

**ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ**

**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL INFORMATION  
FOR THE PERIOD 1 JANUARY - 30 JUNE 2019  
TOGETHER WITH AUDITOR'S REVIEW REPORT**



## REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

To the Board of Directors of Zorlu Enerji Elektrik Üretim A.Ş.

### *Introduction*

We have reviewed the accompanying condensed consolidated interim balance sheet of Zorlu Enerji Elektrik Üretim A.Ş. and its subsidiaries as of 30 June 2019 and the related condensed interim statement of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Çağlar Sürücü, SMMM  
Partner

Istanbul, 4 October 2019

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION AT 30 JUNE 2019

<b>CONTENTS</b>	<b>PAGE</b>
<b>CONDENSED CONSOLIDATED INTERIM BALANCE SHEET.....</b>	<b>1-2</b>
<b>CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS.....</b>	<b>3</b>
<b>CONDENSED CONSOLIDATED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME.....</b>	<b>4</b>
<b>CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY.....</b>	<b>5</b>
<b>CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS .....</b>	<b>6</b>
<b>NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION .....</b>	<b>7-50</b>
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS.....	7-9
NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS .....	9-26
NOTE 3 SEGMENT REPORTING.....	26-28
NOTE 4 CASH AND CASH EQUIVALENTS.....	28-29
NOTE 5 RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT .....	29-30
NOTE 6 FINANCIAL LIABILITIES.....	30-32
NOTE 7 OTHER PAYABLES .....	33
NOTE 8 OTHER ASSETS AND LIABILITIES .....	34-35
NOTE 9 PROPERTY, PLANT AND EQUIPMENT .....	35-36
NOTE 10 RIGHT OF USE ASSETS.....	36
NOTE 11 CONTINGENT ASSETS AND LIABILITIES.....	37-38
NOTE 12 DERIVATIVE FINANCIAL INSTRUMENTS.....	39-41
NOTE 13 EQUITY.....	41
NOTE 14 TAXES ON INCOME.....	42-44
NOTE 15 EXPENSES BY NATURE.....	44
NOTE 16 OTHER OPERATING INCOME AND EXPENSE.....	45
NOTE 17 FINANCIAL INCOME AND EXPENSES.....	45
NOTE 18 RELATED PARTY TRANSACTIONS.....	46-50
NOTE 19 EVENTS OCCURRING AFTER REPORTING PERIOD.....	50

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AT 30 JUNE 2019

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

	Notes	30 June 2019	31 December 2018
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	4	389,972	598,576
Financial assets		11,391	-
Trade receivables			
- Other trade receivables		641,441	609,263
- Due from related parties	18	27,042	23,185
Other receivables			
- Other receivables		84,610	33,269
- Due from related parties	18	1,087,320	986,313
Derivative financial instruments	12	5,076	5,148
Receivables from service concession arrangements	5	136,009	158,453
Inventories		93,177	9,416
Other current assets	8	244,837	386,587
<b>Total</b>		<b>2,720,875</b>	<b>2,810,210</b>
Assets held for sale		593,440	604,317
<b>Total current assets</b>		<b>3,314,315</b>	<b>3,414,527</b>
<b>Non-current assets:</b>			
Other receivables			
- Other receivables		31	-
- Due from related parties	18	1,502,925	1,184,359
Financial assets		246	246
Receivables from service concession arrangements	5	1,178,571	1,167,479
Associates		446,167	378,523
Property, plant and equipment	9	8,622,569	8,821,586
Intangible assets		2,880,286	2,955,771
Right of use assets	10	80,238	-
Deferred tax assets	14	336,837	312,084
Other non-current assets	8	140,805	136,907
<b>Total non-current assets</b>		<b>15,188,675</b>	<b>14,956,955</b>
<b>Total assets</b>		<b>18,502,990</b>	<b>18,371,482</b>

The accompanying notes form an integral part of this condensed consolidated interim financial information.

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AT 30 JUNE 2019

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

	Notes	30 June 2019	31 December 2018
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Financial liabilities	6	4,120,973	3,362,648
Trade payables			
- Other trade payables		1,314,732	1,386,797
- Due to related parties	18	46,450	127,224
Other payables			
- Other payables	7	741,728	709,738
- Due to related parties	7, 18	35,002	28,604
Derivative financial instruments	12	19,820	8,522
Taxes on income		16,229	2,897
Other provisions		14,601	16,198
Other current liabilities	8	189,121	158,902
<b>Total</b>		<b>6,498,656</b>	<b>5,801,530</b>
Liabilities related to the asset held for sale		414,884	406,682
<b>Total current liabilities</b>		<b>6,913,540</b>	<b>6,208,212</b>
<b>Non-current liabilities:</b>			
Financial liabilities	6	7,975,935	7,888,475
Derivative financial instruments	12	117,868	33,076
Other payables			
- Other payables	7	18,489	20,014
Deferred tax liabilities	14	638,247	761,300
Provisions for employment benefits		25,718	23,281
Other non-current liabilities	8	56,657	57,314
<b>Total non-current liabilities</b>		<b>8,832,914</b>	<b>8,783,460</b>
<b>Total liabilities</b>		<b>15,746,454</b>	<b>14,991,672</b>
<b>EQUITY</b>			
Share capital	13	2,110,948	2,110,948
Revaluation fund	9	3,316,898	3,415,981
Share premium		916	916
Hedge reserves		(2,590,298)	(1,984,100)
Actuarial losses		(6,811)	(6,627)
Currency translation adjustment		319,084	281,388
Accumulated losses		(379,244)	(434,657)
<b>Equity attributable to equity holders of the parent</b>		<b>2,771,493</b>	<b>3,383,849</b>
<b>Non-controlling interests</b>		<b>(14,957)</b>	<b>(4,039)</b>
<b>Total equity</b>		<b>2,756,536</b>	<b>3,379,810</b>
<b>Total liabilities and equity</b>		<b>18,502,990</b>	<b>18,371,482</b>

The accompanying notes form an integral part of this condensed consolidated interim financial information.

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

	Notes	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Revenue		3,611,112	1,740,269	1,923,147	1,073,235
Cost of sales (-)	15	(2,854,166)	(1,371,994)	(1,396,808)	(779,887)
<b>Gross profit</b>		<b>756,946</b>	<b>368,275</b>	<b>526,339</b>	<b>293,348</b>
General and administrative expenses (-)	15	(91,594)	(51,522)	(62,253)	(27,319)
Marketing and selling expenses (-)	15	(26,098)	(13,049)	(23,860)	(12,392)
Other income	16	195,017	105,533	80,603	46,229
Other expense (-)	16	(125,905)	(64,027)	(70,362)	(44,492)
<b>Operating income</b>		<b>708,366</b>	<b>345,210</b>	<b>450,467</b>	<b>255,374</b>
Share of gain/ (loss) of associates		6,675	(15,547)	9,961	(7,452)
Financial income	17	359,497	95,966	551,119	373,597
Financial expense (-)	17	(1,093,664)	(487,093)	(952,266)	(584,239)
<b>(Loss) / income before taxation</b>		<b>(19,126)</b>	<b>(61,464)</b>	<b>59,281</b>	<b>37,280</b>
Current income tax expense (-)	14	(33,492)	(16,836)	(12,433)	1,126
Deferred tax (expense)/ income	14	(1,970)	5,450	116,246	99,672
<b>(Loss)/ income for the period</b>		<b>(54,588)</b>	<b>(72,850)</b>	<b>163,094</b>	<b>138,078</b>
<b>Income/ (loss) attributable to:</b>					
Equity holders of the parent		(43,670)	(66,705)	163,704	138,530
Non-controlling interest		(10,918)	(6,145)	(610)	(452)
(Loss)/ income per share		(0.022)	(0.033)	0.082	0.069

The accompanying notes form an integral part of this condensed consolidated interim financial information.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
<b>(Loss)/ income for the period</b>	<b>(54,588)</b>	<b>(72,850)</b>	<b>163,094</b>	<b>138,078</b>
Revaluation of property, plant and equipment (Note 2.7)	-	-	1,446,401	-
Changes in actuarial (losses)/gain on employment benefit obligations	(236)	112	(526)	1,744
Hedge reserves	(757,747)	(228,964)	(846,344)	(674,643)
Changes in currency translation adjustments	37,696	(19,083)	60,049	47,641
Deferred income tax related to other comprehensive income	151,601	45,767	(119,906)	134,580
<b>Other comprehensive (loss)/ income</b>	<b>(568,686)</b>	<b>(202,168)</b>	<b>539,674</b>	<b>(490,678)</b>
<b>Total comprehensive (loss)/ income</b>	<b>(623,274)</b>	<b>(275,018)</b>	<b>702,768</b>	<b>(352,600)</b>
<b>Total comprehensive (loss)/ income attributable to:</b>				
Equity holders of the parent	(612,356)	(268,873)	703,378	(352,148)
Non-controlling interests	(10,918)	(6,145)	(610)	(452)
<b>Total comprehensive (loss)/ income</b>	<b>(623,274)</b>	<b>(275,018)</b>	<b>702,768</b>	<b>(352,600)</b>

The accompanying notes form an integral part of this condensed consolidated interim financial information.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

	Attributable to equity holders of the parent							Non-controlling interests	Total equity
	Share capital	Share premium	Hedge reserves	Actuarial losses	Currency translation adjustment	Revaluation fund	Accumulated losses		
<b>1 January 2018</b>	<b>2,110,948</b>	<b>916</b>	<b>(595,039)</b>	<b>(4,572)</b>	<b>192,213</b>	<b>648,807</b>	<b>(660,774)</b>	<b>(1,430)</b>	<b>1,691,069</b>
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	17,279	17,279
Transfer	-	-	-	-	-	(62,241)	62,241	-	-
Total comprehensive income	-	-	(677,075)	(421)	60,049	1,157,121	163,704	(610)	702,768
<b>30 June 2018</b>	<b>2,110,948</b>	<b>916</b>	<b>(1,272,114)</b>	<b>(4,993)</b>	<b>252,262</b>	<b>1,743,687</b>	<b>(434,829)</b>	<b>15,239</b>	<b>2,411,116</b>
<b>1 January 2019</b>	<b>2,110,948</b>	<b>916</b>	<b>(1,984,100)</b>	<b>(6,627)</b>	<b>281,388</b>	<b>3,415,981</b>	<b>(434,657)</b>	<b>(4,039)</b>	<b>3,379,810</b>
Transfer	-	-	-	-	-	(99,083)	99,083	-	-
Total comprehensive loss	-	-	(606,198)	(184)	37,696	-	(43,670)	(10,918)	(623,274)
<b>30 June 2019</b>	<b>2,110,948</b>	<b>916</b>	<b>(2,590,298)</b>	<b>(6,811)</b>	<b>319,084</b>	<b>3,316,898</b>	<b>(379,244)</b>	<b>(14,957)</b>	<b>2,756,536</b>

The accompanying notes form an integral part of this condensed consolidated interim financial information.

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

	Notes	1 January- 30 June 2019	1 January- 30 June 2018
<b>Cash flows from operating activities:</b>			
(Loss)/ income before taxation		(19,126)	59,281
Depreciation and amortisation	15, 16	290,282	179,913
Interest income	16, 17	(112,626)	(76,273)
Interest expense	16, 17	818,034	438,718
Unrealized foreign exchange losses and currency translation differences		52,761	81,540
Loss/(gain) from financial derivative instruments	17	23,814	(27,129)
Change in provision for employment termination benefits		5,009	2,293
Provisions		(1,597)	(8,981)
Gain from sale of tangible assets		(24)	(18)
Gain on associates		(6,675)	(9,961)
Indexation difference on receivables from service concession agreements	5	(66,483)	(58,639)
Indexation difference on deposits	7, 16	7,650	7,253
Amortization of commission expenses		24,568	18,049
Other adjustments related to non-cash items		5,479	-
<b>Net cash generated from operating activities before changes in operating assets and liabilities</b>		<b>1,021,066</b>	<b>606,046</b>
Changes in trade receivables		(8,004)	(136,520)
Changes in other receivables		(51,372)	(25,533)
Changes in other current and non-current assets		137,610	(74,481)
Changes in trade payables		(190,223)	(21,814)
Changes in other payables		22,787	(14,829)
Changes in other liabilities		229	(65,091)
Changes in inventories		(70,048)	9,262
Termination benefits paid		(2,306)	(2,111)
Taxes paid		(19,115)	(13,205)
<b>Net cash generated from operating activities</b>		<b>840,624</b>	<b>261,724</b>
<b>Cash flows from investing activities:</b>			
Purchase of property plant and equipment and intangible assets		(90,862)	(342,818)
Proceeds from sale of property, plant and equipment and intangible assets		253	86
Interest received		24,776	19,715
Collections from service concession arrangements	5	70,048	62,628
Investments on service concession arrangements	5	(5,054)	-
Subscriber connection fee	5	12,841	-
Cash in flow/ (outflow) from sale / (purchase) of subsidiaries		29,546	(77,385)
Change in cash and cash equivalents related to assets held for sale		14,518	-
<b>Net cash generated from/ (used in) investing activities</b>		<b>56,066</b>	<b>(337,774)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issued debt instruments	6	211,987	169,000
Proceeds from bank borrowings	6	366,136	1,855,396
Proceeds from other financial liabilities	6	-	5,976
Repayment of bank borrowings	6	(527,855)	(673,229)
Repayment of issued debt instruments	6	(204,720)	(164,890)
Changes in related party balances		(120,973)	(870,643)
Interest paid		(747,138)	(332,217)
Cash outflows related to payment of lease liabilities	6	(10,624)	-
Commission paid	6	(38,449)	(44,623)
<b>Net cash used in financing activities</b>		<b>(1,071,636)</b>	<b>(55,230)</b>
Net decrease in cash and cash equivalents		(174,946)	(131,280)
Change in restricted cash		(6,729)	(19,765)
Effect of foreign currency conversion differences on cash and cash equivalents		(22,267)	(47,854)
<b>Cash and cash equivalents at the beginning of the period</b>		<b>582,683</b>	<b>317,570</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4</b>	<b>378,741</b>	<b>118,671</b>

The accompanying notes form an integral part of this condensed consolidated interim financial information.

