Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries

Consolidated Financial Statements
As at and For The Year Ended
31 December 2017
With Independent Auditor's Report Thereon

12 March 2018

This report includes 4 pages of independent auditor's report and 81 pages of consolidated financial statements together with their explanatory notes.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries

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KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat:2-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

Independent Auditors' Report

To the Board of Directors of Aksa Enerji Üretim A.Ş.

Opinion

We have audited the consolidated financial statements of Aksa Enerji Üretim A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We concluded our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board of Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Revaluation of Property, Plant and Equipment

Please refer to Note 2.5 for the accounting policies and accounting estimates and assumptions used in accounting for the revaluation of tangible assets.

The key audit matter	How the matter was addressed in our audit
The Group, has chosen the accounting policy to present its land and building, land improvements, plant, machinery and equipment belonging to its power plants on the basis of revalued amount instead of the cost amount in its consolidated financial statements as of 31 December 2017. The Group has engaged with an independent professional valuation expert to determine the fair value. TL 1,157,853,041 of fair value increase has been recognized in the consolidated financial statements as of 31 December 2017. We considered this fair value method to be a key audit matter, because of its importance for our audit, due to judgment and assumptions involved.	Audit procedures that are applied in this matter involves below: -The evaluation of the competency, licenses and independence of the independent professional valuation experts assigned by the Group management to determine the fair value of property, plants and equipment, -Control of the accuracy and appropriateness of data provided by the Group management to valuation experts, -Determination of appropriateness of assumptions and estimations that are used for the valuation by valuation experts, -Testing the adequacy and sufficiency of disclosures regarding tangible assets in the consolidated financial statements in accordance with IASs.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

A member of KPMG International Cooperative

Şirin Soysal
Partner
12 March 2018
İstanbul, Turkey

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Financial Position
As at 31 December 2017

(Amounts expressed in Turkish Lira unless otherwise stated.)

ASSETS	Notes	Audited 31 December 2017	Audited 31 December 2016
Current assets			
Cash and cash equivalents	*22*	59,577,791	219,364,855
Trade and other receivables	*21*	759,563,092	219,696,945
Due from related parties	*33*	41,374,904	59,937,752
Derivative financial assets	*30*	2,576,770	6,505,190
Inventories	*18*	426,867,338	416,441,014
Prepayments	*20*	9,355,506	7,235,914
Current tax assets	*12*	3,292,537	3,311,741
Other current assets	*19*	124,924,838	94,280,951
Subtotal		**1,427,532,776**	**1,026,774,362**
Assets held for sale	*35*	46,013,293	448,888,338
Total current assets		**1,473,546,069**	**1,475,662,700**
Non-current assets			
Financial investments	*16*	412,408	412,408
Trade receivables and other receivables	*21*	15,662,583	20,170,031
Property, plant and equipment	*13*	3,644,861,330	2,546,747,274
Intangible assets	*14*	72,616,102	60,978,594
Goodwill	*15*	3,349,356	6,848,196
Prepayments	*20*	4,135,958	1,467,215
Deferred tax asset	*17*	--	143,133,739
Total non-current assets		**3,741,037,737**	**2,779,757,457**
TOTAL ASSETS		**5,214,583,806**	**4,255,420,157**

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Financial Position
As at 31 December 2017

(Amounts expressed in Turkish Lira unless otherwise stated.)

LIABILITIES	Notes	Audited 31 December 2017	Audited 31 December 2016
Current liabilities			
Loans and borrowings	*25*	1,281,784,265	1,054,527,686
Other financial liabilities	*26*	259,814,613	290,803,980
Trade payables and other payables	*21*	428,163,954	294,361,854
Due to related parties	*33*	85,276,884	64,689,396
Derivative financial liabilities	*30*	3,052,466	--
Taxation payable on income	*12*	2,732,752	8,664,346
Provisions	*29*	2,371,672	2,034,761
Other current liabilities	*28*	79,570,413	6,769,071
Deferred revenue		1,050,813	619,344
Subtotal		**2,143,817,832**	**1,722,470,438**
Liabilities held for sale	*35*	--	369,543,650
Total current liabilities		**2,143,817,832**	**2,092,014,088**
Non-current liabilities			
Loans and borrowings	*25*	1,158,627,222	1,366,741,968
Other financial liabilities	*26*	136,278,110	251,312,465
Reserve for employee severance indemnity	*27*	3,000,204	2,899,099
Deferred tax liabilities	*17*	99,045,245	52,187,628
Total non-current liabilities		**1,396,950,781**	**1,673,141,160**
		--	
Total liabilities		**3,540,768,613**	**3,765,155,248**
EQUITY			
Share capital	*23*	615,157,050	615,157,050
Legal reserve	*23*	48,267,560	44,342,753
Cash flow hedge reserves		2,060,997	1,071,273
Actuarial gain/loss		1,566,073	1,214,288
Translation reserves		25,486,345	28,453,746
Share premium		247,403,635	247,403,635
Gains on revaluation of property, plant and equipment		887,786,445	--
Accumulated losses / (Retained earnings)		(470,564,802)	(77,029,456)
Net profit/(loss) for the year		257,947,268	(368,010,433)
Total equity attributable to equity holders of the Company		**1,615,110,571**	**492,602,856**
Non-controlling interests	*23*	58,704,622	(2,337,947)
Total equity		**1,673,815,193**	**490,264,909**
TOTAL EQUITY AND LIABILITIES		**5,214,583,806**	**4,255,420,157**

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2017

(Amounts expressed in Turkish Lira unless otherwise stated.)

INCOME STATEMENT	Notes	Audited 1 January- 31 December 2017	Audited 1 January- 31 December 2016
Revenues	6	3,599,311,868	3,178,201,840
Cost of sales	6	(3,283,982,668)	(2,907,157,616)
Gross profit		**315,329,200**	**271,044,224**
Administrative expenses	9	(55,047,968)	(30,017,491)
Marketing and selling expenses	10	(1,258,384)	(839,496)
Other operating income	7	24,725,041	12,805,376
Other operating expenses	7	(15,995,087)	(9,297,643)
Operating profit		**267,752,802**	**243,694,970**
Gain from investing activities	8	525,275,061	3,950,599
Loss from investing activities	8	(36,858,228)	(90,155,036)
Operating profit before finance costs		**756,169,635**	**157,490,533**
Financial income	11	88,925,423	51,460,853
Financial expenses	11	(598,027,562)	(636,073,155)
Net financial costs		**(509,102,139)**	**(584,612,302)**
Profit/(loss) before tax for the year		**247,067,496**	**(427,121,769)**
Tax benefit		**43,143,042**	**59,497,788**
Current tax expense	12	(4,532,705)	(15,498,190)
Deferred tax benefit	12	47,675,747	74,995,978
Profit/(loss) for the year		**290,210,538**	**(367,623,981)**
Non-controlling interest		32,263,270	386,452
Attributable to equity holders of the parent		257,947,268	(368,010,433)
Total profit/(loss) for the year from continuing operations		**290,210,538**	**(367,623,981)**
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Gains on revaluation of property, plant and equipment		1,157,853,041	--
Remeasurements of the defined benefit liability		436,614	1,356,704
Tax on items that will not be reclassified to profit or loss		(240,270,344)	(271,341)
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		1,237,143	8,546,356
Foreign currency translation differences from foreign operations		(3,987,316)	(31,156,679)
Tax on items that are or may be reclassified subsequently to profit or loss		(247,429)	(1,709,271)
Other comprehensive income for the period, net of tax		**915,021,709**	**(23,234,231)**
Total comprehensive loss for the period		**1,205,232,247**	**(390,858,212)**
Non-controlling interests		61,124,426	382,495
Attributable to equity holders of the parent		1,144,107,821	(391,240,707)

The accompanying notes from an integral part of those consolidated financial statements

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Changes in Equity
For The Year Ended 31 December 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

SHAREHOLDERS' EQUITY	Share capital	Share premium	Legal reserves	Actuarial gain/ (loss)	Cash flow hedge reserve	Translation differences	Retained earnings/ Accumulated Losses	Net Profit /(Loss)	Total	Non-controlling interests	Total Equity
Balance at 1 December 2015	**615,157,050**	**247,403,635**	**42,114,653**	**1,377,489**	**(5,765,787)**	**(64,522)**	**203,324,778**	**(228,419,769)**	**875,127,527**	**(2,213,520)**	**872,914,007**
Restatement	--	--	--	(1,255,794)	404	59,677,791	(58,845,730)	9,139,365	**8,716,036**	(506,922)	**8,209,114**
Balance at 31 December 2015 as restated	**615,157,050**	**247,403,635**	**42,114,653**	**121,695**	**(5,765,383)**	**59,613,269**	**144,479,048**	**(219,280,404)**	**883,843,563**	**(2,720,442)**	**881,123,121**
Total comprehensive income											
Net profit for the period	--	--	--	--	--	--	--	(368,010,433)	**(368,010,433)**	386,452	**(367,623,981)**
Transfer to retained earnings	--	--	2,228,100	--	--	--	(221,508,504)	219,280,404	--	--	--
Total other comprehensive income											
Actuarial gain / (loss)	--	--	--	1,092,593	--	--	--	--	**1,092,593**	(7,230)	**1,085,363**
Translation difference	--	--	--	--	--	(31,159,523)	--	--	**(31,159,523)**	2,844	**(31,156,679)**
Effective portion of changes in fair value of cash hedges	--	--	--	--	6,836,656	--	--	--	**6,836,656**	429	**6,837,085**
Total other comprehensive loss for the period	--	--	--	1,092,593	6,836,656	(31,159,523)	--	--	**(23,230,274)**	(3,957)	**(23,234,231)**
Total comprehensive loss for the period	**--**	**--**	**2,228,100**	**1,092,593**	**6,836,656**	**(31,159,523)**	**(221,508,504)**	**(148,730,029)**	**(391,240,707)**	**382,495**	**(390,858,212)**
Balance at 31 December 2016	**615,157,050**	**247,403,635**	**44,342,753**	**1,214,288**	**1,071,273**	**28,453,746**	**(77,029,456)**	**(368,010,433)**	**492,602,856**	**(2,337,947)**	**490,264,909**

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Changes in Equity
For The Year Ended 31 December 2017

(Amounts expressed in Turkish Lira unless otherwise stated.)

