

(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 2021

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

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AKENERJİ ELEKTRİK ÜRETİM A.Ş.**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2021 AND 31 DECEMBER 2020**

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

		Current period	Prior period
		Unaudited	Audited
	Notes	30 September 2021	31 December 2020
ASSETS			
Current assets			
Cash and cash equivalents		527.785.776	214.333.131
Derivative instruments	7	152.366.713	10.470.084
Trade receivables			
- Due from related parties	15	29.453.443	15.520.418
- Due from third parties		109.956.122	82.709.558
Other receivables			
- Due from third parties		1.726.749	3.232.068
Inventories		6.128.903	5.761.993
Prepaid expenses		26.869.759	14.003.586
Current income tax assets	9	868.936	1.048.119
Other current assets		32.751.712	17.718.408
Total current assets		887.908.113	364.797.365
Non - current assets			
Other receivables			
- Due from related parties	15	2.062.700	9.007.900
- Due from third parties		11.607.921	1.173.003
Financial investments		100.000	100.000
Inventories		20.041.127	18.603.008
Property, plant and equipment	4	6.079.237.179	6.186.528.709
Right of use assets		31.130.844	28.289.732
Intangible assets	5	105.213.291	106.026.262
Prepaid expenses		26.504.976	15.834.030
Deferred tax assets	9	1.168.790	4.176.768
Total non - current assets		6.277.066.828	6.369.739.412
TOTAL ASSETS		7.164.974.941	6.734.536.777

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 2021 AND 31 DECEMBER 2020**

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

		Current period	Prior period
		Unaudited	Audited
	Notes	30 September 2021	31 December 2020
LIABILITIES			
Current liabilities			
Short term portion of long term borrowings			
- Bank loans	3	317.858.823	246.601.779
- Lease payables	3	14.089.276	12.557.974
Trade payables			
- Due to related parties	15	43.555.117	21.674.313
- Due to third parties		271.172.691	208.768.767
Employee benefit obligations		1.188.539	913.824
Other payables			
- Other payables to third parties		51.248.397	41.949.020
Derivative instruments	7	165.979.220	27.472.101
Deferred income		416.602	1.467.802
Short term provisions			
- Provisions for employee benefits		5.217.590	7.983.571
- Other short - term provisions	6	47.493.299	40.431.743
Total current liabilities		918.219.554	609.820.894
Non - current liabilities			
Long term borrowings			
- Bank loans	3	6.663.451.282	5.722.328.669
- Lease payables	3	103.004.538	100.875.010
Other payables			
- Due to third parties		190.961.926	146.336.964
Derivative instruments	7	26.456.872	34.684.408
Long term provisions			
- Provisions for employee benefits		9.998.982	8.152.977
Deferred tax liabilities	9	81.160.709	240.949.948
Total non - current liabilities		7.075.034.309	6.253.327.976
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) not to be reclassified to profit/loss			
Gains/losses on revaluation and remeasurement			
- Increase on revaluation of property, plant and equipment		3.304.372.186	3.433.690.830
- Losses on re-measurement of defined benefit plans		(2.667.079)	(1.995.920)
Other comprehensive income/(expense) to be reclassified to profit/loss			
Losses on hedges			
- Losses on cash flow hedging		(5.059.634)	(6.917.435)
Restricted reserves			
- Legal reserves	8	12.053.172	12.053.172
- Other reserves		(4.322.722)	(4.322.722)
Accumulated losses		(4.313.174.327)	(3.357.696.513)
Net loss for the period		(700.853.471)	(1.084.796.458)
Total equity		(828.278.922)	(128.612.093)
TOTAL LIABILITIES AND EQUITY		7.164.974.941	6.734.536.777

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 2021 AND 2020**

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

	Notes	Current period	Prior period		
		Unaudited	Unaudited		
		1 January - 30 September 2021	1 January - 30 September 2020	1 July- 30 September 2021	1 July- 30 September 2020
Revenue	10	2.304.860.803	1.567.878.422	1.117.304.209	555.106.251
Cost of sales (-)	11	(1.920.260.682)	(1.404.471.115)	(929.007.593)	(535.521.089)
GROSS PROFIT		384.600.121	163.407.307	188.296.616	19.585.162
General administrative expenses (-)	11	(65.723.933)	(44.952.136)	(16.706.385)	(14.761.156)
Other operating income	12	216.521.539	30.001.680	127.421.034	11.518.253
Other operating expenses (-)	12	(195.924.608)	(44.638.923)	(123.800.832)	(13.406.398)
OPERATING PROFIT		339.473.119	103.817.928	175.210.433	2.935.861
Income from investing activities	13	25.703	18.513	-	18.331
Expenses from investing activities	13	(52.016)		(52.016)	
OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)		339.446.806	103.836.441	175.158.417	2.954.192
Financial income	14	78.046.977	19.802.277	22.338.804	12.088.211
Financial expenses (-)	14	(1.275.425.171)	(1.355.274.522)	(253.688.737)	(624.921.411)
LOSS BEFORE TAX		(857.931.388)	(1.231.635.804)	(56.191.516)	(609.879.008)
Tax (Expense)/Income					
Deferred tax income	9	157.077.917	141.870.018	21.624.829	31.290.672
NET LOSS FOR THE PERIOD		(700.853.471)	(1.089.765.786)	(34.566.687)	(578.588.336)
Net loss attributable to:					
Equity holders of the parent		(700.853.471)	(1.089.765.786)	(34.566.687)	(578.588.336)
		(700.853.471)	(1.089.765.786)	(34.566.687)	(578.588.336)
Earnings losses per shares (1.000 shares)		(0,961)	(1,495)	(0,047)	(0,793)

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 2021 AND 2020****(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated.)**

	Current period	Prior period		
	Unaudited	Unaudited		
	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Net loss for the period	(700.853.471)	(1.089.765.786)	(34.566.687)	(578.588.336)
Other comprehensive income/(expense)				
To be reclassified to profit or loss				
Gains on cash flow hedging	2.322.254	2.330.760	782.593	782.585
Deferred tax effect	(464.453)	(466.152)	(156.518)	(156.518)
Not to be reclassified to profit or loss				
Increase on revaluation of property, plant and equipment	-	-	-	-
Deferred tax effect	-	(29.464.660)	-	(29.465.084)
Actuarial gain/(loss) arising from defined benefit plans	(838.949)	(365.408)	253.166	458.271
Deferred tax effect	167.790	73.082	(50.633)	(91.654)
Other comprehensive income	1.186.642	(27.892.378)	828.608	(28.472.400)
Total comprehensive expense	(699.666.829)	(1.117.658.164)	(33.738.079)	(607.060.736)