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

### NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Zorlu Enerji Elektrik Üretim AŞ (“the Company” or “Zorlu Enerji”) and its subsidiaries (collectively referred to as (“the Group”) is engaged in electricity, steam production and selling, distribution and retailing of electricity, trading electricity, distribution of gas and distribution and selling and distribution of solar panel. The Company was established by Zorlu Holding AŞ (“Zorlu Holding”) and Korteks Mensucat Sanayi ve Ticaret AŞ (“Korteks”) in 1993. Ultimate controlling party of the Company is Zorlu Holding. The Company is registered in Turkey and its registered address is as follows: Bursa Organized Industrial Zone, Pembe Street, No: 13 Bursa/Turkey.

The Company is registered to the Capital Markets Board (“CMB”), and its shares are publicly traded in Borsa Istanbul AŞ (“BIST”) since 2000. As at 30 June 2019, 32% of its shares are open for trading (31 December 2018: 32%).

The subsidiaries and associates of the Company are presented as below:

<b>Subsidiaries</b>	<b>Nature of business</b>	<b>Country</b>
Rotor Elektrik Üretim AŞ (“Rotor”)	Electricity production	Turkey
Zorlu Hidroelektrik Enerji Üretim AŞ (“Zorlu Hidroelektrik”)	Electricity production	Turkey
Zorlu Jeotermal Enerji Elektrik Üretimi AŞ (“Zorlu Jeotermal”)	Electricity production	Turkey
Zorlu Enerji Pakistan Ltd. (“Zorlu Enerji Pakistan”)	Electricity production	Pakistan
Zorlu Wind Pakistan (Private) Ltd. (“Zorlu Wind Pakistan”)	Electricity production	Pakistan
Zorlu Solar Pakistan (Private) Ltd. (“Zorlu Solar Pakistan”)	Electricity production	Pakistan
Zorlu Rüzgar Enerjisi Elektrik Üretimi AŞ (“Zorlu Rüzgar”)	Electricity production	Turkey
Zorlu Doğal Elektrik Üretimi AŞ (“Zorlu Doğal”)	Electricity production	Turkey
Nemrut Jeotermal Elektrik Üretimi AŞ (“Nemrut”)	Electricity production	Turkey
Zorlu Solar Enerji Tedarik ve Ticaret AŞ (“Zorlu Solar”)	Electricity production and solar panel trading	Turkey
Zorlu Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret AŞ (“Zorlu Elektrik”)	Electricity trading	Turkey
Zorlu Osmangazi Enerji Sanayi ve Ticaret AŞ (“Zorlu Osmangazi”) (*)	Electricity distribution and trading	Turkey
Zorlu Enerji İsrail Ltd. (“Zorlu Enerji İsrail”)	Electricity production	Israel
Zorlu Renewable Pakistan (Private) Ltd. (“Zorlu Renewable Pakistan”)	Electricity production	Pakistan
Zorlu Sun Power (Private) Ltd. (“Zorlu Sunpower”)	Electricity production	Pakistan
Zorlu Enerji Dağıtım AŞ (“Zorlu Enerji Dağıtım”) (**)	Gas distribution	Turkey
Zorlu Asia Holding Ltd. (“Zorlu Asia”)	Energy investment	Dubai
ZES Dijital Ticaret AŞ (“ZES Dijital”)	Electricity sale, renting of electric vehicle and other	Turkey
ZJ Strong Energy for Renewable Energy Ltd Co. (“ZJ Strong	Electricity production	Palestine

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

### NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

Associates	Nature of business	Country
Dorad Energy Ltd. (“Dorad”)	Electricity production	Israel
Ezotech Electric Ltd. (“Ezotech”) (***)	Electricity trading	Israel
Solad Energy Ltd. (“Solad”)	Electricity production	Israel

(\*) Zorlu Osmangazi has 100% shares of Osmangazi Elektrik Dağıtım AŞ (“OEDAŞ”) and Osmangazi Elektrik Satış Perakende AŞ (“OEPSAŞ”).

(\*\*) Zorlu Enerji Dağıtım, which is 100% owned by Zorlu Enerji, has 90% of the shares of Trakya Bölgesi Doğal Gaz Dağıtım AŞ (“Trakya”) and Gazdaş Gaziantep Doğal Gaz Dağıtım AŞ (“Gazdaş”).

(\*\*\*) Ezotech has 100% shares of Ashdod Energy Ltd. (“Ashdod”) and Ramat Negev Energy Ltd. (“Ramat Negev”).

As at 30 June 2019, the number of personnel employed was 2,241 (31 December 2018: 2,160).

The power plants of the Company located in Turkey and abroad are presented below together with their existing installed capacities:

#### Installed capacity in Turkey:

Power Plant	Company	Location	Type	Electricity Production Capacity (MW)	Steam Production Capacity (Ton/Hour)
<b>Geothermal</b>				<b>305.0</b>	-
Kızıldere I	Zorlu Doğal	Denizli	Geothermal	15.0	-
Kızıldere II	Zorlu Doğal	Denizli	Geothermal	80.0	-
Kızıldere III	Zorlu Doğal	Denizli-Aydın	Geothermal	165.0	-
Alaşehir I	Zorlu Jeotermal	Manisa	Geothermal	45.0	-
<b>Wind</b>				<b>215.3</b>	-
Gökçedağ	Rotor	Osmaniye	Wind	135.0	-
Sarıtepe	Zorlu Rüzgar	Osmaniye	Wind	57.0	-
Demirciler	Zorlu Rüzgar	Osmaniye	Wind	23.3	-
<b>Hydroelectric</b>				<b>118.9</b>	-
Tercan	Zorlu Doğal	Erzincan	Hydroelectric	15.0	-
Kuzgun	Zorlu Doğal	Erzurum	Hydroelectric	20.9	-
Ataköy	Zorlu Doğal	Tokat	Hydroelectric	5.5	-
Mercan	Zorlu Doğal	Tunceli	Hydroelectric	20.4	-
Çıldır	Zorlu Doğal	Kars	Hydroelectric	15.4	-
İkizdere	Zorlu Doğal	Rize	Hydroelectric	24.9	-
Beyköy	Zorlu Doğal	Eskişehir	Hydroelectric	16.8	-
<b>Natural Gas</b>				<b>99.7</b>	<b>239.5</b>
Lüleburgaz	Zorlu Enerji	Lüleburgaz, Kırklareli	Cogeneration Natural Gas	49.5	209.5
Bursa	Zorlu Enerji	Bursa Organized Industrial Zone	Combined-Cycle Natural Gas	34.3	-
Yalova	Zorlu Enerji	Altınova, Yalova	Cogeneration Natural Gas	15.9	30.0
<b>TOTAL</b>				<b>738.9</b>	<b>239.5</b>

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

#### NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS (Continued)

##### Installed capacity in abroad:

Power Plant	Location	Type	Electricity Production Capacity (MW)	Steam Production Capacity (Ton/Hour)
<b>Wind</b>			<b>56.4</b>	-
Jhimpir	Pakistan	Wind	56.4	-
<b>Natural Gas (*)</b>			<b>290.5</b>	<b>46.4</b>
Dorad	Israel	Combined-Cycle Natural Gas (840 MW)	210.0	-
Ashdod	Israel	Cogeneration Natural Gas (64.54 MW, 40 ton/hour)	27.2	16.9
Ramat Negev	Israel	Cogeneration Natural Gas (126.4 MW, 70 ton/hour)	53.3	29.5
<b>TOTAL</b>			<b>346.9</b>	<b>46.4</b>

(\*) Stake of Zorlu Enerji in Israel companies has been taken into consideration in the calculation of total production capacity.

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

##### 2.1 Financial reporting standards

The condensed consolidated interim financial information of the Group have been prepared in accordance with International Accounting Standard 34 (“IAS 34”). The Group maintains its books of account and prepares its statutory financial information in Turkish Lira (“TL”) in accordance with the requirements of the Turkish Commercial Code (the “TCC”), related regulations and tax legislation. This condensed consolidated interim financial information is based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IAS 34.

This condensed consolidated interim financial information is prepared under the historical cost convention, adjusted, where required by IAS 34 to measure certain items at fair value.

The preparation of condensed consolidated interim financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the condensed consolidated interim financial information are disclosed in Note 2.7.

This condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year then ended 31 December 2018.

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

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

#### 2.2 Basis of consolidation

The condensed consolidated interim financial information include the accounts of the parent company, Zorlu Enerji and its subsidiaries on the basis set out in sections below. The condensed interim financial information of the companies included in the scope of consolidation have been prepared as at the date of the condensed consolidated interim financial information and have been prepared in accordance with IAS 34. The results of subsidiaries are included or excluded from their effective dates of acquisition or disposal, respectively.

#### *Subsidiaries*

Zorlu Enerji controls a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Zorlu Enerji has power over a subsidiary when Zorlu Enerji has existing rights that give it the current ability to direct the relevant activities that significantly affect the subsidiary’s returns. Power arises from rights and the existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Zorlu Enerji controls another entity.

Subsidiaries including the structured entities are the companies controlled by the Group. The Group’s control is provided by the ability to affect the variable returns through its power over the subsidiaries. Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that control ceases.

The balance sheets and statements of profit or loss the subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Zorlu Enerji and its subsidiaries are eliminated against the related equity. Intercompany transactions and balances between Zorlu Enerji and its subsidiaries are eliminated with the scope of consolidation accounting.

#### *Disposal of subsidiaries*

If the Group loses control of a subsidiary, it recognizes any investment retained in the former subsidiary at its fair value when control is lost and any difference between the fair value and net book value of investment is accounted for as gain or loss. That fair value shall be regarded as the fair value on initial recognition of a financial asset, when appropriate, the cost on initial recognition of an investment in an associate or joint venture. Additionally, assets and liabilities that were previously recognized as other comprehensive income attributable to that subsidiary are accounted for as if those were disposed the Group. This may result in a fact that these amounts previously recognized as other comprehensive income may be classified to profit or loss.

#### *Non-controlling interests*

The minority shares in the net assets and operating results of subsidiaries are separately classified in the consolidated balance sheets and consolidated statements of loss as “non-controlling interests”.

The Group applies a policy of treating transactions with non-controlling interests as transactions with owners of the parent. Regarding the purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to non-controlling interests are also accounted for in equity. For disposals to non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also accounted for in equity.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

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

##### 2.2 Basis of consolidation (Continued)

The table below sets out all subsidiaries and demonstrates the proportion of ownership interest as at 30 June 2019 and 31 December 2018. Financial statements of subsidiaries are consolidated using the full consolidation method.

Subsidiaries	Direct ownership interest by the Companies (%)	
	30 June 2019	31 December 2018
Rotor	100.00	100.00
Zorlu Hidroelektrik	100.00	100.00
Zorlu Jeotermal	100.00	100.00
Zorlu Enerji Pakistan	100.00	100.00
Zorlu Wind Pakistan	99.70	99.70
Zorlu Solar Pakistan	99.70	99.70
Zorlu Rüzgar	100.00	100.00
Zorlu Doğal	100.00	100.00
Nemrut	75.00	75.00
Zorlu Solar	100.00	100.00
Zorlu Elektrik	100.00	100.00
Zorlu Osmangazi	100.00	100.00
Zorlu Enerji İsrail	100.00	100.00
Zorlu Renewable Pakistan	99.70	99.70
Zorlu Sun Power	99.70	99.70
Zorlu Enerji Dağıtım	100.00	100.00
Zorlu Asia	100.00	100.00
ZES Dijital (*)	100.00	-
ZJ Strong Energy (*)	75.00	-

(\*) Zorlu Enerji joined the foundation of the company named “ZES Dijital Ticaret Anonim Şirketi”, established to operate electricity sale, electric vehicle leasing, electric vehicle charging station installation and energy management system development, with 100% share, and ZJ Strong Energy for Renewable Energy Ltd Co, established to build solar energy plants in various regions of Palestine in order to meet Palestine’s electricity need with solar energy and to operate in renewable energy and other energy areas, with 75% share.