SHAREHOLDERS' EQUITY	Share capital	Share premium	Legal reserves	Actuarial gain/ (loss)	Cash flow hedge reserve	Gains on revaluation of property, plant and equipment	Translation differences	Retained earnings/ Accumulated Losses	Net Profit /(Loss)	Total	Non-controlling interests	Total Equity
Balance at 31 December 2016	**615,157,050**	**247,403,635**	**44,342,753**	**1,214,288**	**1,071,273**	**--**	**28,453,746**	**(77,029,456)**	**(368,010,433)**	**492,602,856**	**(2,337,947)**	**490,264,909**
Net profit for the period	--	--	--	--	--	--	--	--	257,947,268	**257,947,268**	32,263,270	**290,210,538**
Actuarial gain / (loss)	--	--	--	351,785	--	--	--	--	--	**351,785**	(2,494)	**349,291**
Revaluation of PPE						887,786,445				**887,786,445**	29,883,575	**917,670,020**
Translation difference	--	--	--	--	--	--	(2,967,401)	--	--	**(2,967,401)**	(1,019,914)	**(3,987,315)**
Effective portion of changes in fair value of cash hedges	--	--	--	--	989,724	--	--	--	--	**989,724**	(10)	**989,714**
Total other comprehensive loss for the period	--	--	--	**351,785**	**989,724**	**887,786,445**	**(2,967,401)**	--	257,947,268	**1,144,101,936**	**61,124,427**	**1,205,232,248**
Transfer to retained earnings	--	--	3,924,807	--	--	--	--	(371,935,240)	368,010,433	**--**	--	**--**
Acquisition of non-controlling interest without a change in control	--	--	--	--	--	--	--	(21,600,106)	--	(21,600,106)	(81,858)	**(21,681,964)**
Transaction with owners of the Company, recognised directly in equity	**--**	**--**	**3,924,807**	**--**	**--**	**--**	**--**	**(393,535,346)**	**368,010,433**	**(21,600,106)**	**(81,858)**	**(21,681,964)**
Balance at 31 December 2017	**615,157,050**	**247,403,635**	**48,267,560**	**1,566,073**	**2,060,997**	**887,786,445**	**25,486,345**	**(470,564,802)**	**257,947,268**	**1,615,110,571**	**58,704,622**	**1,673,815,193**

The accompanying notes from an integral part of those consolidated financial statements

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Cash Flows
For The Year Ended 31 December 2017
(Amounts expressed in Turkish Lira unless otherwise stated.)

CASH FLOWS FROM OPERATING ACTIVITIES	**Notes**	**Audited 1 January- 31 December 2017**	**Audited 1 January- 31 December 2016**
Net income/(loss) for the period		**290,210,538**	**(367,623,980)**
Depreciation and amortization	13,14	225,000,265	191,172,113
Provision for employee severance indemnity	27	1,737,030	1,712,859
Interest expense	11	412,724,369	264,495,231
Interest income	11	(37,687,380)	(9,235,357)
Tax benefit	12	(43,143,042)	(59,497,789)
Expense from derivative transactions, net	11	2,274,964	(5,165,563)
Loss/(gain) on disposal of subsidiary		(433,408,505)	--
Gain on sale of asset-held-for-sale	8	(57,182,866)	--
Gain on sale of tangible assets	8	(1,985,683)	86,204,437
Unrealized foreign currency income/loss		270,468,189	220,429,096
Operating profit before working capital changes		**629,007,879**	**332,491,047**
Change in inventories		(35,814,326)	(64,551,052)
Change in trade and other receivables		(388,258,275)	(299,984,884)
Change in due from related parties		18,562,848	4,604,911
Change in trade and other payables		208,405,433	7,345,079
Change in due to related parties		12,191,663	(16,673,836)
Change in other current liabilities		(510,615)	70,417,610
Change in assets and liabilities held for sale		110,700,360	--
Change in other current assets		20,599,668	95,560,048
		574,884,635	**129,208,293**
Taxes paid		(5,092,490)	(10,231,295)
Employee termination indemnity paid	27	(1,199,311)	(1,315,962)
Interest paid		(377,907,056)	(298,735,308)
Interest received		37,687,380	9,235,357
Net cash provided from operating activities		**228,373,158**	**171,838,285**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of subsidiary	34	494,676,970	23,617,991
Proceeds from sale of asset-held-for-sale		72,066,016	--
Proceeds from sale of property, plant and equipment and intangible assets		5,674,087	198,630,039
Purchases of property, plant and equipment	13	(317,600,343)	(206,844,868)
Purchases of intangible assets	14	(12,433,648)	(58,624,936)
Net cash provided from/(used in) investing activities		**242,383,082**	**(43,221,774)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issued bank borrowings	38	2,693,723,417	797,121,713
Repayments from banks borrowings	38	(3,016,247,536)	(772,954,254)
Change in issued derivatives	38	(135,000,000)	200,000,000
Net cash outflow from derivatives		4,705,922	11,496,532
Net cash (used in)/provided from financing activities		**(452,818,197)**	**235,663,991**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**17,938,043**	**10,603,932**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**22**	**41,608,428**	**31,004,496**
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	**22**	**59,546,471**	**41,608,428**

The accompanying notes from an integral part of those consolidated financial statements

(Amounts expressed in Turkish Lira unless otherwise stated.)

1. REPORTING ENTITY

Aksa Enerji Üretim A.Ş. ("Aksa Enerji" or "the Company") was established on 12 March 1997 to engage in constructing, lending and operating of electricity power plant, production and sale of electricity or energy production capacity to the customers. The Company's registered office address is Rüzgarlıbahçe Mahallesi, Özalp Çıkmazı, No:10, Kavacık-Beykoz, Istanbul / Turkey.

The shares of Company have been registered in the Borsa İstanbul A.Ş. ("BIST") on 21 May 2010 under the name "AKSEN" and the shares are now publicly traded on the Istanbul Stock Exchange.

The main shareholder of the Company is Kazancı Holding A.Ş. ("Kazancı Holding").

Aksa Enerji and its subsidiaries are collectively referred to as "the Group" in this report. The details of the subsidiaries included in the consolidation are as follows:

			Voting power held (%)	
Name of subsidiary – Foreign Branch	**Principal activity**	**Place of operation**	**31 December 2017**	**31 December 2016**
Aksa Aksen Enerji Ticareti A.Ş. ("Aksa Aksen Enerji")	Electricity trade	Turkey	100.00	100.00
Aksa Energy Company Ghana Limited ("Aksa Enerji Ghana")	Electricity production	Ghana	75.00	75.00
Aksa Enerji Üretim A.Ş.-Y.Ş. ("Aksa Enerji – Y.Ş.")	Electricity production	TRNC	100.00	100.00
Aksa Ghana B.V. (Aksa Ghana B.V)	Holding company	Netherlands	100.00	100.00
Aksa Global Investment B.V. ("Aksa Global B.V.")	Holding company	Netherlands	100.00	100.00
Aksa Göynük Enerji Üretim A.Ş. ("Aksa Göynük Enerji")	Electricity production	Turkey	99.99	99.99
Aksa Madagascar B.V.	Holding company	Netherlands	100.00	100.00
Aksa Mali S.A.	Electricity production	Mali	100.00	--
Aksaf Power Ltd.("Aksaf Power")	Electricity production	Mauritius	58.35	58.35
Alenka Enerji Üretim ve Yatırım Ltd. Şti.("Alenka Enerji")(***)	Electricity production	Turkey	--	99.56
Ayres Ayvacık Rüzgar Enerjisinden Elektrik Üretim Santrali A.Ş. ("Ayres Ayvacık Rüzgar") (*)	Electricity production	Turkey	--	99.00
Baki Elektrik Üretim Ltd. Şti. ("Baki Elektrik")(**)	Electricity production	Turkey	--	95.00
Deniz Elektrik Üretim Ltd. Şti. ("Deniz Elektrik") (**)	Electricity production	Turkey	--	99.99
İdil İki Enerji Sanayi ve Ticaret A.Ş. ("İdil İki Enerji")	Electricity production	Turkey	99.99	99.99
Kapıdağ Rüzgar Enerjisi Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Kapıdağ Rüzgar Enerjisi") (**)	Electricity production	Turkey	--	94.00
Overseas Power Ltd. ("Overseas Power")	Good and supply trade	Mauritius	100.00	100.00
Rasa Elektrik Üretim A.Ş. ("Rasa Elektrik")	Electricity production	Turkey	99.96	99.96
Rasa Enerji Üretim A.Ş. ("Rasa Enerji")	Electricity production	Turkey	99.99	99.99

(*) On 15 March 2017, the Group sold its shares in Ayres Ayvacık Rüzgar with all assets and liabilities to Notos Elektrik Üretim A.Ş. For detail information please see Note 34.