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 2021 AND 2020**

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

				Other comprehensive income /(expenses) not to be reclassified to profit or loss	Other comprehensive income /(expenses) to be reclassified to profit or loss		Restricted reserves				
	Share capital	Adjustments to share capital	Share premiums	Increase on revaluation of property, plant and equipment	Losses on re- measurement of defined benefit plans	Gains/(losses) on cash flow hedging	Other reserves	Legal reserves	Retained earnings/ (accumulated losses)	Net loss for the period	Total equity
1 January 2020	729.164.000	101.988.910	50.220.043	3.635.344.991	(1.442.122)	(9.408.118)	(4.322.722)	12.053.172	(2.811.757.372)	(740.673.273)	961.167.509
Transfers	-	-	-	-	-	-	-	-	(740.673.273)	740.673.273	-
Total comprehensive expense	-	-	-	(29.464.660)	(292.326)	1.864.608	-	-	-	(1.089.765.786)	(1.117.658.164)
Other adjustments (*)	-	-	-	(150.633.313)	-	-	-	-	150.633.313	-	-
30 September 2020	729.164.000	101.988.910	50.220.043	3.455.247.018	(1.734.448)	(7.543.510)	(4.322.722)	12.053.172	(3.401.797.332)	(1.089.765.786)	(156.490.655)
1 January 2021	729.164.000	101.988.910	50.220.043	3.433.690.830	(1.995.920)	(6.917.435)	(4.322.722)	12.053.172	(3.357.696.513)	(1.084.796.458)	(128.612.093)
Transfers	-	-	-	-	-	-	-	-	(1.084.796.458)	1.084.796.458	-
Total comprehensive expense	-	-	-	-	(671.159)	1.857.801	-	-	-	(700.853.471)	(699.666.829)
Other adjustments (*)	-	-	-	(129.318.644)	-	-	-	-	129.318.644	-	-
30 September 2021	729.164.000	101.988.910	50.220.043	3.304.372.186	(2.667.079)	(5.059.634)	(4.322.722)	12.053.172	(4.313.174.327)	(700.853.471)	(828.278.922)

(*) As of 30 September 2021, the depreciation difference between the acquisition cost and the carrying values of the assets subject to revaluation method amounting to TL 129.318.644 (30 September 2020: TL 150.633.313), 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).

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 2021 AND 2020

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

		Current period Unaudited 1 January - 30 September 2021	Prior period Unaudited 1 January - 30 September 2020
	Notes		
A. Cash flows from operating activities		554.463.888	301.164.990
Net loss for the period		(700.853.471)	(1.089.765.786)
Adjustments to reconcile net loss for the period		1.258.512.034	1.435.874.768
Adjustments for depreciation and amortisation expenses	11	197.658.712	226.436.061
Adjustments for provisions			
- Adjustment for provisions for employee benefits		6.393.857	5.341.953
- Adjustments for litigation provisions	6	1.952.118	827.372
- Adjustments for other provisions	6	5.109.438	1.061.237
Adjustments for interest income		(15.331.835)	(5.371.331)
Adjustments for interest expense		510.986.586	417.808.258
Adjustments for unrealized foreign exchange differences	3	722.041.730	894.760.109
Fair value adjustments			-
-Adjustments for fair value of derivative financial instruments		(13.272.671)	36.881.127
Adjustments for tax (income)/expense	9	(157.077.917)	(141.870.018)
Adjustments for (gain)/loss on sale of property, plant and equipment	13	52.016	-
Changes in working capital		4.778.925	(40.784.103)
Increase/decrease in trade receivables from related parties		(13.933.025)	(8.445.727)
Increase/decrease in trade receivables from third parties		(27.246.564)	(12.794.094)
Increase/decrease in other receivables from related parties		6.945.200	(7.797.980)
Increase/decrease in other receivables from third parties		(8.929.599)	2.718.187
Increase/decrease in inventories		(1.805.029)	(2.677.076)
Increase/decrease in prepaid expenses		(24.104.555)	13.080.910
Increase/decrease in other assets		(15.033.304)	38.090.620
Increase/decrease in trade payables to related parties		21.880.804	(10.751.945)
Increase/decrease in trade payables to third parties		62.403.924	(47.423.737)
Increase/decrease in derivative financial instruments		1.655.625	(7.955.190)
Increase/decrease in deferred income		(1.051.200)	490.718
Increase/decrease in employee benefit obligations		274.715	75.066
Increase/decrease in other payables		3.721.933	2.606.145
Cash flows from operating activities		562.437.488	305.324.879
Payments related to provisions for employee benefits		(8.152.783)	(5.781.723)
Tax (payments)/receipts		179.183	1.621.834
B. Cash flows from investing activities		(86.945.093)	(15.194.916)
Cash inflows due to sale of property, plant and equipment		3.867.625	28.194
Cash outflows due to purchase of property, plant and equipment	4	(89.926.835)	(15.147.322)
Cash outflows due to purchase of intangible assets	5	(885.883)	(75.788)
C. Cash flows from financing activities		(186.132.825)	(151.358.611)
Cash inflows on credit received	3	-	(2.218.714)
Cash outflows due to repayment of borrowings	3	(25.819.800)	(3.893.455)
Payments of lease liabilities	3	(13.635.154)	(11.636.430)
Interest paid	3	(129.943.031)	(103.067.403)
Interest received		15.331.835	5.371.331
Other cash inflows/(outflows) (*)		(32.066.675)	(35.913.940)
Net increase/(decrease) in cash and cash equivalents		281.385.970	134.611.463
Cash and cash equivalents at the beginning of the period (*)		167.473.301	72.486.079
Cash and cash equivalents at the end of the period (*)		448.859.271	207.097.542

(*) 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 2021

(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 / İstanbul - Turkey

The Company is registered to the Capital Markets Board ("CMB"), and its shares are publicly traded in Istanbul Stock Exchange ("ISE"). As of 30 September 2021, 52,83% of its shares are open for trading (31 December 2020: 52,83%).

As of 30 September 2021, the number of employees employed by Akenerji and its subsidiaries (Akenerji and its subsidiaries will be referred called as the "Group") is 268 (31 December 2020: 240).

These condensed consolidated financial statements for the interim period 1 January - 30 September 2021 have been approved for the issue by the Board of Directors at 4 November 2021.

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

NOTE 2 - BASIS OF PRESENTATION OF 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 2021**

(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 2020.