##### *Investment in Associates*

The Group’s investments in associates are accounted under the equity method of accounting. Investments in associates are undertakings over which the Group generally has between 20% and 50% of the voting rights and the Group has significant influence and which are not subsidiaries or joint ventures of the Group. The investments in associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group’s share of net assets of the associates, less any impairment in value. The consolidated statement of income/loss reflects the Group’s share of the results of operations of the associates.

The equity method is abandoned if the carrying value of the investment in the associate is zero or the significant effect of the Group has ended, as long as the Group does not incur an obligation or commitment in relation to the associate. After the Group's share in the associate has decreased to zero, additional provision and recognition of the liability has been incurred if the Group is exposed to legal or constructive obligation or has made payments on behalf of the associate.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

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

##### 2.2 Basis of consolidation (Continued)

The table below sets out all associates and demonstrates the proportion of ownership interest as at 30 June 2019 and 31 December 2018:

Associates	Direct ownership by the Company (%)	
	30 June 2019	31 December 2018
Dorad	25.00	25.00
Ezotech	42.15	42.15
Solad	42.15	42.15

##### 2.3 Amendments in International Financial Reporting Standards

###### a) Standards, amendments and interpretations applicable as of 30 June 2019

- IFRS 9, Financial instruments
- IAS 28, Investments in associates and joint venture
- IFRS 16, Leases
- IFRIC 23, Uncertainty over income tax treatments
- Annual improvements 2015-2017
- Amendments to IAS 19, Employee benefits on plan amendment, curtailment or settlement

The amendments do not have a significant impact on the financial position or performance of the Group, except for the effect of IFRS 16 transition. The effects of transition to IFRS 16 are detailed in Note 2.4.

###### b) Standards, amendments and interpretations that are issued but not effective as at 30 June 2019

- Amendments to IAS 1 and IAS 8
- Amendments to IFRS 3, definition of a business
- IFRS 17, Insurance contracts

The Group is evaluating the effect of the aforementioned changes on its consolidated financial statements.

##### 2.4 Changes in significant accounting policies

The condensed consolidated interim financial information for the period then ended 30 June 2019 has been prepared in accordance with IAS 34. Except as described below the accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2018.

###### *Leasing:*

The Group applied first time application requirements of IFRS 16 “Leases” out of the new standards, amendments and interpretations effective from 1 January 2019 in line with the requirement of transition of the related standards.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

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

##### 2.4 Changes in significant accounting policies (Continued)

The effects of this standard-related accounting policy change and the first-time implementation of the relevant standards are as follows:

###### *Group - as a lessee*

If a contract regulates the right to control the use of an asset that is defined in the contract for a certain period and for a specific price, this contract is considered as a lease in its nature or includes a lease transaction. At the beginning of a contract, the Group assesses whether the contract is a lease or include a lease transaction. The Group considers the following conditions when assessing whether or not a contract transfers the right to control the use of a defined asset for a specified period of time:

- a) The existence of a clearly or implicitly identifiable asset that constitutes the subject of the lease.
- b) The lessee has the right to obtain almost all of the economic benefits from the use of the defined asset that constitutes the subject of the lease.
- c) The lessee has the right to manage the use of the defined asset that constitutes the subject of the lease. According to circumstances listed below, the tenant is deemed to have the right to manage the defined asset constituting the subject of the lease;
  - i. The lessee has the right to operate the property for the duration of its use (or to direct others to operate the entity in its own way) and the lessor does not have the right to change these operating instructions or
  - ii. Designing the asset (or certain features of the asset) in advance in a manner of how and for what purpose the asset will be used during its occupancy by the lessee.

In the event of a contract fulfills these conditions, the Group reflects the existence of a right to use and a lease liability to the consolidated financial statements at the date of the lease's actual start.

###### *The right of use asset*

The right-of-use asset initially recognized by the cost method and includes the followings:

- a) The first measurement amount of the lease liability to be recognized as the right of use asset,
- b) Deduction of all leasing incentives related to the lease, from the first measurement amount of the lease liability recorded as a right of use asset,
- c) All direct costs, that are related to the lease, incurred by the Group to be added to the first measurement amount of the lease liability, which will be recognized as a right of use asset, and
- d) Estimated costs to be incurred by the Group shall be added to the initial measurement amount in relation to the dismantling and transporting of the defined asset constituting the subject of the lease, the restoration of the area in which it is placed, or the restoration of the defined asset as required by the terms and conditions of the lease.

In applying the cost method, the Group measures the right of use asset by:

- a) deducting the accumulated depreciation and accumulated impairment losses and
- b) measuring the cost of the lease in accordance with the re-measurement of the lease liability.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

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

##### 2.4 Changes in significant accounting policies (Continued)

The Group applies depreciation provisions in IAS 16 Property, Plant and Equipment while depreciating the right of use asset. In order to determine whether the right of use asset has been impaired or not and to recognize any impairment losses, the IAS 36 “Impairment of Assets” is implemented.

As of 30 June 2019 and 1 January 2019, the details of right of use assets accounted in the condensed consolidated interim financial information are as follows:

	30 June 2019	1 January 2019
Land	16,332	16,580
Buildings	4,437	4,637
Vehicles	30,945	38,929
Property, plant and machinery	28,524	29,312
<b>Total right of use assets</b>	<b>80,238</b>	<b>89,458</b>

##### *Lease Liability*

At the effective date of the lease, the Group measures its leasing liability at the present value of the lease payments not realized at that date. If the interest rate on the lease can be easily determined, this rate is used in discount; if the implied interest rate cannot be easily determined, the payments are discounted by using the alternative borrowing interest rate of the lessee.

Lease payments that are included in the measurement of the lease liability of the Group and the payments that are not occurred on the date when the lease is actually started consist of the following:

- Amount deducted from all types of rental incentive receivables from fixed payments;
- Lease payments based on an index or a rate, lease payments made using an index or a rate at the time the initial measurement was actually started.
- The penalty for termination of the lease in cases the lessee shows a sign of it will use an option to terminate the lease.

After the effective date of the lease, the Group measures its lease liability as follows:

- Increasing the book value by reflecting interest on lease liability
- Reducing the book value by reflecting the lease payments made
- Re-measures the book value to reflect any re-evaluations and reconfigurations, if any. The Group reflects the remeasured amount of the lease obligation to the financial statements as adjustment in the use of right.

##### *Extension and early termination options*

A lease obligation is determined by considering the extension of the contracts and early termination options. Most of the extension and early termination options included in the contracts consist of options that are jointly applicable by the Group and the lessor. However, if such extension and early termination options are at the Group's discretion in accordance with the contract and the use of the options is reasonably certain, the lease term shall be determined by taking this issue into account. If there is a significant change in the conditions, the evaluation is reviewed by the Group.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

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

##### 2.4 Changes in significant accounting policies (Continued)

###### *Variable lease payments*

Company’s lease contracts also include variable lease payments which are not in the scope of IFRS 16. Variable lease payments are recognised in profit or loss in the related period.

###### *Exemptions and simplifications*

Short-term lease agreements with a period of 12 months and less, have been assessed under the exemption granted by the IFRS 16 Leases Standard, and payments for these contracts are recognized as an expense in the period in which they are incurred.

###### *First adoption IFRS 16 Leases Standard*

The IFRS 16 Leases standard replaces the IAS 17 Leasing Operations, as of 1 January 2019, and the Group retrospectively (“cumulative effect method”) recognized the cumulative effect of applying the standard on its financial statements at once. Within the scope of the simplified transition application defined in the related standard, the comparative information of the financial statements and retained earnings have not been restated.

Under the first implementation of IFRS 16 Leases, before 1 January 2019, the lease commitments are accounted for as a lease obligation in accordance with IAS 17 in financial statements. This lease liability has been measured at the present value of the lease payments, which have not been realized as of the date of transition, discounted using the alternative borrowing interest rate at the date of initial application of the Group. The right to use of assets are accounted for an amount equal to the lease obligations (adjusted for the amount of prepaid or accrued lease payments) within the scope of simplified transition application in the related standard.

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

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

#### 2.4 Changes in significant accounting policies (Continued)

The effects of IFRS 16 in the condensed consolidated interim financial information and statement of profit or loss for the period 30 June 2019 is presented below:

	Excluding IFRS 16 Effect 30 June 2019	Transition effect of IFRS 16	30 June 2019
<b>ASSETS</b>			
<b>TOTAL CURRENT ASSETS</b>	<b>3,314,315</b>	<b>-</b>	<b>3,314,315</b>
<b>NON-CURRENT ASSETS</b>			
Right of use assets	-	80,238	80,238
Property, plant and equipment	8,651,093	(28,524)	8,622,569
Intangible assets	2,888,903	(8,617)	2,880,286
Deferred tax assets	336,144	693	336,837
Other non-current assets items	3,268,745	-	3,268,745
<b>TOTAL NON-CURRENT ASSETS</b>	<b>15,144,885</b>	<b>43,790</b>	<b>15,188,675</b>
<b>TOTAL ASSETS</b>	<b>18,459,200</b>	<b>43,790</b>	<b>18,502,990</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Short-term lease liabilities	4,363	23,655	28,018
Other current liabilities items	6,885,522	-	6,885,522
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,889,885</b>	<b>23,655</b>	<b>6,913,540</b>
Long-term lease liabilities	27,424	22,577	50,001
Other non-current liabilities items	8,782,913	-	8,782,913
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>8,810,337</b>	<b>22,577</b>	<b>8,832,914</b>
<b>EQUITY</b>			
Net loss for the period	(41,228)	(2,442)	(43,670)
Other equity items	2,800,206	-	2,800,206
<b>TOTAL EQUITY</b>	<b>2,758,978</b>	<b>(2,442)</b>	<b>2,756,536</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>18,459,200</b>	<b>43,790</b>	<b>18,502,990</b>

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

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

##### 2.4 Changes in significant accounting policies (Continued)

	Excluding IFRS 16 Effect 30 June 2019	Transition effect of IFRS 16	30 June 2019
Revenue	3,611,112	-	3,611,112
Cost of sales (-)	(2,863,295)	9,129	(2,854,166)
<b>Gross profit</b>	<b>747,817</b>	<b>9,129</b>	<b>756,946</b>
General administrative expenses (-)	(85,633)	(5,961)	(91,594)
Marketing and selling expenses (-)	(26,273)	175	(26,098)
Other operating income	195,017	-	195,017
Other operating expense (-)	(125,905)	-	(125,905)
<b>Operating profit</b>	<b>705,023</b>	<b>3,343</b>	<b>708,366</b>
Share of gain/ (loss) of associates	6,675	-	6,675
Financial income	359,497	-	359,497
Financial expenses (-)	(1,087,168)	(6,496)	(1,093,664)
<b>Loss before tax</b>	<b>(15,973)</b>	<b>(3,153)</b>	<b>(19,126)</b>
Current income tax expense (-)	(33,492)	-	(33,492)
Deferred income tax expense (-)	(2,663)	693	(1,970)
<b>Net loss for the period</b>	<b>(52,128)</b>	<b>(2,460)</b>	<b>(54,588)</b>
<b>Loss attributable to:</b>			
Equity holders of the parent	(41,228)	(2,442)	(43,670)
Non-controlling interest	(10,900)	(18)	(10,918)
Loss per share	(0.021)	(0.001)	(0.022)

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

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

##### 2.4 Changes in significant accounting policies (Continued)

The effects of IFRS 16 in the earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the period 30 June 2019 is presented below:

	Excluding IFRS 16 Effect 30 June 2019	Transition effect of IFRS 16	30 June 2019
Revenue	3,611,112	-	3,611,112
Cost of sales (-)	(2,863,295)	9,129	(2,854,166)
Gross profit	747,817	9,129	756,946
Operating income/ (expenses)	(111,906)	(5,786)	(117,692)
Amortisation and depreciation expenses	227,003	7,281	234,284
Weighted average cost of capital (“WACC”) correction	124,173	-	124,173
EBITDA	987,087	10,624	997,711

As of 1 January 2019, the Group has added financial lease contract liabilities amounting to TL34,521 thousand to its discounted liabilities arising from current operating lease agreements and determined the total lease liabilities amounting to TL84,793 thousand.

In measuring lease liabilities, the Group has discounted its lease payments using the alternative borrowing rate and the discount rate applied for TL is in the range of 24-27%.

##### 2.5 Going concern assumption

The Group has prepared its condensed consolidated interim financial information on a going concern basis in a foreseeable future. The Group is at investment stage and some portion of its investments are financed through borrowings and some portion through capital injection. As at 30 June 2019, the gross profit and EBITDA of the Group are TL756,946 thousand and TL997,711 thousand, respectively. The Group has TL379,244 thousand of accumulated loss and TL54,588 thousand of net loss as at and for the period ending 30 June 2019. Besides, the Group’s current liabilities exceeds its current assets by TL3,599,225 thousand.