(**) On 8 September 2017, the Group sold its shares in Deniz Elektrik and Kapıdağ Rüzgar Enerjisi with all assets and liabilities to Fernas Şirket Grubu. In addition, on 27 December 2017 the Group sold its shares in Baki Elektrik with all assets and liabilities to Fernas Şirket Grubu. For detail information please see Note 34.

(***) On 1 December 2017 the Group sold its shares in Alenka Enerji with all assets and liabilities to Borusan EnBW Enerji Yatırımlar ve Üretim A.Ş ve Borusan Danışmanlık ve Ortak Hizmetler A.Ş. For detail information please see Note 34.

At 31 December 2017, the number of employees of the Group is 1,019 (31 December 2016: 782).

1. REPORTING ENTITY (continued)

Aksa Aksen Enerji:

Aksa Aksen Enerji was founded on 8 July 2015 by the Aksa Enerji with an ownership percent of 100,00% for the purpose of selling the electricity produced by the Group companies.

Aksa Energy Ghana

Aksa Energy Ghana was founded on 15 July 2015 by the Aksa Enerji in accordance with the electricity production and sale agreement signed with the Government of Ghana Republic. Unit of power plant with a capacity 192.5 MW started its operations on 10 April 2017. The installed power of the power plant has increased from 192.5 MW to 35 MW with a reserve capacity of total 280 MW as of 1 August 2017.

Aksa Enerji - Y.Ş.:

On 10 March 2009, Aksa Enerji- Y.Ş. made an electricity sale agreement with Electricity Distribution Company of Turkish Northern Cyprus ("KIB-TEK") by providing service through lending the power plant constituting of diesel generator groups established in Kalecik-TRNC. The contract period is 15+3 years starting from 1 April 2009 and KIB-TEK commits to purchase all of the electricity produced during the contract period.

In accordance with the capacity increase investments of Kalecik Power Plant in TRNC, the installed capacity has been increased by 33 MW by the instalment of two units with the same engine specifications from the power plants whose licenses were cancelled. The installed capacity of our TRCN Kalecik Power Plant has increased to 153 MW, thus its percentage of availability has also grown by the increase in spare units capacity.

Aksa Enerji-Y.Ş.'s factory land was leased from a third party in TRNC for 10 years on 12 February 2010 by Kazancı Holding. Aksa Enerji-Y.Ş. subleases from Kazancı Holding for 10 years.

Aksa Ghana B.V:

On 24 November 2016, Aksa Ghana B.V. was established in Holland as a holding Company of Aksa Energy Ghana.

Aksa Global B.V:

On 24 November 2016, Aksa Global was established in Holland to coordinate the foreign investments as a holding Company.

Aksa Göynük Enerji:

Aksa Göynük Enerji has an royalty agreement with General Directorate of Turkish Coal for the use of coal in Bolu-Göynük reservoir and Aksa Enerji has a licence for the utilisation of this coal in its power plant with 270 MW capacity.

On 28 October 2011, Aksa Enerji acquired 99,99% of all shares of Aksa Göynük Enerji from Kazancı Holding, the ultimate parent company. The main operations of Aksa Göynük Enerji are constructing, lending and operating of electricity power plant, production and sale of electricity and all kind of exploration and production of natural gas and petroleum resources and mining.

First unit of the power plant with 135 MW has started its operations as of 30 September 2015 and second unit of the power plant with 135 MW has started its operations as of 29 January 2016.

Aksa Madagascar B.V.:

On 19 October 2016, Aksa Madagascar B.V. was established as a holding company of Aksaf Power.

Aksa Mali S.A

On 6 February 2017, Aksa Mali SA was established for operating and maintenance coordination of Mali plant. On 4 August 2017, 10 MW powered portion from the first phase has been put in use. On 28 September 2017, the remaining 30 MW portion of 40 MW installed powered plant in total has been put in use.

1. REPORTING ENTITY (continued)

Aksaf Power:

Aksa Enerji established Aksaf Power with participation by Aksa Enerji and a local partner with an ownership interest of 58,35% and 41,65%, respectively, in Mauritius for the purpose of constructing a Heavy Fuel Oil ("HFO") power plant with a capacity of 120 MW in Republic of Madagascar and guarantee sale of the electricity produced for 20 years. Aksaf Power started to construction of power plant upon receipt of the advances and guarantees in accordance with the agreement with Jiro Sy Rano Malagasy ("Jirama"), a public company in Republic of Madagascar providing water and electricity services in this country.

In the electricity sale agreement, tariff has been defined as dollar denominated and approximately 700.000 MW guaranteed sale from the power plant has been projected. The field, fuel oil supply, all license and permissions related to the project will be provided by Jırama. At the last quarter of the year 2016 construction has been started. On 4 August 2017, Installed power of power plant has increased to 50 MW and the remaining 16 MW powered portion from the first phase of 66 MW installed powered in total, has been put in use on 7 September 2017. Second phase of 54 MW installed power will be planned to put in use subsequent to the completion of transmission lines in the area.

Alenka Enerji:

On 17 August 2011, Aksa Enerji acquired 80,00% of all shares of Alenka Enerji from a third party. Alenka Enerji has a wind power station with a total capacity of 27 MW including a power generation capacity of 3 MW under construction. In 2012 and 2016, the Group's ownership in Alenka Enerji increased to 90,45% and 99,56%, respectively, as a result of the additional share purchases. On 1 December 2017, the Group sold its shares in Alenka Enerji with all assets and liabilities to Borusan EnBW Enerji Yatırımlar ve Üretim A.Ş ve Borusan Danışmanlık ve Ortak Hizmetler A.Ş. For detail information please see Note 34.

Ayres Ayvacık Rüzgar:

On 18 April 2011, Aksa Enerji acquired 99.99% of all shares of Ayres Ayvacık Rüzgar from Kazancı Holding, the ultimate parent company. Ayres Ayvacık Rüzgar has a wind power station with an installed capacity of 5 MW in Ayvacık-Çanakkale.

On 15 March 2017, the Group sold its shares in Ayres Ayvacık Rüzgar with all assets and liabilities to Notos Elektrik Üretim A.Ş. For detail information please see Note 34.

Baki Elektrik:

Baki Elektrik was established on 4 July 2003 in Ankara for the purpose of production and sale of wind power electricity. In March 2004, Aksa Enerji acquired 95% of the shares of Baki Elektrik. In 2007, Baki Elektrik started the construction of a wind power station with a capacity of 90 MW in Şamlı-Balıkesir and the company started the electricity production after completion of the construction of this wind power station in September 2008.

The capacity of the plant increased to 114 MW upon completion of the additional capacity investment of 24 MW. The land in Şamlı- Balıkesir, where the wind power stations are located, are the own property of Baki Elektrik. On 27 December 2017, the Group sold its shares in Baki Elektrik with all assets and liabilities to Fernas Şirketler Grubu. For detail information please see Note 34.

Deniz Elektrik:

Deniz Elektrik was initially established in 1997 in Izmir under the name of "Deniz Rüzgar Enerjisi ve Cihazları Sanayi ve Ticaret Limited Şirketi". In 2003, the company changed its name to Deniz Elektrik Üretim Limited Şirketi. In May 2004, Aksa Enerji acquired 95,00% of all shares of Deniz Elektrik. On 13 August 2010, Aksa Enerji has made the purchase of new shares participate in Deniz Elektrik and raised its shares to 99.99%.

Deniz Elektrik establishedfor the purpose of producing electricity from wind energy. In 2004, the company obtained the operating licences of two wind power stations with a capacity of 30 MW and 10.8 MW, respectively, located in Sebenova-Hatay and Karakurt/Manisa.. As a result of the capacity expansion of Sebenova/Hatay wind power station, the total installed capacity increased to 60 MW.Wind power station with a capacity of 11 MW in Karakurt/Manisa started its operation in June 2007. Wind power station with a capacity of 11 MW in Karakurt/Manisa started its operation in June 2007. The lands in Karakurt-Manisa and Sebanova-Hatay, where the wind power stations are located, are the own property of Deniz Elektrik. On 8 September 2017, the Group sold its shares in Deniz Elektrik with all assets and liabilities to Fernas Şirket Grubu. For detail information please see Note 34

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1. REPORTING ENTITY (continued)

İdil İki Enerji:

In 2001, İdil İki Enerji was acquired by Koni İnşaat Sanayi A.Ş. ("Koni İnşaat"), a related party, from Bilkent Group. Idil İki Enerji has a fuel oil fired power plant located in Şırnak with a capacity of 24 MW. The power plant started its operations in 2001. On 5 March 2010, Aksa Enerji acquired 99.99% of all shares of İdil İki İnşaat from Koni İnşaat. Licence of power plant has been cancelled on 7 February 2017.

Kapıdağ Rüzgar Enerjisi:

On 31 May 2013, Aksa Enerji acquired 94.00% of all shares of Kapıdağ Rüzgar Enerjisi from Kazancı Holding. Kapıdağ Rüzgar Enerjisi has wind power station located located in Balıkesir with a capacity of 27 MW. On 8 September 2017, the Group sold its shares in Kapıdağ Rüzgar Enerjisi with all assets and liabilities to Fernas Şirket Grubu. For detail information please see Note 34.