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 2021 and 31 December 2020:

	Direct and indirect ownership interest by the Company and its subsidiaries (%)	
Subsidiaries	30 September 2021	31 December 2020
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 2021**

(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 2021 are consistent with those of the previous financial year, except for the adoption of new and amended TAS/TFRS and TFRIC interpretations effective as of 1 January 2021. 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 2021 are as follows:

- Amendment to TFRS 16, 'Leases' - Covid-19 related rent concessions Extension of the Practical expedient
- Amendments to TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform Phase 2

ii) Standards, amendments and improvements issued but not yet effective and not early adopted as at 30 September 2021

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

- TFRS 17, 'Insurance contracts'
- Amendments to TAS 1, 'Presentation of financial statements' on classification of liabilities
- A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16
- Amendments to TFRS 3
- Amendments to TAS 16
- Amendments to TAS 37
- Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8
- Amendment to TAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

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.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 SEPTEMBER 2021**

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

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

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.

In accordance with the assessments made by the Group, its short-term trade payables to third parties amounting to TL 35.122.461 provided in the consolidated statement of financial position as of 31 December 2020 has been reclassified to short-term other payables due to third parties. Represented in long-term trade payables due to third parties has been reclassified its long-term other payables due to third parties amounting to TL 146.319.808 in the accompanying consolidated statement of financial position as of 31 December 2020.

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, the Group recognized deferred tax assets on carry forward tax losses amounting to TL 3.574.783 (31 December 2020: TL 15.769.799) as of 30 September 2021. The related deferred tax asset is calculated based on the net income projections of the Group and deferred tax liabilities will be recovered for the foreseeable future. If the net income projections which are explained in are not realized or temporary differences of deferred tax assets and liabilities are recovered in a different period, related deferred tax assets for the carry forward tax losses will be accounted as an expense in the consolidated statements of profit or loss. For the remaining carry forward tax losses amounting to TL 909.953.575 (31 December 2020: TL 1.283.128.186), the Group did not recognize deferred tax assets since the Group believes those will not be utilized in the foreseeable future.

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 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. In the aforementioned valuation and impairment studies, "income reduction method - discounted cash flow analysis " was applied.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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 The increase in the prospective electricity prices used in the model will be resulted with an increase in the revenue of HEPPs and WPP and increase the fair value of the power plants. inputs of model determine long term electricity prices are; long term electricity demand , enterance 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 devolopment in the efficiency of thermal plants.

The increase in the prospective electricity prices used in the aforementioned valuation studies will cause an increase in the production of the Erzin natural gas combined cycle power plant and will increase the fair value of the plant. The increase in the prospective electricity prices used in the model will be resulted with an increase in the revenue of HEPPs and WPP and increase the fair value of the power plants. Erzin generation forecasts are calculated as a result of market price and spark spread estimations. For HEPPs and Ayyıldız generation forecast, feasibility generation figures (considers the hydrology information of the past 50 years/long term measurements) and/or historical information is used. The discount rate used in valuation models based on USD is 8%.

2.7 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 period ended as of September 30, 2021, the Group's total production amounts increased by 15% compared to the same period of the previous year. With the increase in foreign exchange rate, summer with above-seasonal temperatures and increase in electricity demand throughout the year result with increase in electricity price leads to significant increase in the unit profit margins of power plants especially in Erzin power plant. In addition to this, a high level of operational availability and ancillary services market operations (Primary Frequency Control and Secondary Frequency Control services), as a result of the revenues obtained, a significant increase has occurred in the consolidated gross margin of the Group. The Group has reached a volume of 4.430 GWh including physical electricity exports and financial transactions, it intensified commercial activity in this area and increased foreign exchange revenue.

Natural gas procurement cost is the most significant generation cost of the Group since Erzin is a Combined Cycle Power 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 increase in production. With the same motivation in 2021, Akenerji Doğalgaz Company continued this activity and increased the procurement rates from alternative sources, and thanks to the supplies made from the private supplier and EPIAŞ Continuous Trading Platform (CTP) during the first five months, it has achieved significant savings by supplying natural gas at low prices. As of June, since Botaş, the most important natural gas supplier of Turkey, kept its sales tariff prices below the natural gas import costs despite increasing natural gas costs, the Group directed its natural gas purchases to Botaş substantially. This position makes a positive contribution to the gross profit.

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.

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

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. With the amendment made dated on 26 December 2020 in the provisional article 1 of the Communiqué on the Procedures and Principles regarding the implementation of Article 376 of the Turkish Commercial Code, until January 1, 2023, in calculations regarding capital loss or being insolvent, all of the exchange difference losses arising from foreign currency liabilities that have not yet been performed. It has been arranged that half of the total of the expenses, depreciation and personnel expenses incurred in 2020 and 2021 from leases may not be taken into account. In relation to this regulation, it is calculated that, unrealized foreign exchange losses recognised under retained earnings/(losses) amounting to TL 2.249.004.326 and recognised under consolidated statement of profit or loss amounting to TL 835.895.679, in total amounting to TL 3.084.900.005 will be excluded on the calculation of loss of capital and excess of liabilities over assets by adding back to the total equity. Accordingly, there is no either issue of loss of capital or excess of liabilities over assets for the Group. As of 31 December 2019, The Group revaluated of the fair values of its lands, land improvements, buildings, machinery and equipment belonging its power plants had a positive effect on its equity. In addition, 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 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Short-term portion of long term borrowings		
-Bank loans	317.858.823	246.601.779
-Lease liabilities	14.089.276	12.557.974
Total short-term portion of long term borrowings	331.948.099	259.159.753
Long term borrowings		
-Bank loans	6.663.451.282	5.722.328.669
-Lease liabilities	103.004.538	100.875.010
Total long term borrowings	6.766.455.820	5.823.203.679
Total short term and long term borrowings	7.098.403.919	6.082.363.432

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
FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 SEPTEMBER 2021**

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

NOTE 3 - BORROWINGS (Continued)