Since major portion of the Group’s electricity sales is at pre-determined prices in USD within the scope of Renewable Energy Sources Mechanism (“YEKDEM”), it affects the gross profit as positively. In addition, foreign exchange losses arising from borrowings of the Companies which sell electricity in scope of YEKDEM have been hedged by the foreign exchange gains arising from the sales indexed to USD mainly.

The Group’s ultimate parent company, Zorlu Holding AŞ has declared its intend to provide necessary support to the Group to continue on a going concern basis, in the support letter dated 3 January 2019.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

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

##### 2.6 Comparatives and restatement of prior year financial statements

The condensed consolidated interim financial statements of the Group for the current year is prepared in comparison with the prior year in order to be able to determine the financial position and performance trends. For the purposes of effective comparison, comparative condensed consolidated interim financial statements can be reclassified when deemed necessary, where descriptions on significant differences are disclosed.

The Group has performed the following reclassifications:

- Cost of energy purchases within the scope of unlicensed electricity production amounts to TL253,526 thousand and other cost of sales element amounts to TL46,915 thousand which are shown in the condensed consolidated interim statement of profit or loss for the six-month period ended of 30 June 2018, are netted off with “revenue”. This reclassification has not any effect on accumulated losses and period income or loss.
- Interest income amounts to TL34,910 thousand which are shown in the condensed consolidated interim statement of profit or loss for the three-month period ended of 31 March 2019, are netted off with “interest expense”. This reclassification has not any effect on accumulated losses and period income or loss.
- Indexation of deposits received amounts to TL3,536 thousand accounted in “other operating expense” in the condensed consolidated interim statement of profit or loss for the three-month period ended of 31 March 2019 are netted off with indexation of deposits received accounted in “other operating income”. This reclassification has not any effect on accumulated losses and period income or loss.

##### 2.7 Critical accounting estimates, assumptions and judgments

The preparation of condensed consolidated interim financial information in conformity with IAS 34 requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known. The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date and the significant judgments are set out below:

###### a) *Deferred tax asset on cumulative 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. When accounting for deferred tax assets it is necessary to make critical estimations and evaluations with regard to taxable profits in the future periods. According to the future projections, deferred tax assets are recognized on the carryforward tax losses amounts to TL2,640,648 thousand (31 December 2018: TL2,307,599 thousand). Deferred tax asset is not recognized carryforward tax losses for the remaining TL329,369 thousand (31 December 2018: TL130,747 thousand).

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

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

##### 2.7 Critical accounting estimates, assumptions and judgments (Continued)

###### b) *Cash flow hedge*

As explained in Note 12, the Group uses investment loans amounting USD1,372,979 thousand and EUR26,925 thousand as a hedging instrument against the USD spot exchange rate risk the Group is exposed to due to highly probable YEKDEM sales income, and applies cash flow hedge accounting as a result of the effectiveness tests performed.

The estimations in budgets for YEKDEM sales income used for effectiveness test include estimations such as sales quantities.

###### c) *Explanations for revaluation method and fair value measurement*

Group has chosen revaluation method among application methods mentioned under IAS 16 with respect to measurement and disclosure of the Group’s power plants at fair value commencing from 31 December 2013. On 30 September 2018, A A Baig & Co. Chartered Accountants was given the authority to determine the market value of the power plant belonging to Zorlu Enerji Pakistan, and on 30 September 2018 and 31 December 2018, Avrupa Gayrimenkul Değerleme ve Danışmanlık AŞ was given the authority to determine the same for power plants installed in Turkey. The cost method was used for the valuation of plants that belong to Zorlu Enerji, and the income method (income capitalisation-DCF) was used for the valuation of other plants.

The assumptions used for the valuation of plants other than those belong to Zorlu Enerji Pakistan are mainly: USD weighted average cost of capital rate of 10%, risk free rate of 8% and risk premium rate of 2%, and the assumption used for the valuation of the plant that belongs to Zorlu Enerji Pakistan is mainly: USD weighted average cost of capital of 9.69%.

###### d) *Uninvoiced sales*

The costs of active energy and retail sale services provided to the customer but not invoiced are recognised at estimated amounts. Unbilled electricity costs of active energy and retail sale services are reflected in the consolidated financial statements by multiplying the relevant period’s tariff prices by the difference between the date of the customer’s most recent meter reading and the last day of the relevant period.

###### e) *Provisions*

The Group management is reflecting the best estimation to the consolidated financial statements based on the best available data and results might differ when fulfilling the liabilities. As at 30 June 2019, the Group is subject to certain lawsuits. Depending on the reviews of legal counsels, Group is evaluating the probable results of these lawsuits and reserving required provisions in consolidated financial statements.

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY - 30 JUNE 2019

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

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

#### 2.8 Seasonality of Operations

Business volume shows seasonal changes according to the structure of the industry in which the Group operates. In the gas distribution segment, business volume is higher in the first and fourth quarters corresponding to winter months and for the wind and hydroelectric power plants, which are under production and trading segment, business volumes are higher in second and third quarters and in the fourth quarter of the year, respectively. Seasonality does not have a significant impact on the volume of business in the remaining segments of the Group.

#### 2.9 Financial risk management

##### *Foreign exchange risk*

The sources used by the Company in financing its investments are predominantly foreign currency denominated. The Company is exposed to foreign exchange risk arising from the translation of the amounts denominated in USD and EUR. In order to eliminate these risks, protection policies are applied in order to use various derivative instruments. In addition, foreign exchange losses arising from borrowings of the Companies which sell electricity in scope of YEKDEM have been hedged by the foreign exchange gains arising from the sales indexed to USD mainly (Note 12).

Foreign currency denominated assets and liabilities held by the Group as at 30 June 2019 and 31 December 2018 are as follows:

	<b>30 June 2019</b>	<b>31 December 2018</b>
Assets	2,878,020	2,377,341
Liabilities	(9,839,395)	(9,546,047)
Net position of derivative financial instruments	(399,519)	(365,212)
<b>Foreign currency position, (net)</b>	<b>(7,360,894)</b>	<b>(7,533,918)</b>

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

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

##### 2.9 Financial risk management (Continued)

TL equivalent of assets and liabilities denominated in foreign currency held by the Group at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019					31 December 2018				
	TL equivalent	USD	Euro	NIS	JPY	TL equivalent	USD	Euro	NIS	JPY
Cash and cash equivalents	268,984	46,596	120	21	1	206,719	39,087	67	488	1
Trade receivables	18,214	3,042	108	-	-	8,754	1,531	116	-	-
Due from related parties – short-term	1,053,363	183,011	-	72	-	936,574	171,854	5,033	1,523	-
Due from related parties – long-term	1,502,924	225,303	5,034	107,377	-	1,184,359	224,788	-	1,267	-
Other	34,535	3,532	2,169	-	-	40,935	3,011	4,163	-	-
<b>Total assets</b>	<b>2,878,020</b>	<b>461,484</b>	<b>7,431</b>	<b>107,470</b>	<b>1</b>	<b>2,377,341</b>	<b>440,271</b>	<b>9,379</b>	<b>3,278</b>	<b>1</b>
Trade payables	315,532	36,693	15,931	-	-	421,230	54,670	22,166	-	-
Short-term financial liabilities	2,129,247	333,326	32,198	-	-	2,153,988	353,493	48,821	-	-
Due to related parties – short-term	8,577	1,490	-	-	-	2,694	512	-	-	-
Due to related parties – long-term	-	-	-	-	-	2,120	403	-	-	-
Long-term financial liabilities	7,312,931	1,214,289	49,549	-	-	6,950,469	1,273,724	41,396	-	-
Other	73,108	12,703	-	-	-	15,546	2,955	-	-	-
<b>Total liabilities</b>	<b>9,839,395</b>	<b>1,598,501</b>	<b>97,678</b>	<b>-</b>	<b>-</b>	<b>9,546,047</b>	<b>1,685,757</b>	<b>112,383</b>	<b>-</b>	<b>-</b>
<b>Net foreign currency position</b>	<b>(6,961,375)</b>	<b>(1,137,017)</b>	<b>(90,247)</b>	<b>107,470</b>	<b>1</b>	<b>(7,168,706)</b>	<b>(1,245,486)</b>	<b>(103,004)</b>	<b>3,278</b>	<b>1</b>
<b>Net position of derivative financial instruments</b>	<b>(399,519)</b>	<b>(69,420)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(365,212)</b>	<b>(69,420)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net foreign currency position</b>	<b>(7,360,894)</b>	<b>(1,206,437)</b>	<b>(90,247)</b>	<b>107,470</b>	<b>1</b>	<b>(7,533,918)</b>	<b>(1,314,906)</b>	<b>(103,004)</b>	<b>3,278</b>	<b>1</b>

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

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

#### 2.9 Financial risk management (Continued)

The Group is mainly exposed to foreign exchange risk through the impact of rate changes in the translation of USD, EUR and NIS currencies denominated assets and liabilities to local currency. As at 30 June 2019 and 31 December 2018, had the TL appreciated or depreciated by 10% and 20% respectively against USD, EUR and NIS with all other variables held constant, the effect over current period consolidated net income and equity would be as follows:

	30 June 2019 Gain/(Loss)		30 June 2019 Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>In case of 10% appreciation of USD against TL:</b>				
USD net asset/(liability)	(694,317)	694,317	(694,317)	694,317
Amount hedged for USD risk (-)	790,163	(790,163)	-	-
<b>USD net effect</b>	<b>95,846</b>	<b>(95,846)</b>	<b>(694,317)</b>	<b>694,317</b>
<b>In case of 10% appreciation of EUR against TL:</b>				
EUR net asset/(liability)	(59,118)	59,118	(59,118)	59,118
Amount hedged for EUR risk (-)	-	-	-	-
<b>EUR net effect</b>	<b>(59,118)</b>	<b>59,118</b>	<b>(59,118)</b>	<b>59,118</b>
<b>In case of 10% appreciation of NIS against TL:</b>				
NIS net asset/(liability)	17,346	(17,346)	17,346	(17,346)
Amount hedged for NIS risk (-)	-	-	-	-
<b>NIS net effect</b>	<b>17,346</b>	<b>(17,346)</b>	<b>17,346</b>	<b>(17,346)</b>
<b>Total net effect</b>	<b>54,074</b>	<b>(54,074)</b>	<b>(736,089)</b>	<b>736,089</b>

The Group uses investment loans amounting to USD1,372,979 thousand and EUR26,925 thousand as a hedging instrument against the USD spot exchange rate risk the Group is exposed to due to highly probable YEKDEM sales income, and applies cash flow hedge accounting as a result of the effectiveness tests performed. The sensitivity analysis of the foreign currency hedged loans amounting to EUR26,925 thousand belonging to Zorlu Rüzgar is not included in the table above, since all assets and liabilities of Zorlu Rüzgar are classified as non-current assets / liabilities classified as held for sale.

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

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

#### 2.9 Financial risk management (Continued)

	31 December 2018 Gain/(Loss)		31 December 2018 Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>In case of 20% appreciation of USD against TL:</b>				
USD net asset/(liability)	(1,383,518)	1,383,518	(1,383,518)	1,383,518
Amount hedged for USD risk (-)	1,034,726	(1,034,726)	-	-
<b>USD net effect</b>	<b>(348,792)</b>	<b>348,792</b>	<b>(1,383,518)</b>	<b>1,383,518</b>
<b>In case of 20% appreciation of EUR against TL:</b>				
EUR net asset/(liability)	(124,182)	124,182	(124,182)	124,182
Amount hedged for EUR risk (-)	-	-	-	-
<b>EUR net effect</b>	<b>(124,182)</b>	<b>124,182</b>	<b>(124,182)</b>	<b>124,182</b>
<b>In case of 20% appreciation of NIS against TL:</b>				
NIS net asset/(liability)	916	(916)	916	(916)
Amount hedged for NIS risk (-)	-	-	-	-
<b>NIS net effect</b>	<b>916</b>	<b>(916)</b>	<b>916</b>	<b>(916)</b>
<b>Total net effect</b>	<b>(472,058)</b>	<b>472,058</b>	<b>(1,506,784)</b>	<b>1,506,784</b>

#### *Fair value of financial instruments*

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The fair values of financial instruments that are not traded in an active market 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 fair value. Accordingly, the estimates presented herein may differ from the amounts the Company could realise in a current market exchange.

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

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

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

#### 2.9 Financial risk management (Continued)

##### *Monetary assets*

Foreign currency denominated balances are translated into Turkish Lira with the rates at the balance sheet date. The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate their carrying values.

The fair values of certain financial assets carried at cost, including cash and cash equivalents are considered to approximate to their respective carrying values due to their short-term nature.

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

##### *Monetary liabilities*

The fair values of short term bank borrowings and other monetary liabilities are considered to approximate to their respective carrying values due to their short-term nature.

Since long term foreign currency loans generally have floating interest rate fair value is close to their book value. Fair value of long term bank loans are discounted amounts of contractual cash flows with the market interest rate.

##### **Fair value estimation:**

Disclosure of fair value measurements by level of the following fair value measurement hierarchy is as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted market prices included within level 1 that are observable for the asset or
- Level 3: Inputs for the asset or liability that are not based on observable market data.