Overseas Power

Overseas Power was established on 18 November 2016 in Mauritius in order to carry out the procurement of raw materials and goods mainly related to the activities of Aksaf Power. Overseas Power is dormant as of the reporting date.

Rasa Elektrik:

Rasa Elektrik located at Mardin established on January 1996 in order to meet the electricity needs of Mardin and surrounding areas. It sells its production to TEİAŞ ("Turkish Electricity Transmission Company").

The land over which the power plant is located in Mardin, has been leased from Koni İnşaat A.Ş. ("Koni İnşaat") in 2002, to be renewed annually. The factory which Rasa Elektrik manufacture of radiators has been leased from Koni İnşaat until 31 December 2012, the factory land is the property of Aksa Enerji.

In November 2013, part of the manufacturing of radiators was split and received the title which was the Rasa Endüstriyel Radyatörler Sanayi ve Ticaret A.Ş. Aksa Enerji does not have any partnership in the company.

The machine and equipment of Siirt power plant was sold to Rasa Elektrik before its transfer.

Rasa Enerji:

Rasa Enerji was established on 12 September 2000 for production and distribution of electricity. Rasa Enerji's 99.99% shares have been acquired by Aksa Enerji on 05 March 2010 from one of the related parties of Koni İnşaat.

Rasa Enerji had a natural gas power plant in Van, which has a 114.88 MW capacity. The total installed capacity of the Van plant was increased from 104 MW to 114.88 MW, as combined cycle in the last quarter of 2010.

As per the application to Energy Market Regulatory Authority, generation licence of Van Natural Gas Combined Cycle Power Plant, which had an installed capacity of 115 MW, has been cancelled. The power plant, which has a decreasing chance of generation in free market conditions within Turkey, is expected to be used abroad on a USD based contract with higher margins.

Urfa plant started to generate electricity in August 2011 with an installed capacity of 129 MW and the investment to transform the plant into a combined cycle engine driven technology was completed in 2012.

In accordance with the capacity increase works of Şanlıurfa Natural Gas Power Plant, 18 MW capacity has been accepted by the Ministry of Energy and Natural Resources and commissioned on 18 November 2015. Thus, the installed capacity of Şanlıurfa Natural Gas Power Plant is increased to 147 MW.

(Amounts expressed in Turkish Lira unless otherwise stated.)

1. REPORTING ENTITY (continued)

As of 31 December 2017, electricity production licenses held by the Group are as follows:

Licence Owner	**Location**	**Type of Facility**	**Date of Licence Started**	**Licence Duration**	**The capacity of the plant (MWhe)**	**The capacity in use (MWhe)**
Aksa Enerji	TRNC	Fuel oil	--	--	153	153
Aksa Enerji	Antalya	Natural Gas	13 Kasım 2007	30 yıl	2.050	1.150
Aksa Enerji	Manisa	Natural Gas	21 Şubat 2008	30 yıl	115	115
Aksa Enerji	İncesu-Ortaköy-Çorum (*****)	HPP	29 Eylül 2005	40 yıl	15	15
Aksa Enerji	Belen-Atik (İskenderun-Hatay) (**)	WPP	13 Mart 2008	49 yıl	--	--
Aksa Göynük	Bolu	Thermal	25 Mart 2008	30 yıl	270	270
Aksa Enerji Gana	Gana	Fuel Oil	--	6,5 yıl	370	280
Aksa Mali S.A	Mali	Fuel Oil	--	3 yıl	40	40
Aksaf Power	Madagaskar	Fuel Oil	--	20 yıl	120	66
Alenka	Kırklareli-Kıyıköy (****)	WPP	4 Nisan 2007	20 yıl	--	--
Ayres	Ayvacık (*)	WPP	1 Kasım 2007	25 yıl	--	--
Baki Elektrik	Merkez-Şamlı-Balıkesir (***)	WPP	6 Nisan 2004	49 yıl	--	--
Deniz Elektrik	Sebenoba-Gözene-Yayladağı-Samandağ-Hatay (***)	WPP	4 Haziran 2004	49 yıl	--	--
Deniz Elektrik	Karakurt-İlyaslar-Çakaltepe-Manisa (***)	WPP	5 Aralık 2003	49 yıl	--	--
Rasa Enerji	Şanlıurfa	Natural Gas	12 Mayıs 2011	49 yıl	270	147
Kapıdağ	Balıkesir (***)	WPP	12 Aralık 2006	49 yıl	--	--
Toplam					**3.403**	**2.236**

(*) On 15 March 2017, the Group sold its shares in Ayres Ayvacık Rüzgar with all assets and liabilities to Notos Elektrik Üretim A.Ş. For detail information please see Note 34.

(**) On 7 April 2017 , the Group sold its shares in Belen/Atik power plant with all assets and liabilities to Güriş İnşaat ve Mühendislik On 8 September 2017, the Group sold its shares in ,Sebenoba, Karakurt and Balıkesir power plants with all assets and liabilities to Fernas Şirketler Grubu on 8 September 2017. For detail information please see Note 34.

(***) On 8 September 2017, the Group sold its shares in Deniz Elektrik and Kapıdağ Rüzgar Enerjisi with all assets and liabilities to Fernas Şirket Grubu. In addition, on 27 December 2017 the Group sold its shares in Baki Elektrik with all assets and liabilities to Fernas Şirket Grubu. For detail information please see Note 34.

(****) On 1 December 2017, the Group sold its shares in Alenka Enerji with all assets and liabilities to Borusan EnBW Enerji Yatırımlar ve Üretim A.Ş ve Borusan Danışmanlık ve Ortak Hizmetler A.Ş. For detail information please see Note 34.

(*****) On 17 January 2018, the Group sold its shares in İncesu with all assets and liabilities to Fernas Şirketler Grubu For detail information please see Note 34.

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The consolidated financial statements as at and for the year ended 31 December 2017 were approved by the Board of Directors on 12 March 2018.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis and for the Group's Turkish entities as adjusted for the effects of inflation that lasted by 31 December 2005, except for the followings:

- derivative financial instruments are measured at fair value,
- land and building and land improvements and machinery and equipment in property, plants and equipment are measured at fair value,
- assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less costs to sell,

The methods used to measure the fair values are discussed further in Note 4.

The financial statements of subsidiaries that report in the currency of an economy formerly accepted as hyperinflationary (Turkey) are restated in terms of the measuring unit current at the reporting dates until 31 December 2005. Turkey came off highly inflationary status for the period beginning after 15 December 2005, therefore restatement for IAS 29 ("Financial Reporting in Hyperinflationary Economies") has not been applied since 1 January 2006.

c) Functional and presentation currency

The Company and its subsidiaries operating in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the accounting principles as promulgated by the Turkish Commercial Code and Tax Procedure Law. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

The accompanying consolidated financial statements expressed in TL. All financial information presented in TL has been rounded to the nearest TL amounts, except when otherwise indicated.

The table below summarizes functional currencies of the Group entities.

Company	**Functional currency**
Aksa Enerji A.Ş.– Y.Ş.	US Dollars ("USD")
Rasa Elektrik	TL
Rasa Enerji	TL
İdil İki Enerji	TL
Aksa Göynük Enerji	TL
Aksa Aksen Enerji	TL
Aksa Energy Ghana	USD
Aksa Ghana B.V	EUR
Aksa Global B.V.	EUR
Aksa Madagascar B.V.	EUR
Aksa Mali S.A.	EUR
Aksaf Power	USD
Overseas Power	USD

2. BASIS OF PREPARATION (continued)

c) Functional and presentation currency (continued)

Functional currencies are used to a significant extent in, or have a significant impact on the operations of the related Group entities and reflect the economic substance of the underlying events and circumstances relevant to these entities. All currencies other than the currencies selected for measuring items in the consolidated financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currencies have been re-measured to the related functional currencies in accordance with the relevant provisions of IAS 21, "*The Effects of Changes in Foreign Exchange Rates*".

d) Basis of consolidation

i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from involvement with the entity and has the ability to affect those returns through it power over the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

ii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognised directly in equity.

iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls a business when exposure, or rights, to variable returns due to its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

iv) Non-controlling interests

The Group measures any non-controlling interests in the acquiree at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

2. BASIS OF PREPARATION (continued)

d) Basis of consolidation (continued)

v) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any NCI and other components of equity related to the subsidiary. Any resulting gain or loss arising on the loss of control is recognized in profit or loss. Any interest retained in the former subsidiary, then such interest is measured at fair value at the date when control is lost.

vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated interim financial statements.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Carrying value of shares owned by the Group and dividends arising from these shares has been eliminated in equity and profit or loss accounts.

e) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss), a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or qualifying cash flow hedges to the extent the hedge is effective.

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to TL at exchange rates at the reporting date. The income and expenses of foreign operations are translated to TL at average exchange rates at the dates of the transactions.

Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(Amounts expressed in Turkish Lira unless otherwise stated.)

2. BASIS OF PREPARATION (continued)

e) Foreign currency (continued)

ii) Foreign operations (continued)

When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operations is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and presented within equity in the translation reserve.

