ak Havacılık ve Ulaştırma Hiz. A.Ş. (“Ak Havacılık”) (9) (**)	259.077	197.102
Ak-pa Tekstil İhracat Pazarlama A.Ş. (“Ak-pa”) (10) (**)	206.133	126.869
CEZ Trade Bulgaria Ead.	-	618.885
	21.641.875	32.393.820

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

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

(3) Comprised of payables on sharing of instability.

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

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

(6) Comprised of payables on risk sharing.

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

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

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

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

(*) Shareholder.

(**) Akkök Holding group company.

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

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

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

c) Key management compensation

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

	1 January - 30 September 2020	1 January - 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
Salaries and benefits	3.247.888	2.760.467	1.083.810	1.112.906
Bonus payment	2.822.088	1.531.960	-	-
Attendance fee	604.376	619.693	211.428	220.222
	6.674.352	4.912.120	1.295.238	1.333.128

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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

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

NOTE 16 - FINANCIAL RISK MANAGEMENT

- *Foreign exchange risk*

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

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

	30 September 2020	31 December 2019
Assets	107.563.035	48.073.346
Liabilities	3.928.457.331	2.972.600.158
	(3.820.894.296)	(2.924.526.812)

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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

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

NOTE 16 - FINANCIAL RISK MANAGEMENT (Continued)

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

	30 September 2020				31 December 2019			
	TL Equivalent	USD	Euro	Other	TL Equivalent	USD	Euro	Other
Cash and cash equivalents	89.680.144	10.791.044	594.160	12	40.722.956	3.659.367	2.854.680	32
Trade receivable from related parties	3.050.045	-	334.138	-	1.707.029	-	256.673	-
Trade receivables from third parties	3.092	50	296	-	1.349.638	227.071	119	-
Other receivables from third parties	1.825.657	-	200.004	-	1.330.206	-	200.013	-
Derivative financial instruments	3.164.842	-	346.714	-	283.080	47.655	-	-
Current assets	97.723.780	10.791.094	1.475.312	12	45.392.909	3.934.093	3.311.485	32
Other receivables from related parties	9.128.100	-	1.000.000	-	1.330.120	-	200.000	-
Other receivables from third parties	711.155	3.400	75.000	-	1.350.317	3.400	200.000	-
Non-current assets	9.839.255	3.400	1.075.000	-	2.680.437	3.400	400.000	-
Total assets	107.563.035	10.794.494	2.550.312	12	48.073.346	3.937.493	3.711.485	32
Derivative financial instruments	19.523.554	2.151.252	298.702	-	7.917.962	1.317.991	13.357	-
Short-term portion of long term borrowings	245.508.288	31.443.172	-	-	166.380.043	28.009.165	-	-
Lease liabilities	10.171.428	-	1.114.299	-	7.924.448	-	1.191.539	-
Trade payables to related parties	12.291.431	1.306.220	229.229	4	24.416.375	3.634.449	425.073	4
Trade payables to third parties	68.923.626	8.613.903	182.543	-	57.538.568	9.612.332	63.981	1.785
Other payables to third parties	1.577.474	202.033	-	-	856.725	144.225	-	-
Current liabilities	357.995.801	43.716.580	1.824.773	4	265.034.121	42.718.162	1.693.950	1.789
Derivative financial instruments	46.948.918	6.012.925	-	-	26.746.806	4.501.276	1.252	-
Long-term borrowings	3.448.990.683	441.725.241	-	-	2.574.426.382	433.390.522	-	-
Lease liabilities	74.518.793	-	8.163.669	-	61.186.905	-	9.200.208	-
Other payables to third parties	3.123	400	-	-	2.376	400	-	-
Trade payables to third parties	-	-	-	-	45.203.568	7.609.772	-	-
Non-current liabilities	3.570.461.517	447.738.566	8.163.669	-	2.707.566.037	445.501.970	9.201.460	-
Total liabilities	3.928.457.318	491.445.146	9.988.442	4	2.972.600.158	488.220.132	10.895.410	1.789
Net foreign currency assets/(liabilities)	(3.820.894.283)	(480.660.652)	(7.438.130)	8	(2.924.526.812)	(484.282.639)	(7.183.925)	(1.757)

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

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

NOTE 16 - FINANCIAL RISK MANAGEMENT (Continued)

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

	30 September 2020			
	Appreciation of foreign currency	Profit /Loss Depreciation of foreign currency	Appreciation of foreign currency	Equity Depreciation of foreign currency
+/- 10% fluctuation of USD rate				
1- USD net asset / liability	(375.299.837)	375.299.837	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(375.299.837)	375.299.837	-	-
+/- 10% fluctuation of EUR rate				
4- EUR net asset / liability	(6.789.598)	6.789.598	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(6.789.598)	6.789.598	-	-
+/- 10% fluctuation of other currencies rate against to TL				
7- Other currencies net asset / liability	8	(8)	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	8	(8)	-	-
Total (3+6+9)	(382.089.427)	382.089.427	-	-

	31 December 2019			
	Appreciation of foreign currency	Profit /Loss Depreciation of foreign currency	Appreciation of foreign currency	Equity Depreciation of foreign currency
+/- 10% fluctuation of USD rate				
1- USD net asset / liability	(287.673.573)	287.673.573	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(287.673.573)	287.673.573	-	-
+/- 10% fluctuation of EUR rate				
4- EUR net asset / liability	(4.777.741)	4.777.741	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(4.777.741)	4.777.741	-	-
7- Other currencies net asset / liability	(1.366)	1.366	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	(1.366)	1.366	-	-
Total (3+6+9)	(292.452.680)	292.452.680	-	-

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

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

NOTE 17 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial assets

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

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

Financial liabilities

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

Fair value hierarchy table

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

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

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

Level 3: Valuation techniques does not contains observable market inputs

As of 30 September 2020, the Group has short-term and long-term liabilities from derivative financial instruments amounting to TL 19.523.554 (31 December 2019: TL 7.917.962) and TL 46.948.918 (31 December 2019: TL 26.746.806) respectively and TL 3.164.842 derivative financial instruments in its current assets (31 December 2019: TL 283.082), which are categorized as level 2.

Fair value of the lands, land improvements, buildings, machinery and equipment of the Group's power plants were measured by a professional independent valuation company on 31 December 2019 through other valuation techniques involving direct and indirect observable inputs (Level 3).

NOTE 18 - SUBSEQUENT EVENTS

None.