Fair values of translated foreign currency balances with year-end foreign exchange rates are considered to approximate their carrying values.

Cash and cash equivalents as at the carrying value of certain financial assets carried at cost, are considered to approximate their fair values due to their short-term.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to estimate the fair value an instrument are observable, the instrument is included in Level 2.

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

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

#### 2.9 Financial risk management (Continued)

The fair values of assets and liabilities as of 30 June 2019 and 31 December 2018 are as follows:

Derivative financial instruments	30 June 2019	31 December 2018
Level 1	-	-
Level 2	(132,612)	(36,450)
Level 3	-	-
	<b>(132,612)</b>	<b>(36,450)</b>

The fair value of powerplants belonging to Zorlu Enerji is determined by using “market approach and cost method” (Level 2) and fair values of all other power plants are determined by using “income approach - discounted cash flow analysis” (Level 3).

Property, plant and equipment	30 June 2019	31 December 2018
Level 1	-	-
Level 2	233,555	240,942
Level 3	7,761,726	7,949,839
	<b>7,995,281</b>	<b>8,190,781</b>

### NOTE 3 - SEGMENT REPORTING

Group management has determined the reportable parts of the Group as distribution of electricity and distribution of gas, retail and wholesale of electricity and producing and trading according to the activity groups.

Decision making authority of the Group considers Earnings before interest, taxes, depreciation and amortization (“EBITDA”) as the most appropriate method for comparability with other companies within the same industry. The segment information in industrial basis is presented below:

1 January – 30 June 2019	Electricity distribution	Gas distribution	Retail and wholesale	Production/trading and other	Consolidation adjustments	Consolidation total
Revenue	350,863	821,079	1,989,544	1,042,367	(592,741)	3,611,112
Cost of sales	(214,872)	(761,188)	(1,877,302)	(592,320)	591,516	(2,854,166)
Gross profit	135,991	59,891	112,242	450,047	(1,225)	756,946
Operating expenses	(35,286)	(9,263)	(31,060)	(34,486)	(7,597)	(117,692)
Amortisation and depreciation expenses (*)	6,394	4,215	2,073	212,773	8,829	234,284
Weighted average cost of capital (“WACC”) correction (**)	82,175	41,998	-	-	-	124,173
EBITDA	189,274	96,841	83,255	628,334	7	997,711
Financial income/(expenses), net	(110,737)	(94,692)	40,472	(569,210)	-	(734,167)
Tax income/(expense)	(16,037)	(6,898)	(33,646)	14,063	7,056	(35,462)

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

### NOTE 3 - SEGMENT REPORTING (Continued)

<b>1 April - 30 June 2019</b>	<b>Electricity distribution</b>	<b>Gas distribution</b>	<b>Retail and wholesale</b>	<b>Production/trading and other</b>	<b>Consolidation adjustments</b>	<b>Consolidation total</b>
Revenue	159,890	247,178	977,208	608,813	(252,820)	1,740,269
Cost of sales	(110,908)	(249,560)	(926,680)	(336,778)	251,932	(1,371,994)
Gross profit	48,982	(2,382)	50,528	272,035	(888)	368,275
Operating expenses	(19,770)	(4,004)	(16,507)	(20,502)	(3,788)	(64,571)
Amortisation and depreciation expenses (*)	4,193	1,647	1,439	108,342	3,944	119,565
Weighted average cost of capital (“WACC”) correction (**)	41,08820,999	-	-	62,087	-	-
EBITDA	74,493	16,260	35,460	359,875	(732)	485,356
Financial income/(expenses), net	(61,162)	(37,408)	13,086	(305,643)	-	(391,127)
Tax income/(expense)	(4,783)	8,791	(16,276)	(2,666)	3,548	(11,386)
<b>1 January - 30 June 2018</b>	<b>Electricity distribution</b>	<b>Gas distribution</b>	<b>Retail and wholesale</b>	<b>Production/trading and other</b>	<b>Consolidation adjustments</b>	<b>Consolidation total</b>
Revenue	325,121	-	1,296,791	876,212	(574,977)	1,923,147
Cost of sales	(171,410)	-	(1,250,436)	(552,571)	577,609	(1,396,808)
Gross profit	153,711	-	46,355	323,641	2,632	526,339
Operating expenses	(27,205)	(19)	(23,896)	(27,600)	(7,393)	(86,113)
Amortisation and depreciation expenses (*)	-	-	1,425	146,420	8,829	156,674
Weighted average cost of capital (“WACC”) correction (**)	48,261	-	-	-	-	48,261
EBITDA	174,767	(19)	23,884	442,461	4,068	645,161
Financial income/(expenses), net	(31,788)	-	(15,451)	(355,322)	1,414	(401,147)
Tax income/(expense)	(32,724)	-	1,638	40,935	93,964	103,813
<b>1 April - 30 June 2018</b>	<b>Electricity distribution</b>	<b>Gas distribution</b>	<b>Retail and wholesale</b>	<b>Production/trading and other</b>	<b>Consolidation adjustments</b>	<b>Consolidation total</b>
Revenue	164,330	-	659,600	442,039	(192,734)	1,073,235
Cost of sales	(97,648)	-	(646,030)	(232,271)	196,062	(779,887)
Gross profit	66,682	-	13,570	209,768	3,328	293,348
Operating expenses	(14,202)	(19)	(13,391)	(8,400)	(3,699)	(39,711)
Amortisation and depreciation expenses (*)	-	-	878	73,565	4,439	78,882
Weighted average cost of capital (“WACC”) correction (**)	25,577	-	-	-	-	25,577
EBITDA	78,057	(19)	1,057	274,933	4,068	358,096
Financial income/(expenses), net	(20,243)	-	(5,250)	(186,563)	1,414	(210,642)
Tax income/(expense)	(13,429)	-	2,584	20,868	90,775	100,798
<b>1 April - 30 June 2019</b>	<b>Electricity distribution</b>	<b>Gas distribution</b>	<b>Retail and wholesale</b>	<b>Production/trading and other</b>	<b>Consolidation adjustments</b>	<b>Consolidation total</b>
Segment assets	1,266,329	1,298,167	1,035,139	19,060,286	(4,603,098)	18,056,823
Associates	-	-	-	446,167	-	446,167
Segment liabilities	835,829	2,214,878	923,989	14,073,705	(2,301,947)	15,746,454
<b>1 January - 30 June 2018</b>	<b>Electricity distribution</b>	<b>Gas distribution</b>	<b>Retail and wholesale</b>	<b>Production/trading and other</b>	<b>Consolidation adjustments</b>	<b>Consolidation total</b>
Segment assets	1,306,160	1,542,412	955,470	18,731,610	(4,542,693)	17,992,959
Associates	-	-	-	378,523	-	378,523
Segment liabilities	929,032	2,354,948	927,665	13,065,592	(2,285,565)	14,991,672

(\*) An amortisation and depreciation amount of TL234,284 thousand (30 June 2018: TL156,674 thousand) has been presented in operating expenses, and amount of TL55,998 thousand (30 June 2018: TL23,239) has been presented in other operating expenses.

(\*\*) WACC correction which is related to OEDAŞ, Gazdaş and Trakya, amounts to TL124,173 thousand which is presented in the other income is considered in EBITDA calculation (30 June 2018: TL48,261 thousand).

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

### NOTE 3 - SEGMENT REPORTING (Continued)

Reconciliation between EBITDA and income before tax from continued operations is as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
EBITDA (*)	997,711	485,356	645,161	358,096
Amortisation and depreciation expenses	(234,284)	(119,565)	(156,674)	(78,882)
Interest income related to distribution activities	(124,173)	(62,087)	(48,261)	(25,577)
Financial income/(expenses), net	(734,167)	(391,127)	(401,147)	(210,642)
Other operating income/ (expenses), net	69,112	41,506	10,241	1,737
Share of profit of associates	6,675	(15,547)	9,961	(7,452)
<b>(Loss)/ income before tax from continued operations</b>	<b>(19,126)</b>	<b>(61,464)</b>	<b>59,281</b>	<b>37,280</b>

(\*) The Group’s Israel investments have been accounted using equity method and EBITDA related to these investments amounting TL100,164 thousand (30 June 2018: TL75,811 thousand) was not taken into consideration in Group’s total EBITDA amounting TL997.711 thousand (30 June 2018: TL645.161 thousand) presented above.

### NOTE 4 - CASH AND CASH EQUIVALENTS

	30 June 2019	31 December 2018
Cash	132	-
Banks		
- Time deposits	208,214	478,705
- Demand deposits	181,626	119,871
	<b>389,972</b>	<b>598,576</b>

The maturities of time deposits are less than 3 months and the average effective annual interest rates for time deposits are as follows:

	30 June 2019 (%)	31 December 2018 (%)
USD	1.17	0.79
PKR	8.39	5.76
TL	19.51	15.65

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

The details of cash and cash equivalents include the following for the purpose of the consolidated statements of cash flows as at 30 June 2019 and 2018:

	30 June 2019	30 June 2018
Cash and cash equivalents	389,972	155,951
Less: Restricted cash	(11,231)	(37,280)
	<b>378,741</b>	<b>118,671</b>

#### NOTE 5 - RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT

	30 June 2019	31 December 2018
Short-term receivables from service concession arrangement	136,009	158,453
Long-term receivables from service concession arrangement	1,178,571	1,167,479
	<b>1,314,580</b>	<b>1,325,932</b>

The receivables from service concession arrangement represent the amounts of the investments not yet recovered by the tariff.

As at 30 June 2019, TL710,382 thousand of the receivables from service concession arrangement is related to OEDAŞ (31 December 2018: TL726,794 thousand) and TL604,198 thousand is related to Gazdaş and Trakya (31 December 2018: TL599,138 thousand).

The maturity analysis of receivables from service concession arrangements has shown as below;

	30 June 2019	31 December 2018
Up to 1 years	136,009	158,453
Between 1 to 3 years	272,018	316,906
Between 3 to 5 years	272,018	316,906
More than 5 years	634,535	533,667
	<b>1,314,580</b>	<b>1,325,932</b>

The movements of the receivables from service concession arrangement for OEDAŞ are as follows:

	1 January - 30 June 2019	1 January - 30 June 2018
<b>Opening balance</b>	<b>726,794</b>	<b>639,334</b>
Collections (-)	(52,853)	(62,628)
Indexation differences	36,441	58,639
<b>Closing balance</b>	<b>710,382</b>	<b>635,345</b>

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 5 - RECEIVABLES FROM SERVICE CONCESSION ARRANGEMENT (Continued)

The movements of the receivables from service concession arrangement for gas distribution companies are as follows:

	1 January - 30 June 2019	1 January - 30 June 2018
<b>Opening balance</b>	<b>599,138</b>	-
Additions due to acquisition	-	494,568
Gross investment	5,054	-
Subscriber connection fee	(12,841)	-
Net investment	(7,787)	-
Collections (-)	(17,195)	-
Indexation differences	30,042	-
<b>Closing balance</b>	<b>604,198</b>	<b>494,568</b>

#### NOTE 6 - FINANCIAL LIABILITIES

The detail of financial liabilities of the Group as at 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019	31 December 2018
Short-term bank borrowings	1,059,000	763,761
Lease liabilities	28,018	7,538
<b>Total short-term financial liabilities</b>	<b>1,087,018</b>	<b>771,299</b>
Short-term portion of long-term bank borrowings	2,283,095	2,076,080
Issued bonds	334,191	351,086
Other issued securities	416,669	164,183
<b>Total short-term portion of long term financial liabilities</b>	<b>3,033,955</b>	<b>2,591,349</b>
Long-term bank borrowings	7,925,934	7,606,374
Lease liabilities	50,001	26,983
Other issued marketable securities	-	255,118
<b>Total long-term financial liabilities</b>	<b>7,975,935</b>	<b>7,888,475</b>
<b>Total financial liabilities</b>	<b>12,096,908</b>	<b>11,251,123</b>

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 6 - FINANCIAL LIABILITIES (Continued)

The detail of short-term bank borrowings and lease liabilities of the Group as at 30 June 2019 and 31 December 2018 is as follows:

	<u>Original currency</u>		<u>Weighted average effective interest rate per annum (%)</u>		<u>TL equivalent</u>	
	<u>30 June 2019</u>	<u>31 December 2018</u>	<u>30 June 2019</u>	<u>31 December 2018</u>	<u>30 June 2019</u>	<u>31 December 2018</u>
USD	20,282	31,510	9.74	8.51	116,726	165,773
EUR	5,313	11,374	9.07	8.01	34,805	68,563
TL	928,103	529,259	30.45	33.54	928,103	529,259
Other	208,346	206,050	15.37	11.13	7,384	7,704
					<b>1,087,018</b>	<b>771,299</b>

The detail of short-term portion of long-term bank borrowings, issued bonds, other issued securities and lease liabilities of the Group as at 30 June 2019 and 31 December 2018 is as follows:

	<u>Original currency</u>		<u>Weighted average effective interest rate per annum (%)</u>		<u>TL equivalent</u>	
	<u>30 June 2019</u>	<u>31 December 2018</u>	<u>30 June 2019</u>	<u>31 December 2018</u>	<u>30 June 2019</u>	<u>31 December 2018</u>
USD	313,044	321,983	8.47	8.61	1,801,599	1,693,921
EUR	26,885	37,447	4.34	4.59	176,118	225,731
TL	1,049,514	663,492	24.98	25.45	1,049,514	663,492
Other	189,728	219,431	15.37	11.13	6,724	8,205
					<b>3,033,955</b>	<b>2,591,349</b>

The detail of long-term bank borrowings, issued bonds and other long-term borrowings of the Group as at 30 June 2019 and 31 December 2018 is as follows:

	<u>Original currency</u>		<u>Weighted average effective interest rate per annum (%)</u>		<u>TL equivalent</u>	
	<u>30 June 2019</u>	<u>31 December 2018</u>	<u>30 June 2019</u>	<u>31 December 2018</u>	<u>30 June 2019</u>	<u>31 December 2018</u>
USD	1,214,289	1,273,724	8.47	8.61	6,988,352	6,700,932
EUR	49,549	41,396	4.34	4.59	324,579	249,537
TL	642,701	914,600	24.98	25.45	642,701	914,600
Other	572,883	625,992	15.37	11.13	20,303	23,406
					<b>7,975,935</b>	<b>7,888,475</b>

The commission paid during the period amounting TL38,449 thousand (30 June 2018: TL44,623 thousand) related to the borrowings obtained by Zorlu Enerji and its subsidiaries from financial institutions are deducted from the total loan amount. Such commission amount is amortized during the term of loans.