The EUR/TL, USD/TL, GHS/USD and TL/USD as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
EUR/TL	4.5155	3.7099
USD/TL	3.7719	3.5192
GHS/USD	0.2265	0.2324
TL/USD	0.2651	0.2842

f) Use of judgments and estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described in the following notes:

Note 4 – Determination of fair value: Some estimates are made for using observable and non-observable market data in determination of fair values.

Note 13 and Note 14 – Useful lives of property and equipment and other intangible assets: The Group estimates its useful lives of property and equipment and intangible assets through the experience of the technical team. Management strategies and future marketing plans are also considered especially for estimating useful lives of leasehold improvements.

Note 13– Land and building and land improvements and machinery and equipment in property, plants and equipment are measured at their fair value, assumptions are disclosed on Note 13. Fair value of property, plants and equipment determined by TSKB Gayrımenkul Değerleme A.Ş. which is an independent professional valuation expert.

Note 17 – Deferred tax assets and liabilities: Deferred tax assets arising from taxable temporary differences and accumulated losses are recognized when it is probable that future taxable profits will be available. Important estimations and evaluations are required regarding future taxable profits to determine deferred tax assets.

Note 18 – Inventory provisions: Aging of inventories is analyzed and obsolete inventories are detected to determine impairment of inventories.

Note 27 – Provision for employee benefits: Actuarial computations are made using estimations for discount rates, salary increase rates and turnover rates to determine severance pay liability. These estimations contain uncertainties due to long term nature of the liabilities

3. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

The Group classifies non-derivative financial assets into the following categories: held to maturity financial assets, loans and receivables and available for sale assets.
The Group classifies non-derivative financial liabilities into other financial liabilities category.

i) **Non-derivative financial assets and financial liabilities - Recognition and derecognition**

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade receivables including service concession receivables and due from customers for contract work, receivables related to finance sector operations (including banking loans and advances to banks and customers and finance lease receivables) and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank deposits and other liquid assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

Other

Other non-derivative financial assets are measured at amortized cost using the effective interest rate method, less any impairment losses.

ii) Non-derivative financial liabilities

The Group initially recognizes all financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Non-derivative financial liabilities (continued)

The Group classifies non-derivative financial liabilities into other financial liabilities which mainly are comprises of loans and borrowings, trade payables and other payables.

Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

iii) Derivative financial instruments and hedge accounting

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

When the hedged item is non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognized. In other cases, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognized immediately in profit or loss.

b) Impairment

i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Impairment (continued)

i) Non-derivative financial assets (continued)

Financial assets measured at amortized cost

The Group considers evidence of impairment for these assets at both an individual asset level. All individually significant assets are individually assessed for impairment.

An impairment loss on a financial asset is the difference between the carrying amount of the financial asset and its expected future cash flows, discounted to its present value at the original effective interest rate. Losses are recorded in profit or loss and are presented using the accrual account.

If a subsequent event after impairment recognition causes decrease of impairment amount, the impairment loss is net off with impairment loss previously accounted in profit or loss.

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

c) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. The cost of inventories is calculated using the weighted average method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Related parties

For the purposes of the financial statements, the shareholders, key management personnel and member of the Board of the Directors, in each case together with companies controlled by or affiliated with them are considered and referred to as related parties (Note 33).

Parties are considered related to the Group if;

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

e) Property and equipment

i) Recognition and measurement

Property, plant and equipment except for land and buildings and land improvements and machinery and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The Company has opted for the option of measuring the land and buildings and land improvements and machinery and equipment in the tangible fixed assets by revaluation method. The revalued amount is the fair value at the revaluation date, less accumulated depreciation and subsequent accumulated impairment losses. Gain on fair value of land and buildings and land improvements and machinery and equipment are recoginsed in revaluation of property, plant and equipment after net off tax. The cost of certain items of property and equipment at 1 January 2005, the Group’s date of transition to IFRS, was determined with reference to its fair value at that date.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the net proceeds from disposal with the carrying amount of property and equipment, and are recognised net within “Gain/(loss) from investing activities” in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property and equipment (continued)

i) Recognition and measurement (continued)

During the production phase of the mine, the material removed when stripping in the production phase, often it will be a combination of ore and waste. Removal of material with a low ratio of ore to waste may produce some usable material, which can be used to produce inventory. This removal might also provide access to deeper levels of material that have a higher ratio of ore to waste that will be mined in future periods. The Group, recognize stripping activity asset when it is probable that the future economic benefit associated with the stripping activity will flow to the Group, identify the component of the ore body for which access has been improved; and the costs relating to the stripping activity associated with that component can be measured reliably. The Group shall allocate the production stripping costs between the inventory produced and the stripping activity asset by using an allocation basis that is based on mineral content of the ore extracted compared with expected mineral content to be extracted, for a given quantity of ore produced.
Since some incidental operations may take place at the same time as the production stripping activity, but which are not necessary for the production stripping activity to continue as planned, these incidental operations are not be included in the cost of the stripping activity asset.

ii) Subsequent costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

iii) Depreciation

Items of property, plant and equipment are depreciated from the date that they are available for use, or in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

After initial recognition, the stripping activity asset is initially measured at its cost less depreciation and less impairment losses. Stripping activity asset is depreciated on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10 - 50 years
Machinery and equipment	3 - 40 years
Furniture and fixtures	5 - 15 years
Vehicles	5 - 8 years
Land improvements	5 years
Leasehold improvements	5 years

Power generation plants depreciated over shorter of licence term and their useful lives. The Group depreciates its power generation plants in different useful lives in accordance to their different useful lives.

Wind electricity powerhouse	20 years
Fuel oil power plants	3-40 years
Natural gas power plants	20 years
Hydroelectric power plants	40 years
Coal plants	40 years

Overhaul costs related to power generation plants have different useful lives, then they are accounted as separate items (major components) of power generation plants. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Intangible assets

Other intangible assets

Other intangible assets that are acquired by the Group which have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

i) Subsequent measurement

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

ii) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives of licenses for the current and comparative periods are between 2 and 49 years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

g) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money where appropriate, and the risks specific to the liability.

h) Employee benefits

i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Other long-term employee benefits

In accordance with the existing labor law in Turkey, the Group entities in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay maximum TL 4,732 as at 31 December 2017 (31 December 2016: TL 4,297) per year of employment at the of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements on a current basis. The management of the Group used some assumptions (detailed in Note 27) in the calculation of the retirement pay provision. The calculation was based upon the retirement pay ceiling announced by the Government.

Remeasurements arising from retirement pay comprise actuarial gains and losses. The Group recognizes actuarial differences in other comprehensive income.

i) Contingent assets and liabilities

Possible assets or obligations that arise from past events and for which their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the Group are treated as contingent assets or liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Contingent assets and liabilities (continued)

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. If the possibility of transfer of assets is probable, contingent liability is recognized in the consolidated financial statements.

A contingent asset is disclosed, when the possibility of an inflow of economic benefits to the entity is probable. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

j) Revenue

i) Electricity sales

Revenue mainly comprises electricity sales which are recognized when the electricity delivered to the customers and related risks and rewards transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of sales can be estimated reliably. Electricity sales revenue are recorded at invoiced amounts by the delivery of electricity power to customers on an accrual basis. Revenue is measured net of sales commissions, taxes. Balancing invoices issued by TEIAŞ is recognized in cost of sales.

A certain portion of the Company's sales is realized with maturity and the fair value of the sales price determined by rediscounting of receivables to present value. Determination of the present value of the receivables; the interest rate that reduces the nominal value of the sales price to the sale price of the related good or service is used. The difference between the nominal value of the sales price and the fair value recognized as interest income in related periods.

k) Leases

i) Determining whether an agreement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Group’s incremental borrowing rate.

ii) Leased assets

Leases of property and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Group’s statement of financial position.

iii) Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

l) Finance income and finance costs

The Group’s finance income and finance costs include interest income, interest expense, the foreign currency gain or loss on financial assets and financial liabilities, bank commission expense and discount expense the net gain or loss on hedging instruments that are recognized in profit or loss and interest and late charge fees obtained from related parties. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Tax

Tax expense comprises current and deferred tax. Tax expense is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

i) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

iii) Tax exposures

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

n) Borrowing costs

In the case of assets requiring significant time-consuming (qualifying assets) to be ready for use and sale, borrowing costs that are directly attributable to the acquisition, construction or production are included in the cost of the asset until the asset is ready for use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o) Earnings per share

Earnings per share disclosed in profit or loss and other comprehensive income statement as calculated by dividing the net profit for the period by the weighted average number of shares in the market during the relevant period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial guarantee contract

A financial guarantee contract that requires a certain amount to be paid to the other side of the contract, When, a borrower does not meet its obligations with respect to a borrowing instrument in accordance with the original or amended terms of the borrowing instrument. The main reason of contract is to cover losses of group guarantee contract side.

The financial guarantee contract must be accounted for at fair value at the date of initial recognition. In subsequent periods it is measured at the higher of the amount to be determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets Standard or IAS 18 Revenue Standard.

Kazancı Holding, Kazancı Family and related companies, have signed the general loan contract as joint debtor and mutual assurance. As of 31 December 2017, The guarantees given for the loans are disclosed in Note 31 which used by group companies.

q) Segment reporting

The Operating segment is the unit in which the Group is able to generating revenue and making spend. Furthermore, in order to determine the results of the activities, the department is regularly monitored by a unit authorized to take decisions on the activities of the Group in order to make decisions on the resources to be allocated and to evaluate the performance of the department.