As of 30 September 2021 and 31 December 2020, 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	35.943.463	317.858.823
Short-term portion of long-term lease liabilities	EUR	3,40	1.366.949	14.098.028
Interest cost of short-term portion of long-term lease liabilities (-)	EUR	3,40	(268.405)	(2.768.198)
Short-term portion of long-term lease liabilities	TL	17,55	2.759.446	2.759.446
Total short-term borrowings				331.948.099
Long term bank loans	USD	7,90	440.520.241	3.895.652.653
Long term bank loans	TL	12,28	2.767.798.629	2.767.798.629
Long-term lease liabilities	EUR	3,40	8.535.108	88.026.838
Interest cost of long-term lease liabilities (-)	EUR	3,40	(1.413.049)	(14.573.486)
Long-term lease liabilities	TL	17,55	29.551.186	29.551.186
Total long-term borrowings				6.766.455.820
31 December 2020				
	Currency	Effective Interest rate %	Original Amount	Amount in TL
Short - term portion of long - term bank loans	USD	7,90	33.594.684	246.601.779
Short - term portion of long - term lease liabilities	EUR	3,42	1.480.044	13.332.092
Interest cost of short - term portion of long - term lease liabilities (-)	EUR	3,40	(302.889)	(2.728.394)
Short - term portion of long - term lease liabilities	TL	17,46	1.954.276	1.954.276
Total short - term borrowings				259.159.753
Long term bank loans	USD	7,90	433.795.768	3.184.277.834
Long term bank loans	TL	12,28	2.538.050.835	2.538.050.835
Long - term lease liabilities	EUR	3,40	9.845.124	88.683.896
Interest cost of long - term lease liabilities (-)	EUR	3,40	(1.681.455)	(15.146.377)
Long - term lease liabilities	TL	17,46	27.337.491	27.337.491
Total long - term borrowings				5.823.203.679

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 2021, all of the Euro finance lease liabilities of the Group are subject to floating interest rate of Euribor + 3,4% (31 December 2020: 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 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Up to 1 - 2 years	304.391.848	250.184.550
Up to 2 - 3 years	294.286.891	224.398.907
Up to 3 - 4 years	4.031.133.244	3.541.777.106
Up to 4 - 5 years	307.386.196	229.527.495
More than 5 years	1.726.253.103	1.476.440.611
	6.663.451.282	5.722.328.669

The principal repayment schedule of the Group's long-term finance lease obligations as at 30 September 2021 and 31 December 2020 is as follows:

	30 September 2021	31 December 2020
Up to 1-2 years	13.515.686	11.237.255
Up to 2-3 years	13.336.733	11.137.108
Up to 3-4 years	12.141.509	10.795.238
Up to 4-5 years	12.333.573	10.414.862
Up to 5-6 years	12.761.400	10.776.034
Up to 6-7 years	13.194.171	11.150.325
Up to 7-8 years	881.911	11.528.206
Up to 8-9 years	75.826	776.112
Up to 9-10 years	88.322	73.034
More than 10 years	24.675.407	22.986.836
	103.004.538	100.875.010

As of 30 September 2021 and 2020, the movements of borrowings are as follows:

	2021	2020
1 January	6.082.363.432	5.098.567.768
Change in unrealized foreign exchange differences	722.041.730	894.760.109
Change in interest accruals	458.461.926	393.430.105
Changes in lease liabilities	4.934.816	7.692.885
Cash flow impact	(169.397.985)	(120.816.004)
30 September	7.098.403.919	6.273.634.863

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 4 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2021	Additions	Transfers	Disposals	30 September 2021
Cost					
Lands	281.604	-	-	-	281.604
Land improvements (*)	3.548.054.553	7.688.405	-	(2.715.579)	3.553.027.379
Buildings	768.945.929	11.810	-	(1.250.702)	767.707.037
Machinery and equipment (**)	3.023.010.773	3.271.021	-	-	3.026.281.794
Motor vehicles	1.614.793	1.315.827	-	(143.365)	2.787.255
Furnitures and fixtures	12.432.469	573.116	-	(7.610)	12.997.975
Leasehold improvements	4.387.138	66.641	-	-	4.453.779
Construction in progress	31.519.284	77.000.015	-	-	108.519.299
	7.390.246.543	89.926.835	-	(4.117.256)	7.476.056.122
Accumulated depreciation					
Land improvements	(438.057.666)	(82.334.590)	-	70.231	(520.322.025)
Buildings	(83.690.735)	(15.835.998)	-	28.425	(99.498.308)
Machinery and equipment	(670.791.066)	(94.095.210)	-	-	(764.886.276)
Motor vehicles	(1.002.251)	(256.434)	-	95.577	(1.163.108)
Furnitures and fixtures	(9.106.818)	(581.325)	-	3.382	(9.684.761)
Leasehold improvements	(1.069.298)	(195.167)	-	-	(1.264.465)
	(1.203.717.834)	(193.298.724)	-	197.615	(1.396.818.943)
Net book value	6.186.528.709				6.079.237.179

(*) 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 2021, the total amount of accumulated depreciation of related land improvement is TL 61.936.

(**) 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 2021, the total amount of accumulated depreciation of the related machinery and equipment is TL 23.379.431.

Current period depreciation expense amounting to TL 192.759.830 has been included in cost of sales and TL 538.894 has been included in general administrative expenses.

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 4 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	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.

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.

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 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 2021 (30 September 2020: None).

Details of the guarantees, pledges and mortgages on property, plant and equipment as of 30 September 2021 and 31 December 2020 are disclosed in Note 6.

NOTE 5 - INTANGIBLE ASSETS

	1 January 2021	Additions	Transfers	Disposals	30 September 2021
Costs					
Rights	7.948.834	96.587	-	-	8.045.421
Licenses	126.007.599	789.296	-	-	126.796.895
	133.956.433	885.883	-	-	134.842.316
Accumulated amortisation					
Rights	(6.267.299)	(314.381)	-	-	(6.581.680)
Licenses	(21.662.872)	(1.384.473)	-	-	(23.047.345)
	(27.930.171)	(1.698.854)	-	-	(29.629.025)
Net book value	106.026.262				105.213.291
	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

Current period amortisation expense amounting to TL 247.938 (30 September 2020: TL 143.212) has been included in cost of sales and remaining TL 1.450.916 (30 September 2020: TL 1.893.071) 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 2021, 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 2021 is TL 38.483.388 (31 December 2020: TL 36.531.270).

	30 September 2021	31 December 2020
Litigation provision	38.483.388	36.531.270
Periodical maintenance provisions	9.009.911	3.900.473
	47.493.299	40.431.743

The movements of litigation provision are as follows:

	2021	2020
1 January	36.531.270	31.516.633
Current period charges	2.647.832	722.157
Interest charges of litigation provision	1.061.815	1.059.100
Released provisions	(1.757.529)	(953.885)
30 September	38.483.388	32.344.005

b) Contingent liabilities**- Guarantees given**

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

		30 September 2021		31 December 2020	
	Original currency	Original Amount	TL equivalent	Original Amount	TL Equivalent
Letters of guarantees given	TL	100.787.903	100.787.903	127.300.676	127.300.676
	EUR	200.000	2.062.700	200.000	1.801.580
	USD	-	-	8.190.000	60.118.695
			102.850.603		189.220.951

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.