Letters of guarantees given, pledges and mortgages related to financial liabilities are explained in Note 11.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 6 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of the borrowings as at 30 June 2019 and 31 December 2018 is as follows:

	30 June 2019	31 December 2018
Up to 1 year	4,120,973	3,362,648
Up to 1 to 2 years	1,758,954	1,842,454
Up to 2 to 3 years	1,310,146	1,222,805
Up to 3 to 4 years	2,007,805	1,188,407
Up to 4 to 5 years	706,039	1,587,117
More than 5 years	2,192,991	2,047,692
	<b>12,096,908</b>	<b>11,251,123</b>

The movements of financial liabilities for the period 1 January - 30 June 2019 and 2018 are as follow:

	2019	2018
<b>As at 1 January</b>	<b>11,251,123</b>	<b>7,389,473</b>
Cash inflows from borrowings	366,136	1,855,396
Cash inflows from issued debt instruments	211,987	169,000
Cash inflows from other financial liabilities	-	5,976
Cash outflows due to the repayment of bank borrowings	(527,855)	(673,229)
Cash outflows from debt repayments of issued debt instruments	(204,720)	(164,890)
Cash outflows related to debt payments due to lease agreements	(10,624)	-
The impact of transition to IFRS 16	50,385	-
Interest expense related to lease liabilities	6,471	-
Effects of business combinations	-	656,913
Change in exchange differences and interest accruals	967,886	1,227,259
Other classifications	(13,881)	(26,575)
<b>As at 30 June</b>	<b>12,096,908</b>	<b>10,439,323</b>

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 7 - OTHER PAYABLES

##### a) Short-term other payables:

	30 June 2019	31 December 2018
Deposit received	724,602	688,969
Other payables to related parties (Note 18)	35,002	28,604
Other	17,126	20,769
	<b>776,730</b>	<b>738,342</b>

Movement for deposit received is as follows:

	2019	2018
<b>1 January</b>	<b>688,969</b>	<b>207,262</b>
Effect of business combination	-	328,996
Additions and payments, net (*)	27,983	53,894
Indexation on deposits (Note 16)	7,650	7,253
<b>30 June</b>	<b>724,602</b>	<b>597,405</b>

(\*) The balance amounts to TL27,983 thousand consists of the indexation effect of paid deposits amounting TL8,482 thousand (30 June 2018: TL2,457 thousand).

##### b) Long-term other payables:

	30 June 2019	31 December 2018
Other long-term payables	18,489	20,014
	<b>18,489</b>	<b>20,014</b>

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 8 - OTHER ASSETS AND LIABILITIES

##### a) Other current assets:

	30 June 2019	31 December 2018
VAT receivable	64,493	131,745
Insurance income accruals	32,221	38,231
Renewable energy sources price (YEK) (*)	27,224	74,150
Retail sales gross profit margin income accruals (Omega-4)	25,193	-
Prepaid expenses	23,443	6,378
Income accruals regarding unbilled electricity	17,850	8,943
Advances given	12,502	12,864
Income accruals from non-controlling expenses (**)	10,901	10,216
Income accruals regarding natural gas sale	6,148	71,521
Other	24,862	32,539
	<b>244,837</b>	<b>386,587</b>

(\*) Turkey introduced the Renewable Energy Resource (RES) law in 2005 and since then has adopted a number of additional RES regulations to supplement this RES law. The difference between the support price of companies producing with renewable energy sources and the market clearing price is causing additional costs, which are distributed to suppliers in proportion to their electricity consumption. RES costs are also included in the 2,38% profit margin calculation with the application that came into use in 2019, and the effects of the costs were recognised in the consolidated financial statements as an income accrual.

(\*\*) EMRA regulates the distribution companies' revenues and expenses by setting ceiling amounts for distribution revenue and non-controlling expenses. Excess or shortage portions of revenues and expenses ceilings are charged to two years' later tariffs which is set by EMRA. These portions of revenues and expenses are considered as an adjustment to the tariffs set by EMRA in the following second year from the origination.

##### b) Other non-current assets:

	30 June 2019	31 December 2018
Investment inventories (*)	101,843	67,842
Revenue difference correction component (**)	16,603	29,538
Income accruals from non-controlling expenses (**)	16,583	22,906
VAT receivable	-	15,619
Other	5,776	1,002
	<b>140,805</b>	<b>136,907</b>

(\*) Investment inventories which are assessed in the scope of the Group's receivables from service concession arrangements, are recognised under other non-current assets.

(\*\*) EMRA regulates the distribution companies' revenues and expenses by setting ceiling amounts for distribution revenue and non-controlling expenses. Excess or shortage portions of revenues and expenses ceilings are charged to subsequent two years' tariffs which is set by EMRA. These portions of revenues and expenses are considered as an adjustment to the tariffs set by EMRA in the following second year from the origination.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 8 - OTHER ASSETS AND LIABILITIES (Continued)

##### c) Other current liabilities

	30 June 2019	31 December 2018
Taxes and funds payable (including VAT)	90,275	105,933
Advances received	76,368	18,230
Deferred revenue from retail sales gross profit margin	-	6,210
Other	22,478	28,529
	<b>189,121</b>	<b>158,902</b>

##### d) Other non-current liabilities

	30 June 2019	31 December 2018
Investment difference correction component (*)	55,851	55,851
Other	806	1,463
	<b>56,657</b>	<b>57,314</b>

(\*) In case of difference between the net investment expenditures made by distribution companies and the investment ceiling considered in the tariff calculations within the framework of the Communiqué Regarding the Arrangement of Distribution System Revenue published by EMRA, the corresponding amortization, real fair value and tax difference amounts, are reflected to the tariff calculations in the following periods taking into consideration in the component calculations.

#### NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

As of 30 June 2019, the Group’s cost and accumulation depreciation amounts related to its property, plant and equipments are TL10,376,593 thousand (30 June 2018: TL8,413,301 thousand) and TL1,754,024 thousand (30 June 2018: TL1,359,703 thousand) respectively. Depreciation expense of the six month period of 2019 is TL211,853 thousand (30 June 2018: TL143,761 thousand) and amount of construction in progress in the six month period is TL72,753 thousand (30 June 2018: TL361,111 thousand). TL18,515 thousand (30 June 2018: TL40,536 thousand) of this amount includes capitalised financing expenses and TL5,054 thousand (30 June 2018: None) includes investments capitalised under receivables from service concession agreements. The total investment amount of TL67,699 thousand (30 June 2018: TL361,111 thousand) along with capitalised financing expenses includes TL22,397 thousand (30 June 2018: TL198,093 thousand for Kızıldere III) amount is related to the Kızıldere IV JES project, TL13,050 thousand (30 June 2018: TL48,523 thousand) is related to the Alaşehir II JES project, TL15,360 thousand (30 June 2018: None) is related to OEDAŞ investment, TL7,199 thousand (30 June 2018: TL68,056 thousand) is related to Tekkehamam project, TL3,996 thousand (30 June 2018: None) is related to Trakya and Gazdaş investments, and TL5,697 thousand (30 June 2018: Solar Pakistan: TL44,070 thousand, Other: TL2,369 thousand) is related to the other projects of the Group.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 30 June 2019 and 2018, the movements for revaluation fund are as follows:

<b>1 January 2018</b>	<b>648,807</b>
Revaluation fund	1,157,121
Depreciation transfer	(62,241)
<b>30 June 2018</b>	<b>1,743,687</b>
<b>1 January 2019</b>	<b>3,415,981</b>
Depreciation transfer	(99,083)
<b>30 June 2019</b>	<b>3,316,898</b>

Collateral, pledges and mortgages on property, plant and equipment are presented in Note 11.

#### NOTE 10 - RIGHT OF USE ASSETS

As of 30 June 2019 and 1 January 2019, the details of right of use assets accounted in the condensed consolidated interim financial information are as follows:

	<b>30 June 2019</b>	<b>1 January 2019</b>
Land	16,332	16,580
Buildings	4,437	4,637
Vehicles	30,945	38,929
Property, plant and machinery	28,524	29,312
<b>Total right of use assets</b>	<b>80,238</b>	<b>89,458</b>

The movements for the right of use assets are as follows:

	<b>31 December 2018</b>	<b>IFRS 16 effect</b>	<b>Additions</b>	<b>30 June 2019</b>
<b>Cost</b>				
Land	-	16,580	-	16,580
Buildings	-	4,637	113	4,750
Vehicles (*)	-	41,624	-	41,624
Property, plant and machinery (*)	-	31,548	-	31,548
	-	<b>94,389</b>	<b>113</b>	<b>94,502</b>
<b>Accumulated depreciation</b>				
Land	-	-	248	248
Buildings	-	-	313	313
Vehicles	-	2,695	7,984	10,679
Property, plant and machinery	-	2,236	788	3,024
	-	<b>4,931</b>	<b>9,333</b>	<b>14,264</b>
<b>Net book value</b>	-			<b>80,238</b>

(\*) As of 1 January 2019, the Group's net book value of vehicles, property, plant and machinery is TL39,186 thousand, which is obtained through financial leasing, has been transferred from the tangible and intangible assets to the right of use assets after the IFRS 16 has been effective. As of 30 June 2019, net book value of the right of use assets is TL37,141 thousand and depreciation expense for the six months period is TL2.045 thousand. (Note 2.4).

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 11 - CONTINGENT ASSETS AND LIABILITIES

##### 11.1 Contingent assets

	Currency	30 June 2019		31 December 2018	
		Original amount	TL equivalent	Original amount	TL equivalent
Letters of guarantees received	TL	356,692	356,692	283,041	283,041
Letters of guarantees received	USD	6,777	39,002	6,405	33,696
Letters of guarantees received	EUR	3,426	22,443	3,866	23,304
Cheques received	TL	39,490	39,490	19,168	19,168
Cheques received	USD	795	4,575	1,076	5,661
Cheques received	EUR	245	1,605	229	1,380
			<b>463,807</b>		<b>366,250</b>

Guarantee letters received consist of the letters, cheques and notes received from customers in relation to the Group's operations.

##### 11.2 Letters of guarantees/pledges/mortgages given

The commitments and contingent liabilities of the Group are summarized as follows:

	Original currency	30 June 2019		31 December 2018	
		Original amount	TL equivalent	Original amount	TL amount
Letters of guarantees given	TL	2,808,936	2,808,936	2,803,751	2,803,751
Letters of guarantees given	EUR	179,335	1,174,770	180,786	1,089,777
Letters of guarantees given	USD	157,807	908,195	166,853	877,797
Letters of guarantees given	PKR	1,875,000	66,450	1,875,000	70,106
Letters of guarantees given	NIS	7,298	11,778	-	-
			<b>4,970,129</b>		<b>4,841,431</b>

Letters of guarantees given generally consist of letters given to government agencies for the electricity and gas transmission and distribution (mainly to “EMRA” and government agencies providing electricity and gas transmission and distribution) and natural gas suppliers for the procurement of natural gas and banks for borrowings obtained.