For the year ended 31 December 2017 sales of industrial part, consist of electricity sales by 99 % (1 January-31 December 2016: 99 %) remaining part of sales consist of lignite, natural gas equipment's and spare parts. For this reason, the Group management makes decisions regarding of the resources to be allocated and performance evaluations as a single operating department instead of separate departments.

For the year ended 31 December 2017, the Group commenced to generate considerable revenue from its operations other than Turkey which constituted a material portion of the Group's operating results. Accordingly, the Group's geographic information is disclosed in Note 36.

r) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell.

Once classified as held for sale, intangible assets and property, plant and equipment are not amortized or depreciated, and equity accounted investee is no longer equity accounted.

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

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

IFRS 15 Revenue from Contracts with Customers

The new standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating performance obligations for goods and services in a contract and recognition of revenue over time. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Standards issued but not yet effective and not early adopted (continued)

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 "*Financial Instruments: Recognition and Measurement*". It also carries forward the guidance on recognition, classification, measurement and derecogniton of financial instruments from IAS 39 to IFRS 9. The last version of IFRS 9 includes a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements and also includes guidance issued in previous versions of IFRS 9. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

On 8 December 2016, IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 22.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group does not expect that these amendments will have significant impact on the consolidated interim financial position or performance of the Group.

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of consolidated financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 40.

3. SIGNIFICANT ACCOUTING POLICIES (continued)

s) Standards issued but not yet effective and not early adopted (continued)

IFRIC 23 –Uncertainty Over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective from 1 January 2019, with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Group does not expect that application of IFRS 17 will have significant impact on its consolidated financial statements.

3. SIGNIFICANT ACCOUTING POLICIES (continued)

s) Standards issued but not yet effective and not early adopted (continued)

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated interim financial position or performance of the Group.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters within the context of 'Annual Improvements to IFRSs 2012-2014 Cycle' related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

IAS 28 "Investments in Associates and Joint Ventures"

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

Annual Improvements to IFRSs 2015-2017 Cycle

IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements"

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

Amendments to IAS 28- Long-term *interests in Associates and Joint Ventures*

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group does not expect that application of these amendments to IAS 28 will have significant impact on its consolidated financial statements.

3. SIGNIFICANT ACCOUTING POLICIES (continued)

s) Standards issued but not yet effective and not early adopted (continued)

Improvements to IFRSs (continued)

Amendments to IFRS 9 - Prepayment features with negative compensation

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 9.

t) Reclassifications

The Group determined that there is an inconsistency in useful lives of similar assets under property, plant and equipment account and restated its consolidated financial statements as at 31 December 2016. As of 31 December 2016, the Group reclassified the carrying amount of the property, plant and equipment of Kapıdağ amounting to TL 93,116,697 from property, plant and equipment to assets held for sale account.

u) Change in accounting policy

The accounting policies applied in the financial statements as at and for the year ended 31 December 2017 are the same as those applied in the last annual financial statements as at and for the year ended 31 December 2016. Additionally, the Company has started to carry its land and land improvements, building and machinery and equipment which are reclassified as property and equipment at fair value instead of carrying at cost. Initial implementation of revaluation of property, plant and equipment has not been applied retrospectively in accordance with TAS 8 paragraph 17.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. These fair values are determined for disclosure purposes.

ii) Derivatives

The fair value of interest rate swaps are based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group when appropriate.

iii) Non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

4. DETERMINATION OF FAIR VALUES (continued)

iiii) Property, plant and equipment

Land and land improvements and building and machinery and equipment are measured at fair value, assumptions are disclosed on Note 11. Valuation of tangible assets has been performed by TSKB Gayrımenkul Değerleme A.Ş. which is an independent professional valuation expert.

5. FINANCIAL RISK MANAGEMENT

Overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group considers its risks in respect of financial risks (credit, market, geographical, foreign exchange, liquidity and interest rate), operational and legal risks. The Group's risk management policies are established to identify and analyze the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Internal audit plans are based on risk assessments as well as the issues highlighted by the Audit Committee of Aksa Enerji management. Risk assessment is conducted on a continuous basis so as to identify not only existing risks but also emerging risks. Formally, risk assessment is made annually but more often if necessary.

5. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and bank balances.

The Group has procedures in place to ensure that services are provided to customers with an appropriate credit history. The carrying amount of trade or other receivables, net of provision for impairment of receivables, and the total of cash and cash equivalents, and restricted bank balances represent the maximum amount exposed to credit risk. The main customer is TEİAŞ. Based on past history with these customers, the Group management believes there is no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Group buys derivatives, and also incur financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by lenders and executives of the Group. The Group applies hedge accounting in order to manage volatility in interest rates.

i) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. As at 31 December 2017, the Group had balances that are denominated in a currency other than the respective functional currencies of Group entities, primarily TL, but also GHS which are disclosed within the relevant notes to these consolidated for the year ended financial statements. The currencies in which these transactions primarily denominated are USD and EUR. The Group manages this currency risk by maintaining foreign currency cash balances and using some financial instruments as mentioned in Note 32.

ii) Interest rate risk

Group, exposes interest rate risk due to reprising of variable interest rate borrowing risk of bank loans and financial lease liabilities. The aim of risk management is to optimize net interest gains and market interest rate in accordance with company policies The Group signed interest rate swap related with some variable rate borrowings.

Capital management

The main objective of the Company's capital management is to maintain a strong capital ratio in order to support its future development of the business and maintain an optimal capital structure to reduce cost of capital.

The Company manages its capital structure and makes adjustments on it according to its growth and economic conditions and competition at the market. In order to maintain or adjust the capital structure, the shareholders may make a direct cash contribution of the needed working capital to the Company.

There were no changes in the Group's approach to capital management during the period.

(Amounts expressed in Turkish Lira unless otherwise stated.)

6. REVENUE

The details of the Group's revenue, for the years ended on 31 December is as follows:

	1 January- 31 December 2017	1 January- 31 December 2016
Domestic sales	2,645,177,899	2,916,076,711
Foreign sales	954,133,969	262,606,821
Sales returns	--	(481,692)
Net sales	**3,599,311,868**	**3,178,201,840**
Cost of sales (-)	(3,283,982,668)	(2,907,157,616)
Gross profit	**315,329,200**	**271,044,224**

	1 January- 31 December 2017	1 January- 31 December 2016
Revenue – amount		
Electricity	3,558,062,684	3,158,682,078
Other	41,249,184	19,519,762
Total	**3,599,311,868**	**3,178,201,840**
Gross margin - amount		
Electricity	290,547,859	270,866,899
Other	24,781,341	177,325
Total	**315,329,200**	**271,044,224**

(Amounts expressed in Turkish Lira unless otherwise stated.)

7. OTHER OPERATING INCOME AND EXPENSES

The details of the Group's other operating income, for the years ended on 31 December is as follows:

Other operating income	1 January- 31 December 2017	1 January- 31 December 2016
Provisions no longer required	18,065,441	264,150
Interest and discount income	3,097,924	2,327,420
Foreign exchange gain related commercial activities	1,286,454	3,684,255
Insurance income	162,623	3,246,245
Other	2,112,599	3,283,306
Total	**24,725,041**	**12,805,376**

The details of the Group's other operating expenses, for the years ended on 31 December is as follows:

Other operating expenses	1 January- 31 December 2017	1 January- 31 December 2016
Bad debt provisions	7,424,552	646,701
Foreign exchange loss related to commercial activities	3,930,800	4,581,487
Financial expenses from credit sales	668,339	2,647,789
Litigation provision expenses	435,306	196,235
Donations	89,633	170,817
Other	3,446,457	1,054,614
Total	**15,995,087**	**9,297,643**

8. GAIN AND LOSS FROM INVESTING ACTIVITIES

The details of the Group's gain from investing activities, for the years ended on 31 December is as follows:

Gain from investing activities	1 January- 31 December 2017	1 January- 31 December 2016
Gain on disposal of subsidiaries (Note 34)	466,106,510	--
Gain on sale of assets held for sale(*)	57,182,866	--
Gain on disposal of property, plant and equipment	1,985,685	3,950,599
Total	**525,275,061**	**3,950,599**

(*) Gain on sale of Belen-Atik power plant which was classified in assets held for sale on 31 December 2016

The details of the Group's loss from investing activities, for the years ended on 31 December is as follows:

Loss from investing activities	1 January- 31 December 2017	1 January- 31 December 2016
Loss on disposal of subsidiaries (Note 34)	32,698,007	1,904,659
Unrealized tender specification and other expenses	4,160,221	16,117,597
Loss on disposal of property, plant and equipment	--	72,132,780
Total	**36,858,228**	**90,155,036**

(Amounts expressed in Turkish Lira unless otherwise stated.)

9. ADMINISTRATIVE EXPENSES

The details of the Group's administrative expenses, for the year ended on 31 December is as follows:

General administrative expenses	1 January- 31 December 2017	1 January- 31 December 2016
Personnel expenses	22,291,121	13,471,318
Consultancy expenses	13,048,418	3,795,879
Travelling, vehicle and transportation expenses	8,286,374	3,095,588
Rent expenses	4,790,610	1,556,441
Tax and duties	1,508,855	1,709,853
Depreciation and amortization expenses	507,364	1,862,689
Representation expenses	350,813	901,507
Electricity, gas and water expenses	202,525	383,755
Communication expenses	187,175	112,822
Other	3,874,713	3,127,639
Total	**55,047,968**	**30,017,491**

10. MARKETING AND SELLING EXPENSES

The details of the Group's marketing and selling expenses, for the years ended on 31 December is as follows:

Marketing and selling expenses	1 January- 31 December 2017	1 January- 31 December 2016
Freight and export expenses	234,677	269,652
Other	1,023,707	569,844
Total	**1,258,384**	**839,496**

(Amounts expressed in Turkish Lira unless otherwise stated.)