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

Guarantees, pledges, mortgages ("GPM") given by the Group as of 30 September 2021 and 31 December 2020 are as follows:

		30 September 2021		31 December 2020	
	Currency	Original currency	TL equivalent	Original currency	TL equivalent
GPMs given by the Group					
A. GPMs given					
for companies' own legal entity	TL	6.519.248.746	6.519.248.746	6.545.761.519	6.545.761.519
	USD	917.515.600	8.113.865.706	925.705.600	6.795.141.957
	EUR	200.000	2.062.700	200.000	1.801.580
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.	-	-	-	-	-
			14.635.177.152		13.342.705.056

Details of the guarantees given by Akenerji for its own legal entity as of 30 September 2021 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 2021, GPMs given by the Group to equity ratio is -1.767% (31 December 2020: -10.374%).

- Sales and purchase commitments*Electricity sales and purchase commitments:*

The Group has committed to sell 2.376.076 MWh of physical electricity energy within the scope of electricity energy sales contracts made with energy companies in 2021 and as of 30 September 2021, 2.365.036 MWh of the electricity energy was committed to be sold is completed.

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 SEPTEMBER 2021

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

The Group has committed to purchase 164.722 MWh of physical electricity energy within the scope of electricity energy purchase agreements with energy companies in 2021 and as of 30 September 2021, 142.642 MWh of the electricity energy was committed to be purchased is completed.

As of 30 September 2021, the Group does not have any physical purchase or sales electricity protocols that it has committed to perform in 2022 and beyond.

Natural gas purchase commitments

In the first five months of 2021, the Group provided 60% of its natural gas supply by Botaş and 40% from the free market through Akenerji Doğalgaz Company. The Group has increased the allocation rate of Botaş to 90%, keeping Akenerji Doğalgaz's share at 10%, due to the favorable tariff prices policy implemented as of June 2021 for the natural gas supply of the Erzin power plant. The minimum purchase commitment amount is available only for the Botaş contract in accordance with the agreements made within this scope.

The Group has completed its take or pay obligation as of September 2021, as the Group's consumption for the first nine months has exceeded the commitment made under the Botaş Agreement. The Group does not have any minimum purchase commitment regarding the Botaş Contracts of previous years.

Other matters

Kemah Hydroelectric Power Plant project in the Group, which is 198 MW of installed power higher, reservoir capacity, and also with Turkey's leading locations of hydropower projects. The State Hydraulic Works Final Project approval process of the project, which is planned to be established in Erzincan and expected to generate an average of 560 GWh of electricity per year, was completed in 2017, the license was modified in 2020 and the pre - construction period was extended. The currently working Kemah HPP passes through the lake area will be under water (inundated) after the completion of the project. The relocation of this line will be made by the state as a public investment, and it will be included in the upcoming investment plan by Turkey Republic State Railways and the Ministry of Transport. The Group plans to make the necessary preparatory work for the project after mentioned relocation plan realized. As of September 30, 2021, the carrying value of the related investment in the statement of financial position of the Group is TL 84.738.742.

c) Contingent assets

Guarantees received

	Currency	30 September 2021		31 December 2020	
		Original Currency	TL Equivalent	Original currency	TL Equivalent
Letters of guarantees received	TL	5.947.255	5.947.255	43.008.307	43.008.307
	EURO	1.026.250	10.584.229	1.026.250	9.244.357
	USD	4.000	35.373	4.000	29.362
Notes of guarantees received	TL	2.752.432	2.752.432	2.752.432	2.752.432
	USD	4.340.544	38.384.733	4.340.544	31.861.763
	EURO	33.800	348.596	33.800	304.467
	GBP	5.675	67.698	5.675	56.431
Cheques of guarantees received	TL	106.000	106.000	106.000	106.000
	USD	16.650	147.241	16.650	122.219
Mortgages received	TL	3.242.000	3.242.000	3.242.000	3.242.000
		61.615.557		90.727.338	

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 2021		31 December 2020	
	Contract amount	Fair value	Contract amount	Fair value
Forward contracts				
- Short - term	114.520.735	4.066.545	-	-
Forward term electricity purchase and sale contracts				
- Short - term	145.093.134	148.300.168	39.873.831	10.470.084
Derivative financial assets	259.613.869	152.366.713	39.873.831	10.470.084
Interest rate swaps				
- Short - term	333.967.225	16.300.441	268.684.322	15.525.001
- Long - term	542.054.495	26.456.872	590.679.024	34.130.367
Forward contracts				
- Short - term	4.421.650	1.036.618	55.414.066	2.251.799
- Long - term	-	-	14.313.975	554.041
Forward term electricity purchase and sale contracts				
- Short - term	159.659.271	148.642.161	52.145.967	9.695.301
Derivative financial liabilities	1.040.102.641	192.436.092	981.237.354	62.156.509

Movement of derivative instruments during the period is as follows:

	2021	2020
1 January	(51.686.425)	(34.381.686)
To be reclassified to profit or loss	11.617.046	(28.925.944)
- Financial income/(expense)	12.733.822	(29.692.556)
- Other operating income/(expense)	(1.116.776)	766.612
30 September	(40.069.379)	(63.307.630)

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NOTE 8 - EQUITY

Share capital

Akenerji adopted the registered capital system applicable to the companies registered on the CMB and defined a limit to its registered capital for shares whose nominal value is TL 1 ("One Turkish Lira"). As of 30 September 2021 and 31 December 2020 the share capital held is as follows:

	30 September 2021	31 December 2020
Limit on registered share capital (historical)	1.500.000.000	1.500.000.000
Issued capital	729.164.000	729.164.000

The Company's shareholders and shareholding structure as of 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021		31 December 2020	
	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 2021	31 December 2020
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 2021	31 December 2020
Prepaid taxes	(868.936)	(1.048.119)
Current income tax liabilities/ (Current income tax assets), net	(868.936)	(1.048.119)

Corporation tax

The Group is subject to corporate tax in Turkey. Necessary provisions have been made in the financial statements for the estimated tax liabilities of the Group related to the current period activity results.

The corporate tax rate in Turkey is 20%. However, in accordance with the provisional article 10 added to the Corporate Tax Law, the corporate tax rate of 20% will be applied as 25% for the corporate earnings for the 2021 taxation period and 23% within the corporate income for the 2022 taxation period. The corporate tax rate is applied to the net corporate income to be found as a result of adding the non-deductible expenses to the commercial earnings of the companies, and deducting the exemptions and deductions stated in the tax laws. Losses can be carried forward for offset against future taxable income for up to 5 years. However, the resulting losses cannot be deducted retrospectively from the profits of previous years.