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

### NOTE 11 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The Group’s guarantees, pledges and mortgages (“GPM”) as at 30 June 2019 and 31 December 2018 are summarized as follows:

	Original currency	30 June 2019		31 December 2018	
		Original amount	TL equivalent	Original equivalent	TL amount
<b>GPM’s given by the Group</b>					
Total amount of GPM’s given					
for companies’ own legal entity	USD	137,054	788,761	143,807	756,554
	EUR	171,685	1,124,655	173,136	1,043,663
	TL	2,782,316	2,782,316	2,775,233	2,775,233
	PKR	1,875,000	66,450	1,875,000	70,106
Total amount of GPM given for					
the subsidiaries and associates in					
the full scope of consolidation	TL	26,620	26,620	28,518	28,518
	USD	564	3,245	564	2,967
	EUR	7,300	47,822	7,300	44,004
Total amount of GPM given for					
the purpose of					
maintaining operating activities	USD	20,189	116,189	22,482	118,276
	EUR	350	2,293	350	2,110
	NIS	7,298	11,778	-	-
Total amount of other GPMs given					
		-	-	-	-
		<b>4,970,129</b>		<b>4,841,431</b>	

As mentioned in Note 2.4 the condensed consolidated interim financial information for the period then ended 30 June 2019 should be read in conjunction with the annual consolidated financial statements for the year then ended 31 December 2018. For this purpose the details of commitments are not presented in the notes for the period then ended 30 June 2019.

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

### NOTE 12 - DERIVATIVE FINANCIAL INSTRUMENTS

#### Derivative financial instruments

30 June 2019								
	Contract amount (USD)	Contract amount (EUR)	Contract amount (TL)	Total contract amount (TL)	Fair value asset	Fair value liability	Carried at fair value through profit or loss	Carried at fair value under hedge reserves (**)
Cross currency swap agreements held for hedging (*)	-	32,381	-	212,118	-	(5,296)	30	(9,151)
Cross currency swap agreements (*)	69,420	-	-	399,519	2,060	-	4,251	-
Interest rate swap agreements	-	-	62,680	62,680	3,016	-	(2,132)	-
Interest rate swap agreements held for hedging	575,235	-	-	3,310,535	-	(132,392)	(25,963)	(72,977)
	<b>644,655</b>	<b>32,381</b>	<b>62,680</b>	<b>3,984,852</b>	<b>5,076</b>	<b>(137,688)</b>	<b>(23,814)</b>	<b>(82,128)</b>
31 December 2018								
	Contract amount (USD)	Contract amount (EUR)	Contract amount (TL)	Total contract amount (TL)	Fair value asset	Fair value liability	Carried at fair value through profit or loss	Carried at fair value under hedge reserves (**)
Cross currency swap agreements held for hedging (*)	-	32,381	-	195,193	-	(3,651)	(2,929)	(4,929)
Cross currency swap agreements (*)	69,420	-	-	365,212	-	(2,191)	(27,909)	-
Interest rate swap agreements	-	-	340,630	340,630	5,148	-	12,679	-
Interest rate swap agreements held for hedging	655,235	-	-	3,447,126	-	(35,756)	(233)	(16,434)
	<b>724,655</b>	<b>32,381</b>	<b>340,630</b>	<b>4,348,161</b>	<b>5,148</b>	<b>(41,598)</b>	<b>(18,392)</b>	<b>(21,363)</b>

(\*) The contract amount demonstrates the original contract amounts at the transaction date of cross currency transactions. The remaining portion of these transaction is USD61,089 thousand and EUR29,476 thousand.

(\*\*) The amount was presented as netted off deferred tax in “Hedge Reseves” account under equity.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 12 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivative financial instruments are initially recognized in the consolidated balance sheet at cost and subsequently are re-measured at their fair value. The derivative instruments of the Group consist of interest rate swap and cross currency swaps.

On the date a derivative contract is entered into, the Group designates certain derivatives as either a hedge of the fair value of a recognized asset or liability (“fair value hedge”) or a hedge of a forecasted transaction or a firm commitment (“cash flow hedge”). Interest rate swap transactions provide effective economic hedges under the Group risk management position and qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for hedging. Changes in the fair value of derivatives, designated as cash flow hedges and qualified as effective, are recognized in “Other comprehensive income/(expenses) to be reclassified to profit or loss” under “hedge reserves” whereas ineffective portion is recognized in the consolidated statement of profit or loss. Amounts recognized under equity are transferred to the consolidated statement of profit or loss in the period in which the hedged firm commitment or forecasted transaction affects the consolidated statement of profit or loss.

As at 30 June 2019, the Group has a forward purchase commitment amounts to USD69,420 thousand and EUR32,381 thousand against a sale commitment of TL314,554 thousand and USD37,719 thousand.

#### Non-derivative financial instruments

	<u>30 June 2019</u>			<u>31 December 2018</u>		
	Original amount	Carried at fair value through		Original amount	Carried at fair value through	
	USD	EUR	other comprehensive income (TL) (*)	USD	EUR	other comprehensive income (TL) (*)
Hedged amount for foreign currency risk	1,372,979	26,925	(2,508,170)	983,412	29,688	(1,962,737)
	<b>1,372,979</b>	<b>26,925</b>	<b>(2,508,170)</b>	<b>983,412</b>	<b>29,688</b>	<b>(1,962,737)</b>

(\*) The Group uses investment loans amounting to USD1,372,979 thousand and EUR26,925 thousand as a hedging instrument against the USD exchange rate risk which the Group is exposed to due to highly probable YEKDEM sales income, and applies cash flow hedge accounting as a result of the effectiveness tests performed.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 12 - DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The movement of derivative financial instruments is as follows:

	2019	2018
<b>1 January</b>	<b>(36,450)</b>	<b>(6,672)</b>
Related to income statement		
- Financial income/(expense)	(23,814)	27,129
Related to other comprehensive income		
- Hedge reserves	(75,956)	12,861
Addition due to acquisition	-	27,953
Transfer to liabilities of asset groups held for sale	3,608	-
<b>30 June</b>	<b>(132,612)</b>	<b>61,271</b>

The movement of non-derivative financial instruments is as follows:

	2019	2018
<b>1 January</b>	<b>(1,962,737)</b>	<b>(610,552)</b>
Related to other comprehensive income		
- Hedge reserves	(545,433)	(687,364)
<b>30 June</b>	<b>(2,508,170)</b>	<b>(1,297,916)</b>

#### NOTE 13 - EQUITY

##### Share capital

	30 June 2019	31 December 2018
Limit on registered share capital	3,000,000	3,000,000
Issued capital	2,000,000	2,000,000

The Group’s shareholders and shareholding structure as at 30 June 2019 and 31 December 2018 are as follows:

	Share (%)	30 June 2019	Share (%)	31 December 2018
Zorlu Holding	48.7	974,478	48.7	974,478
Korteks	17.5	350,949	17.5	350,949
Publicly held (*)	32.0	639,623	32.0	639,623
Other	1.8	34,950	1.8	34,950
	<b>100.0</b>	<b>2,000,000</b>	<b>100.0</b>	<b>2,000,000</b>
<b>Adjustment to share capital</b>		<b>110,948</b>		<b>110,948</b>
<b>Total</b>		<b>2,110,948</b>		<b>2,110,948</b>

(\*) TL329,207 thousand and the portion equivalent to 16.46% of the total capital represent the shares that belong to Zorlu Holding.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 14 - TAXES ON INCOME

Turkish tax legislation does not allow for the submission of tax returns over consolidated financial statements prepared by the parent company, which include its affiliates and associates. Accordingly tax considerations reflected in these consolidated financial statements have calculated separately for each of the companies in the scope of the consolidation.

In Turkey, corporation tax is payable at a rate of 22% for 2020, 2019 and 2018. Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is declared by the 14th and paid 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. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government. Within the scope of the Law regarding Amendments to Certain Tax Laws and Other Laws No. 7061, which went into effect after promulgation in the Official Gazette dated 5 December 2017, the corporate income tax rate was raised from 20% to 22% for 2018, 2019 and 2020.

The taxation on income and expense for the Group for the period ended 30 June 2019 and 2018 is summarised as follows:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Current period tax expense	(33,492)	(16,836)	(12,433)	1,126
Deferred tax (expense)/income	(1,970)	5,450	116,246	99,672
<b>Total tax (expense)/income</b>	<b>(35,462)</b>	<b>(11,386)</b>	<b>103,813</b>	<b>100,798</b>

The reconciliation of taxation on income for the period ended 30 June 2019 and 2018 is as follows:

	1 January - 30 June 2019	1 January - 30 June 2018
<b>(Loss)/ profit before tax</b>	<b>(19,126)</b>	<b>59,281</b>
Local tax rate	%22	%22
Tax expense calculated with effective tax rate	4,208	(13,042)
Deductions and exemptions	47,871	82,108
Additions	(51,717)	(60,753)
Tax losses and other tax advantages (net effect)	(43,716)	75,432
Effect of tax rate change	2,985	15,791
Share of profit of associates	1,468	2,191
Other	3,439	2,086
<b>Current income (expense)/tax income</b>	<b>(35,462)</b>	<b>103,813</b>

#### Deferred taxes

The Group recognizes deferred income tax based on all temporary differences arising between their financial statements as reported for IFRS and its statutory tax financial statements.

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

### NOTE 14 - TAXES ON INCOME (Continued)

Within the scope of the Law regarding Amendments to Certain Tax Laws and Other Laws No. 7061, which went into effect after promulgation in the Official Gazette dated 5 December 2017, the corporate income tax rate was raised from 20% to 22% for 2018, 2019 and 2020. As per the said law, in the financial statements dated 30 June 2019, the deferred tax assets and liabilities were calculated using a tax rate of 22% for the portion of the temporary differences that will have a tax impact in 2019 and 2020, and using a tax rate of 20% for the portion of the temporary differences that will have a tax impact in 2021 and thereafter (31 December 2018: 22%).

	<b>30 June 2019</b>		<b>31 December 2018</b>	
Deferred tax assets	336,837		312,084	
Deferred tax liabilities	(638,247)		(761,300)	
<b>Deferred tax assets/(liabilities), net</b>	<b>(301,410)</b>		<b>(449,216)</b>	
	<b>Temporary differences</b>		<b>Deferred tax assets/(liabilities)</b>	
	<b>30 June 2019</b>	<b>31 December 2018</b>	<b>30 June 2019</b>	<b>31 December 2018</b>
Property, plant and equipment	3,262,617	3,513,914	(636,960)	(696,572)
Carry forward tax losses	(2,640,648)	(2,307,599)	562,325	492,729
Receivables from service concession arrangements	1,314,580	1,325,932	(277,670)	(280,267)
Credit commission and unearned credit finance expense	261,672	240,208	(52,981)	(48,258)
Indexation of deposits received	(268,594)	(260,944)	59,091	57,408
Derivative instruments	(132,612)	(36,450)	26,522	7,339
Other	(96,773)	(101,415)	18,263	18,405
<b>Deferred tax assets/(liabilities), net</b>	<b>(301,410)</b>		<b>(449,216)</b>	

The movements in deferred tax assets and liabilities for the period ended 30 June 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
<b>1 January</b>	<b>(449,216)</b>	<b>(57,415)</b>
Charged to statement of profit or loss	(1,970)	116,246
Charged to equity	151,601	(119,906)
Transfer to assets/(liabilities) held for sale	(1,825)	-
Deferred tax assets/(liabilities) accounted due to acquisition, net	-	(106,346)
<b>30 June</b>	<b>(301,410)</b>	<b>(167,421)</b>

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 14 - TAXES ON INCOME (Continued)

As of 30 June 2019, the Group recognized deferred tax assets for the carry forward tax losses amounting to TL2,640,648 thousand (31 December 2018: TL2,307,599 thousand) for which the Group believes it will utilize in the future, For the remaining carry forward tax losses amounting to TL329,369 thousand (31 December 2018: TL130,747 thousand), the Group has not recognized deferred tax assets.

The Group's expiration dates of recognized carry forward tax losses are as follows:

Due date	Losses
2019	33,942
2020	222,885
2021	373,367
2022	443,779
2023	1,293,642
2024	273,033
	<b>2,640,648</b>

The Group's expiration dates of unrecognized carry forward tax losses are as follows:

Due date	Losses
2019	77,749
2020	191
2021	753
2022	51,589
2023	378
2024	198,709
	<b>329,369</b>

#### NOTE 15 - EXPENSES BY NATURE

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Direct materials and merchandise expenses	2,369,354	1,124,925	819,411	322,747
Depreciation and amortisation (*)	234,284	119,565	156,674	78,882
Employee and personnel expenses (**)	106,004	58,280	66,438	52,575
Other	262,216	133,795	440,398	365,394
	<b>2,971,858</b>	<b>1,436,565</b>	<b>1,482,921</b>	<b>819,598</b>

(\*) The total amount of depreciation and amortization expense is TL290,282 thousand (30 June 2018: TL179,913 thousand). TL234,284 thousand (30 June 2018: TL156,674 thousand) of the amount is presented in cost of sales, general administrative and selling marketing expense and TL55,998 thousand (30 June 2018: TL23,239 thousand) of the amount is presented in other operating expense (Note 16).

(\*\*) TL8,422 thousand (30 June 2018: TL10,100 thousand) is presented in marketing expenses, TL34,157 thousand (30 June 2018: TL23,710 thousand) is represented in general administrative expenses and remaining TL63,425 thousand (30 June 2018: TL32,628) is presented in cost of sales.