11. FINANCIAL INCOME AND FINANCIAL EXPENSES

The details of the Group's financial income and expenses, for the years ended on 31 December is as follows:

Financial income	1 January- 31 December 2017	1 January- 31 December 2016
Foreign exchange gain, net	44,147,874	29,499,362
Interest and discount income	27,963,794	9,235,357
Interest and discount income from related parties (Note 33)	9,723,586	7,560,571
Income from derivative transactions	7,090,169	5,165,563
Total	**88,925,423**	**51,460,853**

Financial expenses	1 January- 31 December 2017	1 January- 31 December 2016
Interest and discount expenses	401,089,452	300,410,119
Foreign exchange loss from borrowings, net	171,157,060	275,568,474
Interest expense on financial liabilities and loans to related parties (Note 33)	11,634,917	37,634,119
Expenses from derivative transactions	9,365,133	--
Guarantee letters and bank commission expenses	4,781,000	11,550,377
Other	--	10,910,066
Total	**598,027,562**	**636,073,155**

12. TAXATION

Turkey

Corporate income tax is levied on the statutory corporate income tax base, which is determined by modifying income for certain tax exclusions and allowances.

Corporate income tax is levied at the rate of 20% (2016: 20%) and advance tax returns are filed on a quarterly basis. However, according to the Article 91 of the Law numbered 7061 "Legislation on Amendment of Certain Tax Legislation and Other Certain Legislation" which was published on the Official Gazette numbered 30261 on 5 December 2017 and according to the provisional clause 10 added to the Corporate Tax Law numbered 5520; corporate tax rate for the taxation periods of 2018, 2019 and 2020 is amended to 22%, which would later be applied as 20% at the end of these periods. During these periods, Council of Ministers is entitled to decrease the corporate tax rate of 22% to 20%.

According to the new Corporate Tax Law, 75% (2016: 75%) of the capital gains arising from the sale of properties and investments owned for at least two years are exempted from corporate tax on the condition that such gains are kept under equity as restricted funds within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax.

12. TAXATION (continued)

Turkey (continued)

The tax legislation provides for a temporary tax of 20% (2016: 20%) to be calculated and paid based on earnings generated for each quarter for the period ended 31 December 2017. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. With the amendment to the Law, corporate rate is set to 22% for the years 2018, 2019 and 2020. 75% of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 31 December 2017. However, according to the amendments by Law numbered 7061, this rate is reduced from 75% to 50% and tax declarations starting from 2018 will be calculated using 50%.

There is also a withholding tax on the dividends paid and is accrued only at the time of such payments. According to the amendments in the tax legislations, which became effective from 24 April 2003, dividends that are paid to the shareholders from the profits of the years between 1999 and 2002 are immune from the withholding tax, if such profits are exempted from corporation tax bases of the companies. As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no:5520 revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, was increased from 10% to 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings.

Transfer pricing regulations

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

Tax applications for foreign subsidiaries of the Group

Republic of Ghana

The applicable corporate tax rate in Republic of Ghana is 25% (31 December 2016: 25%).

Turkish Republic Of Northern Cyprus ("KKTC")

The applicable corporate tax rate in KKTC is 23,5% (31 December 2016: 23,5%).

Netherlands

Corporate income tax is levied at the rate of 20% (31 December 2016: 20%) on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the year 2017. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. There is an additional dividend tax of 5% computed only on the amounts of dividend distribution at the time of such payments.

(Amounts expressed in Turkish Lira unless otherwise stated.)

12. TAXATION (continued)

Netherlands (continued)

Under the Dutch taxation system, tax losses can be carried forward to be offset against future taxable income for nine years. Tax losses can be carried back to offset profits up to one year. Entities must file their tax returns within six months following the close of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Republic Of Mauritius

The applicable corporate tax rate in Mauritius 0% (31 December 2016: 0%).

Republic Of Mali

The applicable corporate tax rate in Mali 30% (31 December 2016: 30%).

Madagascar

The applicable corporate tax rate in Madagascar 20% (31 December 2016: 20%).

Tax recognized in profit or loss

Income tax income for the years ended 31 December comprised the following items:

	1 January- 31 December 2017	1 January- 31 December 2016
Current tax expense		
Current period tax expense	(4,532,705)	(15,498,190)
Deferred tax expense		
Origination and reversal of temporary differences	47,675,747	74,995,978
Total tax income	**43,143,042**	**59,497,788**

Corporate tax:

Corporate tax liabilities as at 31 December 2017 and 2016 as follows:

	31 December 2017	31 December 2016
Corporate tax provision as restated		
Add / (Less): prepaid corporation tax from previous period	4,532,705	15,498,190
Less: corporation taxes paid in advance during the period	(5,092,490)	(10,145,585)
Current tax liabilities, net	**(559,785)**	**5,352,605**

As at 31 December 2017, current tax liabilities on income amounting to TL 2,732,752 (31 December 2016: TL 8,664,346) is not offset with prepaid taxes amounting to TL 3,292,537(31 December 2016: TL 3,311,741) since they are related to different tax jurisdictions.

(Amounts expressed in Turkish Lira unless otherwise stated.)

12. TAX EXPENSE (continued)

The reported income tax expense for the years ended 31 December are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	2017		2016	
	Amount	**%**	**Amount**	**%**
Reported loss before taxation	**247,067,496**		**(427,121,769)**	
Taxes on reported profit per statutory tax rate of the Company	(49,413,499)	(20.00)	85,424,354	(20.00)
Permanent differences:				
Disallowable expenses	(16,150,596)	(6.54)	(21,072,246)	4.93
Tax exempt income	14,434,955	5.84	27,091,371	(6.34)
Carry forward tax losses used	--		(6,268,188)	1.47
6736 numbered law effect (*)	--		(9,158,644)	2.14
Effect of different tax rates in foreign jurisdictions	982,613	0.40	(792,314)	0.19
Temporary differences which no deferred tax asset is recognized	8,577,938	3.47	(2,957,065)	0.69
Change in tax rate	4,598,213	1.86	--	
Tax exempt income resulting from sale of associates	78,353,997	31.71	--	
Derecognition of previously recognized statuary tax losses carried forward	--	--	(12,638,390)	2.96
Others, net	1,759,421	0.71	(131,090)	0.03
Tax income	**43,143,042**	**17.46**	**59,497,788**	**(13.93)**

(*) The Group applied the "Tax Amnesty Law" numbered 6736 which was approved by the Turkish Grand National Assembly on 3 August 2016 and published in the Official Gazette dated 19 August 2016 and numbered 29806 subsequent to the approval of President of Turkish Republic. As a result of the Tax Amnesty Law, the Group made a payment amounted to TL 185,820 in 2016. Additionally, if the tax payer makes a voluntary increase in its tax base and pays the additional taxes, 50% of the carry forward tax losses of the years for which the tax payer makes a voluntary increase cannot be used. In the scope of the law mentioned, the Group applied to increase in tax base voluntarily as Aksa Enerji for the years 2012, 2014 and 2015, Deniz Elektrik for the years 2011, 2012, 2013, 2014 and 2015, Baki Elektrik for the years 2011, 2012, 2013, 2014 and 2015 and Kapıdağ for the the years 2011, 2012, 2013, 2014 and 2015. After the increase in tax base, the Group paid the tax liability due to at 30 November 2016.

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2017 and 2016 as follows:

	31 December 2017	31 December 2016
Property, plant and equipment	3,574,857,896	2,453,258,731
Mining assets	70,003,434	93,488,543
Total	**3,644,861,330**	**2,546,747,274**

(Amounts expressed in Turkish Lira unless otherwise stated.)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The movements of property and equipment comprise fixed asset and mining assets and related accumulated depreciation for the year ended 31 December were as follows:

Cost	**Land and buildings and land improvements**	**Machinery and equipment**	**Vehicles**	**Furniture and fixtures**	**Leasehold improvements**	**Construction in progress**	**Total**
Balance at 1 January 2017	**70,881,340**	**2,698,818,600**	**3,144,551**	**12,403,165**	**26,509,495**	**369,786,001**	**3,181,543,152**
Effect of movements in exchange rates	1,372,759	37,064,013	8,131	76,371	284,798	29,920,294	68,726,366
Additions (*)	5,035	233,435,013	366,908	921,671	--	82,871,717	317,600,344
Disposals (**)	(1,231,430)	(3,724,371)	--	(790,806)	--	(1,602,247)	(7,348,854)
Revaluation	35,868,131	1,121,984,910	--	--	--	--	1,157,853,041
Transfer to asset held for sale (***)	--	(54,125,933)	--	--	(636)	--	(54,126,569)
Transfers (*****)	13,856,411	355,399,942	--	--	--	(369,256,353)	--
Disposal of subsidiaries	(127,105)	(77,914,445)	--	(81,221)	(1,347)	--	(78,124,118)
Balance at 31 December 2017	**120,625,141**	**4,310,937,729**	**3,519,590**	**12,529,180**	**26,792,310**	**111,719,412**	**4,586,123,362**
Accumulated depreciation							
Balance at 1 January 2017	**7,085,940**	**780,438,257**	**574,175**	**9,148,228**	**227,867**	**--**	**797,474,467**
Depreciation for the period	3,053,398	214,479,239	185,626	753,558	25,333	--	218,497,154
Disposals	(532,412)	(2,487,730)	--	(640,308)	--	--	(3,660,450)
Effect of movements in exchange rates	414,262	16,305,719	35,495	87,983	--	--	16,843,459
Transfer to asset held for sale (***)	--	(8,772,710)	--	--	--	--	(8,772,710)
Disposal of subsidiaries	(45,169)	(9,035,045)	--	(34,893)	(1,347)	--	(9,116,454)
Balance at 31 December 2017	**9,976,019**	**990,927,730**	**795,296**	**9,314,568**	**251,853**	**--**	**1,011,265,466**
Carrying amount as of 31 December 2017	**114,261,222**	**3,320,009,999**	**2,724,294**	**3,214,612**	**22,928,357**	**111,719,412**	**3,574,857,896**