In Turkey, there is no practice to reconcile with the tax authority on taxes payable. The corporate tax return is submitted until the evening of the 30th day of the fourth month following the end of the accounting period and is paid until the end of the month.

Companies in Turkey calculate temporary tax at the rate of 20% over their quarterly financial profits (25% for the taxation period of 2021, 23% for the taxation period of 2022, 20% for the following years) and declared until the 17th day of the second month following that period. pay by the evening of the seventeenth day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated over the corporate tax return to be submitted in the following year. Despite the deduction, if there is an amount of advance tax paid, this amount can be refunded or deducted in cash.

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 2021 and 2020 are as follows:

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Deferred tax income	157.077.917	141.870.018	21.624.829	31.290.672
	157.077.917	141.870.018	21.624.829	31.290.672

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

	30 September 2021	31 December 2020
Deferred tax assets	1.168.790	4.176.768
Deferred tax liabilities	(81.160.709)	(240.949.948)
Deferred tax assets, net	(79.991.919)	(236.773.180)

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 used in the calculation of deferred tax assets and liabilities is 20%. (25% for temporary differences expected to close in 2021, 23% for temporary differences expected to close in 2022 and 20% for temporary differences expected to close in the following years).

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 2021	31 December 2020	30 September 2021	31 December 2020
Deferred tax assets on tax losses	(3.574.783)	(15.769.799)	893.696	3.469.356
Investment incentives (*)	(184.895.176)	(141.682.127)	36.979.035	28.336.425
Provisions for lawsuits	(1.729.463)	(3.115.125)	432.366	623.025
Provision for employment termination benefit	(6.464.108)	(5.202.610)	1.292.822	1.040.522
Provision for unused vacations	(396.910)	(282.299)	79.382	56.460
Adjustments to property, plant and equipment	441.801.150	1.198.902.547	(81.496.815)	(239.780.509)
Adjustments to borrowings	189.454.808	153.141.636	(38.034.760)	(30.628.327)
Other	550.578	(626.817)	(137.645)	109.868
Deferred tax assets/(liabilities), net			(79.991.919)	(236.773.180)

(*) 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)

As of 30 September 2021, the details of tax losses on which deferred taxes are recognized, along with the year it is incurred and the maximum year it can be utilized, are provided below:

Year incurred	Year can be used	30 September 2021	31 December 2020
2017	2022	-	4.095.277
2019	2024	2.820.282	10.181.258
2020	2025	754.501	1.493.264
		3.574.783	15.769.799

In accordance with the Group's assessments as of 30 September 2021, 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 2021	31 December 2020
2016	2021	52.187.533	104.375.065
2017	2022	43.471.558	86.943.115
2018	2023	148.406.201	296.812.402
2019	2024	133.261.860	266.523.719
2020	2025	262.766.426	528.473.885
2021	2026	269.859.997	-
		909.953.575	1.283.128.186

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

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Electricity sales revenue	1.624.152.091	1.011.573.772	783.455.944	316.361.024
Revenue on sharing of instability savings	360.430.348	274.545.321	201.256.186	107.600.259
Revenue on capacity mechanism	129.515.078	79.056.510	85.418.760	28.881.948
Revenue on loading instructions	109.652.876	125.757.948	23.862.817	85.317.834
Revenue on seconder frequency control	60.482.037	56.644.271	14.610.969	12.475.626
Other	20.628.373	20.300.600	8.699.533	4.469.560
	2.304.860.803	1.567.878.422	1.117.304.209	555.106.251

b) Cost of sales

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Direct raw materials consumed and cost of electricity purchased (*)	1.601.284.160	1.111.112.642	814.510.684	446.647.533
Depreciation and amortisation expenses	193.528.871	222.317.487	64.626.900	64.562.218
Personnel expenses	67.297.840	22.348.892	30.888.974	9.692.450
Maintenance and repair expenses	34.454.960	26.719.992	11.388.212	8.815.446
Insurance expenses	13.621.438	11.525.394	5.388.159	3.870.722
Other materials and spare parts consumed	4.868.694	2.482.414	1.212.964	1.012.854
Other	5.204.719	7.964.294	991.700	919.866
	1.920.260.682	1.404.471.115	929.007.593	535.521.089

(*) 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 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Direct raw materials consumed and cost of electricity purchased	1.601.284.160	1.111.112.642	814.510.684	446.647.533
Depreciation and amortization expenses (*)	197.658.712	226.436.062	66.071.397	65.951.429
Maintenance and repair expenses	67.297.840	22.348.892	30.888.974	9.692.450
Personnel expenses (**)	60.706.212	47.715.327	19.775.078	16.036.478
IT expenses	14.664.245	2.307.032	898.525	669.861
Consultancy expenses	13.890.557	11.701.202	5.471.838	3.929.417
Insurance expenses (***)	5.587.511	4.695.107	1.066.808	1.333.787
Advertising expenses	4.868.694	2.482.414	1.212.964	1.012.854
Taxes and duties	4.266.547	3.708.963	1.378.607	1.236.204
Other materials and spare parts consumed	4.197.302	3.135.003	1.531.565	1.082.377
Office expenses	2.411.053	2.248.454	859.110	796.388
Vehicle expenses	655.522	470.546	227.226	140.361
Travel expenses	535.286	231.849	155.339	74.007
Other expenses	7.960.974	10.829.758	1.665.863	1.679.099
	1.985.984.615	1.449.423.251	945.713.978	550.282.245

(*) Depreciation and amortization expenses amounting to TL 193.528.871 TL (30 September 2020: TL 222.317.487) is classified in cost of sales, TL 4.129.841 (30 September 2020: TL 4.118.575) of amortization and depreciation expenses is classified in general administrative expenses.

(**) Personnel expenses amounting to TL 34.454.960 (30 September 2020: TL 26.719.992) is classified in cost of sales, TL 26.251.252 (30 September 2020: TL 20.995.335) is classified in general and administrative expenses.