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

### NOTE 16 - OTHER OPERATING INCOME AND EXPENSE

#### a) Other operating income:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Weighted average cost of capital (“WACC”) correction	124,173	62,087	48,261	25,577
Gain on sale of subsidiaries (*)	29,546	29,546	-	-
Interest income from trading activities	13,956	9,990	4,455	2,351
Insurance income	4,559	1,116	17,724	14,857
Provisions released	3,633	(165)	4,497	1,885
Other	19,150	2,959	5,666	1,559
	<b>195,017</b>	<b>105,533</b>	<b>80,603</b>	<b>46,229</b>

(\*) As per the material event disclosure dated 21 May 2019, Zorlu Enerji transferred all the shares of Çumra Güneş Enerjisi ve Üretim AŞ (Çumra) to KHM Enerji Turizm Ticaret Sanayi AŞ at the amount of USD 6,400,000.

#### b) Other operating expense:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Depreciation of service concession arrangements	55,998	28,063	23,239	11,684
Interest expense from trading activities	21,611	5,919	2,663	2,620
Foreign exchange difference from trading activities	16,650	4,660	25,871	19,897
Indexation of deposits received (Note 7)	16,132	16,132	9,710	3,225
Other	15,514	9,253	8,879	7,066
	<b>125,905</b>	<b>64,027</b>	<b>70,362</b>	<b>44,492</b>

### NOTE 17 - FINANCIAL INCOME AND EXPENSES

#### a) Financial income:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Foreign exchange gains	260,827	41,635	452,172	348,916
Interest income	98,670	54,331	71,818	35,272
Income on derivative instruments	-	-	27,129	(10,591)
	<b>359,497</b>	<b>95,966</b>	<b>551,119</b>	<b>373,597</b>

#### b) Financial expense:

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Interest expense (*)	796,423	415,196	436,055	220,181
Foreign exchange loss (*)	237,206	45,451	484,860	357,250
Loss on derivative instruments	23,814	10,316	-	-
Bank commission and other financial expenses	36,221	16,130	31,351	6,808
	<b>1,093,664</b>	<b>487,093</b>	<b>952,266</b>	<b>584,239</b>

(\*)As at 30 June 2019, capitalized borrowing cost on property, plant and equipments is TL18,515 thousand (30 June 2018: TL40,536 thousand).

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

### NOTE 18 - RELATED PARTY TRANSACTIONS

#### i) Related party balances:

##### a) Short-term trade receivables from related parties

	30 June 2019	31 December 2018
Zorluteks Tekstil Ticaret ve Sanayi AŞ (“Zorluteks”)	13,737	5,359
Korteks	9,451	13,985
Other	3,854	3,841
	<b>27,042</b>	<b>23,185</b>

##### b) Short-term other receivables from the related parties

	30 June 2019	31 December 2018
Zorlu Holding (*)	772,799	648,347
Zorlu O&M Enerji Tesisleri İşletme ve Bakım Hizmetleri AŞ (“Zorlu O&M”) (**)	127,624	177,746
Zorlu Endüstriyel ve Enerji Tesisleri İnşaat Ticaret AŞ (“Zorlu Endüstriyel”) (**)	120,056	94,957
Other	66,841	65,263
	<b>1,087,320</b>	<b>986,313</b>

(\*) The maturity of USD134,281 thousand (equivalent of TL772,799 thousand) of the Group’s total receivables from Zorlu Holding amounts to TL1,984,695 thousand is less than one year. Most of the receivables are denominated in USD and the applied interest rate is 9% (31 December 2018: TL648,347 thousand and 9% for USD). Part of the above-mentioned receivables include the back-to-back loans in TL and USD and the weighted average interest rates are 33.85% and 9.75%, respectively (31 December 2018: for TL and USD 37.35% and 10.75% respectively).

(\*\*) The maturity of other short-term receivables from Zorlu Endüstriyel and Zorlu O&M are less than one year and the interest rate for these financial receivables are 9% for USD balances (31 December 2018: 9% for USD). Part of Zorlu O&M receivable includes the back-to-back loans and the respective weighted average interest rate is 11.75%.

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 18 - RELATED PARTY TRANSACTIONS (Continued)

##### c) Long-term other receivables from related parties

	30 June 2019	31 December 2018
Zorlu Holding (*)	1,211,896	928,168
Ezotech (**)	173,306	147,452
Edeltech (**)	99,479	92,062
Solad (**)	18,244	16,677
	<b>1,502,925</b>	<b>1,184,359</b>

(\*) The maturity of TL1,211,896 thousand portion of the Group’s total receivables from Zorlu Holding amounts to TL1,984,695 thousand is more than one year. The interest rate for the USD portion of the Group’s receivable from Zorlu Holding is %9, the interest rate is %30 for the portion in TL receivables and %6 for the portion in EUR receivables (31 December 2018: for USD and EUR 9% and 6% respectively and for TL 36% - average weighted interest rate is %30 for TL receivables). Part of the above-mentioned receivables include the back-to-back loans in EUR and USD and the respective weighted average interest rates are %8 and %9.75, respectively (31 December 2018: for EUR and USD %8.75 and %10.75 respectively).

(\*\*) The receivables from Ezotech, Solad and Edeltech consist of the amounts provided for the power plant projects in Israel.

##### d) Short-term trade payables to related parties

	30 June 2019	31 December 2018
Zorlu Doğalgaz Tedarik Ticaret AŞ (“Zorlu Doğal Gaz Tedarik”)	23,667	36,256
Zorlu Endüstriyel	4,425	5,078
Zorlu O&M	4,162	5,288
Zorlu Holding	3,492	3,819
Zorlu Doğal Gaz İthalat İhracat ve Toptan AŞ (“Zorlu Doğal Gaz”)	1,561	67,997
Other	9,143	8,786
	<b>46,450</b>	<b>127,224</b>

##### e) Short-term other payables to related parties

	30 June 2019	31 December 2018
Zorlu Endüstriyel	2,444	2,119
Korteks	-	6,085
Other	32,558	20,400
	<b>35,002</b>	<b>28,604</b>

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

### NOTE 18 - RELATED PARTY TRANSACTIONS (Continued)

#### f) Short-term bank borrowings

	30 June 2019	31 December 2018
Zorlu Faktoring	40,727	39,920
	<b>40,727</b>	<b>39,920</b>

#### ii) Transactions carried out with related parties for the period 1 January - 30 June 2019 and 2018 are as follows:

	Sales	Purchases	Operating expenses and other income/ (expenses), net	Interest income/ (expenses), net	Foreign exchange income/(expenses), net
<b>1 January – 30 June 2019</b>					
Korteks	57,331	-	10	(372)	3,310
Zorluteks	35,793	(11)	(34)	(32)	593
Zorlu Tesis Yönetimi AŞ	20,222	-	(386)	-	-
Meta Nikel Kobalt Madencilik Sanayi ve Ticaret AŞ (“Meta Nikel”)	7,081	-	(15)	-	-
Zorlu Holding	44	(1)	(8,345)	67,310	128,933
Zorlu O&M	412	(35,158)	(276)	(3,205)	15,211
Zorlu Endüstriyel	35	(57)	(75)	1,629	10,183
Edeltech	-	-	10	2,035	8,774
Zorlu Doğal Gaz Tedarik	88	(159,490)	-	(484)	(2,015)
Other	2,850	(4,628)	(163)	(7,997)	21,734
	<b>123,856</b>	<b>(199,345)</b>	<b>(9,274)</b>	<b>58,884</b>	<b>186,723</b>

	Sales	Purchases	Operating expenses and other income/ (expenses), net	Interest income/ (expenses), net	Foreign exchange income/(expenses), net
<b>1 April – 30 June 2019</b>					
Korteks	32,112	-	10	(186)	2,035
Zorluteks	19,948	(6)	(58)	(3)	558
Zorlu Tesis Yönetimi AŞ	10,747	-	(197)	-	-
Meta Nikel	1,193	-	(7)	-	-
Zorlu Holding	-	(1)	(4,346)	27,765	16,987
Zorlu O&M	323	(17,955)	(1)	(7,728)	4,173
Zorlu Endüstriyel	11	(52)	(49)	8,151	2,954
Edeltech	-	-	-	1,204	2,306
Zorlu Doğal Gaz Tedarik	62	(76,621)	-	(178)	4
Other	1,494	(2,458)	1,605	(6,698)	7,277
	<b>65,890</b>	<b>(97,093)</b>	<b>(3,043)</b>	<b>22,327</b>	<b>36,294</b>

# ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

### NOTE 18 - RELATED PARTY TRANSACTIONS (Continued)

	Sales	Purchases	Operating expenses and other income/ (expenses), net	Interest income/ (expenses), net	Foreign exchange income/(expenses), net
<b>1 January - 30 June 2018</b>					
Korteks	43,064	-	-	5,683	9,577
Zorluteks	20,486	(1)	(49)	(1,218)	-
Zorlu Tesis Yönetimi AŞ	14,322	-	(321)	674	-
Meta Nikel	5,040	-	(12)	917	-
Zorlu Holding	2	-	(3,821)	33,506	286,239
Zorlu O&M	43	(32,306)	673	(690)	37,003
Zorlu Endüstriyel	232	(56)	(32)	44,651	8,739
Other	14,818	(2,963)	(4,540)	51,056	-
	<b>98,007</b>	<b>(35,326)</b>	<b>(8,102)</b>	<b>134,579</b>	<b>341,558</b>

	Sales	Purchases	Operating expenses and other income/ (expenses), net	Interest income/ (expenses), net	Foreign exchange income/(expenses), net
<b>1 April - 30 June 2018</b>					
Korteks	24,103	-	-	2,116	8,246
Zorluteks	10,409	(1)	(19)	(978)	-
Zorlu Tesis Yönetimi AŞ	7,712	-	(169)	563	-
Meta Nikel	3,126	-	(6)	770	-
Zorlu Holding	2	-	(1,647)	26,186	246,316
Zorlu O&M	34	(16,440)	761	(608)	27,195
Zorlu Endüstriyel	51	-	(17)	30,671	(24,339)
Other	11,130	(2,954)	(2,465)	44,440	(10,451)
	<b>56,567</b>	<b>(19,395)</b>	<b>(3,562)</b>	<b>103,160</b>	<b>246,967</b>

Sales to related parties generally indicate the electricity sale transactions carried out within the framework of the main operations. Purchase and sale transactions also include service purchases and sales between related companies.

Operating income and expenses generally include invoicing transactions resulted from common expenses.

Interest income/(losses) and foreign exchange gains/(losses) consisted of interest and foreign exchange differences regarding which was presented in other operating income/(expenses) and financial income/(expenses).

## ZORLU ENERJİ ELEKTRİK ÜRETİM AŞ

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE PERIOD BETWEEN 1 JANUARY – 30 JUNE 2019

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

#### NOTE 18 - RELATED PARTY TRANSACTIONS (Continued)

##### iii) Key management compensations for the periods between 1 January - 30 June 2019 and 2018 are as follows:

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

	1 January - 30 June 2019	1 April - 30 June 2019	1 January - 30 June 2018	1 April - 30 June 2018
Salaries	3,816	1,916	5,112	4,131

#### NOTE 19 - EVENTS OCCURRING AFTER REPORTING PERIOD

As per the material event disclosure dated 17 July 2019, an application was filed with EMRA to modify the installed power of 24.9 MW stated in the production license of the Alaşehir II Geothermal Power Plant project, for which drilling and construction activities are being carried out in the Alaşehir district of Manisa province by Zorlu Jeotermal Enerji Elektrik Üretimi AŞ, a 100% subsidiary of the Group, to 18.6 MW in order to properly manage the resource and reservoir.

As per the material event disclosure dated 6 August 2019, the Board of Directors of Zorlu Enerji decided to sell all its shares in Zorlu Solar Pakistan Limited, which are equal 99.7% of that company and have a nominal value of 9.970 PKR, to its 100% subsidiary Zorlu Enerji Asia Holding Limited at the nominal value, if they obtain the permissions and approvals of the relevant institutions and corporations, in order to consider various strategic options such as strategic and/or financial partnership, in an effort to use the assets in its portfolio in the most productive way possible.

As per the material event disclosure dated 6 August 2019, the Board of Directors of Zorlu Enerji decided to issue capital market instruments -on behalf of the company- having the nature of debt instruments for sale to qualified investors, and these issuances cannot exceed TL600,000,000, cannot have maturities of more than five years, will be issued in TL, and may be issued one or more times without a public offering, and the necessary applications were filed with the Capital Markets Board and Borsa İstanbul AŞ on 7 August 2019.

As per the material event disclosure dated 7 August 2019, Zorlu Enerji decided to purchase 42.15% of the shares of Adnit Real Estate Ltd., which is 100% owned by Edeltech Ltd., one of our related parties established in Israel and which won a 13 MW solar energy power plant tender held by the Israeli Electricity Administration, and the relevant share transfer transactions were performed.

As per material event disclosure dated 21 August 2019, a joint venture agreement in which Zorlu Enerji will hold 75% of the shares and JDECO will hold 25%, was signed between Zorlu Enerji and Jerusalem District Electricity Co. Ltd. (“JDECO”).