(***) Insurance expenses amounting to TL 13.621.438 (30 September 2020: TL 11.525.394) is classified in cost of sales, TL 269.119 (30 September 2020: TL 175.808) 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 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Profits from forward electricity purchase and sale contracts	141.246.055	3.164.842	97.821.042	(831.872)
Gain on risk sharing contracts	27.194.791	6.328.454	17.451.551	2.123.316
Foreign exchange gains from trading activities	21.900.601	4.202.193	2.720.929	2.078.617
Gain on futures and options markets	9.358.874	8.740.141	8.312.074	2.707.441
Income from compensation	4.547.628	103.888	-	103.888
Provisions no longer required (*)	3.016.773	5.048.425	51.271	4.379.694
Income from insurance compensation	-	1.416.118	-	528.058
Option premium income	1.051.200	-	350.400	-
Other income	8.205.617	997.619	713.767	429.111
	216.521.539	30.001.680	127.421.034	11.518.253

(**) As of 30 September 2021, TL 1.757.529 (30 September 2020: TL 953.885) of the provisions no longer required comprised of released provisions of litigation provisions, TL 872.758 of premium provisions (30 September 2020: TL 82.134), and TL 386.486 of other provisions (30 September 2020: TL 12.406 of other provisions and TL 4.000.000 released provisions of doubtful receivables).

b) Other operating expense

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Losses from forward electricity purchase and sale contracts	142.362.831	2.398.230	98.379.538	(923.977)
Losses on risk sharing contracts	27.181.751	3.945.691	17.349.078	2.576.773
Foreign exchange losses from trading activities	17.192.337	26.484.122	2.367.248	10.572.388
Losses on futures and options market	5.776.115	9.481.144	5.357.653	962.197
Provisions for litigations	2.647.832	722.157	119.133	100.756
Discount expenses from trading activities	-	1.129.993	-	-
Other expenses	763.742	477.586	228.182	118.261
	195.924.608	44.638.923	123.800.832	13.406.398

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

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Dividend income	25.703	18.331	-	18.331
Gain on sale of property, plant and equipment	-	182	-	-
	25.703	18.513	-	18.331

b) Expenses from investing activities

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Losses on sale of property, plant and equipment	52.016	-	52.016	-
	52.016	-	52.016	-

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

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Gain on derivative financial instruments	31.809.131	3.347.628	6.749.396	160.118
Foreign exchange gain	30.932.178	11.063.218	7.756.574	9.057.438
Interest income	15.305.668	5.391.431	7.832.834	2.870.655
	78.046.977	19.802.277	22.338.804	12.088.211

b) Financial expenses

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Foreign exchange losses	709.298.553	892.120.276	63.280.071	462.282.272
Interest and commission expenses	485.863.985	404.297.938	163.253.991	143.157.656
Losses on derivative financial instruments	27.733.704	35.295.416	12.513.305	9.161.623
Other financial expenses (*)	52.528.929	23.560.892	14.641.370	10.319.860
	1.275.425.171	1.355.274.522	253.688.737	624.921.411

(*) For the period 1 January - 30 September 2021, TL 50.202.406 (1 January - 30 September 2020: TL 19.649.164) of the respective amount is comprised of the indexation difference of the liability due to Uluabat DSI 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 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Sakarya Elektrik Perakende Satış A.Ş. ("Sepaş") ^{(1) (****)}	55.211.600	27.052.467	21.311.258	8.633.682
Dinkal Sigorta Acenteliği A.Ş. ("Dinkal") ^{(2) (**)}	32.848.597	2.213.933	1.136.594	984.191
Cez a.s. ^{(3) (*)}	27.955.378	4.934.928	17.354.128	2.521.331
Aktek Bilgi İlet. Tekn. San. ve Tic. A.Ş. ("Aktek") ^{(4) (**)}	5.277.311	4.206.249	1.389.275	1.236.725
Aksa Akrilik Kimya Sanayi A.Ş. ("Aksa") ^{(5) (**)}	3.837.730	12.180.581	1.662.841	4.634.647
Ak-Han Bak.Yön.Serv.Hiz.Güv.Mal. A.Ş. ("Ak-Han") ^{(6) (**)}	2.552.640	2.529.254	875.904	874.672
Akkök Holding A.Ş. ("Akkök") ^{(7) (*)}	569.359	520.610	196.327	175.965
Cez Trade Bulgaria Ead. ^(***)	-	6.374.377	-	1.436.161
Other	-	79.171	-	1.423
	128.252.615	60.091.570	43.926.327	20.498.797

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

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

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

(4) Comprised of IT services received.

(5) Comprised of sharing of instability savings.

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

(7) Comprised of rent service received.

- Sales to related parties

	1 January - 30 September 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Sepaş ^{(1) (****)}	1.085.879.617	367.825.367	579.756.105	226.241.104
Cez a.s. ^{(2) (*)}	48.765.131	7.447.380	29.176.750	2.453.595
Aksa ^{(3) (**)}	5.370.180	2.613.027	3.406.946	425.664
Akcez Enerji Yat. San. ve Tic. A.Ş. ("Akcez") ^{(4) (****)}	70.335	65.154	23.445	19.728
Cez a.s. Turkey Daimi Tem. ^{(5) (****)}	46.969	42.710	16.196	14.524
Cez Trade Bulgaria Ead. ^(***)	-	17.540.626	-	5.690.028
Other	18.816	1.085	2.499	24
	1.140.151.048	395.535.349	612.381.941	234.844.667

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

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

(3) Comprised of sharing of instability.

(4) Comprised of consultancy services

(5) 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 2021	31 December 2020
Sepaş (1) (****)	18.130.125	12.205.186
CEZ a.s. (2) (*)	10.698.377	1.244.764
Aksa (3) (**)	603.768	178.766
CEZ a.s. Turkey Daimi Tem. (4) (****)	11.952	-
CEZ Trade Bulgaria Ead. (****)	-	1.878.469
Other	9.221	13.233
	29.453.443	15.520.418

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

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

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

(4) Comprised of receivables from sales of rental income.

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

- Other receivables from related parties

	30 September 2021	31 December 2020
Cez a.s. (1) (*)	2.062.700	9.007.900
	2.062.700	9.007.900

(1) Comprised of cash collateral given amounting to EUR 200.000 within the scope of electricity exported (31 December 2020: comprised of EUR 1.000.000 cash collateral given).

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 15 - RELATED PARTY DISCLOSURES (Continued)*- Short-term trade payables to related parties*

	30 September 2021	31 December 2020
Dinkal (1) (**)	19.029.115	8.000.454
Sepaş (2) (****)	10.114.999	4.326.098
CEZ a.s (3) (*)	8.763.975	370.643
CEZ a.s. Turkey Daimi Tem. (4) (***)	2.171.968	1.897.016
Akkök (5) (*)	1.797.885	3.563.000
Aktek (6) (**)	502.908	904.203
Aksa (7) (**)	449.272	1.862.191
Ak-Han (8) (**)	431.565	301.010
Ak Havacılık ve Ulaştırma Hiz. A.Ş. ("Ak Havacılık") (9) (**)	293.430	243.565
Ak-pa Tekstil İhracat Pazarlama A.Ş. ("Ak-pa") (**)	-	206.133
	43.555.117	21.674.313

(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 electricity and sharing of instability.

(3) Comprised of payables on risk sharing.

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

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

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

(7) Comprised of payables on risk sharing.

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

(9) Comprised of payables related to aviation 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 2021	1 January - 30 September 2020	1 July - 30 September 2021	1 July - 30 September 2020
Bonus payment	4.335.110	2.822.088	-	-
Salaries and benefits	4.419.992	3.247.888	1.381.906	1.083.810
Attendance fee	647.816	604.376	247.676	211.428
	9.402.918	6.674.352	1.629.582	1.295.238

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(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 Turkish Renewable Energy Resources Support Mechanism.

The details of the foreign currency assets and liabilities as of 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021	31 December 2020
Assets	308.702.241	59.115.252
Liabilities	4.342.732.160	3.596.357.994
Net financial position	(4.034.029.919)	(3.537.242.742)
Net position of derivative instruments	110.099.085	(69.728.041)
Foreign currency position(net)	(3.923.930.834)	(3.606.970.783)

AKENERJİ ELEKTRİK ÜRETİM A.Ş.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD BETWEEN 1 JANUARY - 30 SEPTEMBER 2021

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

NOTE 16 - FINANCIAL RISK MANAGEMENT (Continued)

As of 30 September 2021 and 31 December 2020, assets and liabilities denominated in foreign currency and their TL equivalent held by the Group are as follows:

	30 September 2021				31 December 2020			
	TL Equivalent	USD	Euro	Other	TL Equivalent	USD	Euro	Other
Trade receivables	10.700.048	50	1.037.437	-	3.124.676	50	346.841	-
Monetary financial assets	284.822.403	29.842.731	2.027.815	26	46.282.135	4.914.150	1.133.416	12
Current assets	295.522.451	29.842.781	3.065.252	26	49.406.811	4.914.200	1.480.257	12
Monetary financial assetsvarlıklar	13.179.790	3.400	1.275.001	-	9.708.441	3.400	1.074.999	-
Non-current assets	13.179.790	3.400	1.275.001	-	9.708.441	3.400	1.074.999	-
Total assets	308.702.241	29.846.181	4.340.253	26	59.115.252	4.917.600	2.555.256	12
Trade payables	41.813.586	4.377.974	300.366	2	79.659.361	10.429.525	344.297	4
Financial liabilities	329.188.657	35.943.463	1.098.544	-	257.205.477	33.594.684	1.177.155	-
Other monetary liabilities	2.620.367	296.311	-	-	1.674.867	228.168	-	-
Short-term liabilities	373.622.610	40.617.748	1.398.910	2	338.539.705	44.252.377	1.521.452	4
Financial liabilities	3.969.106.013	440.520.241	7.122.059	-	3.257.815.353	433.795.768	8.163.669	-
Other monetary liabilities	3.537	400	-	-	2.936	400	-	-
Long-term liabilities	3.969.109.550	440.520.641	7.122.059	-	3.257.818.289	433.796.168	8.163.669	-
Total liabilities	4.342.732.160	481.138.389	8.520.969	2	3.596.357.994	478.048.545	9.685.121	4
Net Asset(Liability) Position of Statement of Financial Position Derivative Instruments	110.099.085	11.100.000	-	-	(69.728.041)	(9.450.000)	(40.000)	-
Off statement of financial position foreign currency derivative assets	114.520.735	13.600.000	-	-	-	-	-	-
Off statement of financial position foreign currency derivative liabilities	4.421.650	2.500.000	-	-	69.728.041	9.450.000	40.000	-
Net foreign currency asset(liability) position	(3.923.930.834)	(440.192.208)	(4.180.716)	24	(3.606.970.783)	(482.580.945)	(7.169.865)	8
Net foreign currency asset(liability) position of monetary items	(4.034.029.919)	(451.292.208)	(4.180.716)	24	(3.537.242.742)	(473.130.945)	(7.129.865)	8
Total fair value of financial instruments used for foreign currency hedging	3.375.908	372.296	8.104		2.805.840	372.296	8.104	-
Export	48.721.108	-	4.912.347	-	39.384.285	-	4.806.136	-
Import	72.299.333	6.178.351	2.228.411	7.712	47.717.492	4.347.398	2.158.423	80

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(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 2021 and 31 December 2020, the following table details of Group's sensitivity to a 10% increase and decrease in the TL against relevant foreign currencies, all other variables held constant. The sensitivity analysis includes only monetary items in open foreign currency at the end of the year, and the positive effect of Turkish Renewable Energy Resources Support Mechanism revenues in foreign currency on operating profit is not taken into account in this calculation.

30 September 2021				
	Profit /Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
+/- 10% fluctuation of USD rate				
1- USD net asset/liability	(399.091.238)	399.091.238	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(399.091.238)	399.091.238	-	-
+/- 10% fluctuation of EUR rate				
4- EUR net asset/liability	(4.311.781)	4.311.781	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(4.311.781)	4.311.781	-	-
+/- 10% fluctuation of other currencies rate against to TL				
7- Other currencies net asset/liability	29	(29)	-	-
8- Part of hedged from other currencies risk (-)	-	-	-	-
9- Other currencies net effect (7+8)	29	(29)	-	-
Total (3+6+9)	(403.402.990)	403.402.990	-	-

31 December 2020				
	Profit /Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
+/- 10% fluctuation of USD rate				
1- USD net asset/liability	(347.301.770)	347.301.770	-	-
2- Part of hedged from USD risk (-)	-	-	-	-
3- USD net effect (1+2)	(347.301.770)	347.301.770	-	-
+/- 10% fluctuation of EUR rate				
4- EUR net asset/liability	(6.422.511)	6.422.511	-	-
5- Part of hedged from EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	(6.422.511)	6.422.511	-	-
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)	(353.724.273)	353.724.273	-	-

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 17 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

Financial assets

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

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

Financial liabilities

The fair values of 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 2021 the Group has short-term and long-term liabilities from derivative financial instruments amounting to TL 165.979.220 (31 December 2020: TL 27.472.101) and TL 26.456.872 (31 December 2020: TL 34.684.408) respectively and TL 152.366.713 derivative financial instruments in its current assets (31 December 2020: TL 10.470.084), 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.