(*) İncesu power plant is classified as Assets held for sale.
(**)The amount of TL 6,060,194 in Aksa Energy Ghana and the amount of TL 7,796,217 in Aksa Göynük is related to the capitalized management building. The amount of TL 355,399,942 of the Ghana power plant has been capitalized
(***) Sale of Alenka Enerji.
(****)Group's land and building and land improvements and machinery and equipment are measured the their fair value amount which their accumulated depreciation has been reduced from fair value on the date of revaluation. Measurement of land and building and land improvements and machinery and equipment has been made by TSKB Gayrımenkul Değerleme A.Ş. which is an independent valuation expert, as of 31 December 2017. Fair value of land and building and land improvements and machinery and equipment have been determined according to cost method. Gain in value for tangible assets have been identified as TL 1,157,853,041. Net book value has brought to their revalued amounts and as a result incremental value has recorded with the amount of 887,786,445 TL by netting effect of deferred tax to revaluation gain fund in equity.

(Amounts expressed in Turkish Lira unless otherwise stated.)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost	Land and buildings and land improvements	Machinery and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Balance at 1 January 2016 as restated	**69,484,928**	**3,387,340,062**	**2,484,955**	**13,764,963**	**26,494,988**	**463,509,476**	**3,963,079,372**
Effect of movements in exchange rates	2,328,639	64,828,358	360,049	74,794	--	52,447,251	120,039,091
Additions (*)	181,595	30,666,030	563,756	707,196	18,898	147,437,247	179,574,722
Disposals (**)	--	(1,575,486)	(264,209)	--	--	(284,048,972)	(285,888,667)
Transfer to asset held for sale (***)	(965,707)	(582,050,386)	--	(1,898,839)	(4,120)	(1,373,962)	(586,293,014)
Transfer to inventory (****)	--	(37,202,053)	--	(36,506)	--	--	(37,238,559)
Transfers (*****)	--	217,004	--	(146,898)	--	(8,170,256)	(8,100,150)
Disposal of subsidiaries	(148,115)	(70,112,178)	--	(61,545)	(271)	(14,783)	(70,336,892)
Balance at 31 December 2016	**70,881,340**	**2,792,111,351**	**3,144,551**	**12,403,165**	**26,509,495**	**369,786,001**	**3,274,835,903**
Accumulated depreciation							
Balance at 1 January 2016 as restated	**3,648,825**	**784,170,564**	**1,635,493**	**7,982,715**	**342,897**	**--**	**797,780,494**
Depreciation for the period	2,748,652	182,911,520	276,902	1,242,372	29,522	--	187,208,968
Effect of movements in exchange rates	937,028	38,041,476	82,786	93,652	--	--	39,154,942
Transfer to asset held for sale (***)	(372,771)	(166,657,047)	(1,207,163)	(3,582)	--	--	(168,240,563)
Transfer to inventory (****)	--	(22,938,587)	--	(146,898)	--	--	(23,085,485)
Transfers (*****)	--	(3,576,912)	--	--	--	--	(3,576,912)
Disposals	--	(840,348)	(213,843)	--	--	--	(1,054,191)
Disposal of subsidiaries	(20,278)	(6,569,704)	--	(20,031)	(68)	--	(6,610,081)
Balance at 31 December 2016	**6,941,456**	**804,539,962**	**574,175**	**9,148,228**	**372,351**	**--**	**821,577,172**
Carrying amount as of 31 December 2016	**63,939,884**	**1,987,571,389**	**2,570,376**	**3,254,937**	**26,137,144**	**369,786,001**	**2,453,258,731**

(*)As of 31 December 2016 total cost of borrowing capitalised on property, plant and equipment is TL 26,995,465. (31 December 2015: TL 63,832,186)
(**) The disposals of 2016 are mainly due to sale of Kozbükü power plant which have been sold to Nas Enerji A.Ş. at 26 December 2016 amounting to USD 89,440,905 subsequent to the accomplish of the contruction.
(***)Property, plant and equipments of Ayres Ayvacık Rüzgar, Baki Elektrik, Deniz Elektrik and Kapıdağ Rüzgar Enerjisi and Belen/Atik wind power plant which is contained within Aksa Enerji are classified as "Asset held for sale".
(****) Consist of transferred amount of inventory amount of power plants which are removed with the intention of transfer to Ghana.
(*****)The power plant TL 38,289,967 (TL 41,127,502 cost and TL 3,576,912 accumulated depreciation) is transferred from machinery and equipment to construction in progress in Aksa Enerji. In Göynük power plant, ready to use construction amounting TL 45,720,946 is transferred from construction in progress to rights and machinery and equipment accordingly TL 4,376,340 and TL 41,344,506.

(Amounts expressed in Turkish Lira unless otherwise stated.)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Construction in progress

At 31 December 2017 and 2016, construction in progress represents, stationary export and import warehouse.

Project	31 December 2017	Technical completion rate (%)	31 December 2016	Technical completion rate (%)
Ghana investment	97,120,827	99%	289,933,213	94%
Bolu Göynük power plant investment	2,711,502	99%	19,015,117	99%
Kıbrıs Kalecik – Mobile power plant investment	7,134,808	99%	6,952,044	99%
Other (*)	4,752,276		53,885,626	
Total	**111,719,413**		**369,786,000**	

(*) This balance comprises of ongoing investments project in Africa region

Mining assets

At 31 December 2017 and 2016, mining assets comprise mining development assets and stripping cost.

Cost:	**31 December 2017**	**31 December 2016**
Stripping costs	73,578,865	69,958,287
Mining development assets	5,477,772	5,477,772
Total	**79,056,637**	**75,436,059**
Amortization:		
Stripping costs	8,820,870	5,641,834
Mining development assets	232,333	232,333
Total	**9,053,203**	**5,874,167**
Carrying amount	**70,003,434**	**69,561,892**
Current year depreciation expense	3,179,036	3,281,795
Total	**3,179,036**	**3,281,795**

(Amounts expressed in Turkish Lira unless otherwise stated.)

14. INTANGIBLE ASSETS

The movements in intangible assets and related accumulated amortisation during twelve month period ended 31 December were as follows:

Cost	Rights	Other	Total
Balance at 1 January 2017 as previously reported	**62,155,254**	**916,655**	**63,071,909**
Additions	12,425,253	8,395	12,433,648
Effect of movements in exchange rates	3,687,119	--	3,687,119
Transfers to assets held for sale	(827,000)	(9,806)	(836,806)
Disposal of subsidiary	(158,950)	(10,000)	(168,950)
Disposal	(147,655)	(7,914)	(155,569)
Balance at 31 December 2017	**77,134,021**	**897,330**	**78,031,351**
Amortization			
Balance at 1 January 2017	**1,585,211**	**508,104**	**2,093,315**
Amortization for the period	3,209,847	114,228	3,324,075
Effect of movements in exchange rates	302,366	--	302,366
Transfer to assets held for sale	(167,566)	(9,806)	(177,372)
Disposal	(79,045)	(2,891)	(81,936)
Disposal of subsidiary	(35,199)	(10,000)	(45,199)
Balance at 31 December 2017	**4,815,614**	**599,635**	**5,415,249**
Carrying amount as of 31 December 2017	**72,318,407**	**297,695**	**72,616,102**

Cost	Rights	Other	Total
Balance at 1 January 2016	**4,141,451**	**888,685**	**5,030,136**
Additions	46,636,586	80,410	46,716,996
Effect of movements in exchange rates	7,565,459	--	7,565,459
Transfer to assets held for sale	(534,082)	(52,440)	(586,522)
Transfer	4,376,340	--	4,376,340
Disposal of subsidiary	(30,500)	--	(30,500)
Balance at 31 December 2016	**62,155,254**	**916,655**	**63,071,909**
Amortization			
Balance at 1 January 2016 as restated	**1,225,823**	**371,511**	**1,597,334**
Amortization for the period	544,757	136,593	681,350
Effect of movements in exchange rates	7,199	--	7,199
Transfer to assets held for sale	(188,728)	--	(188,728)
Disposal of subsidiary	(3,840)	--	(3,840)
Balance at 31 December 2016	**1,585,211**	**508,104**	**2,093,315**
Carrying amount as of 31 December 2016	**60,570,043**	**408,551**	**60,978,594**

(Amounts expressed in Turkish Lira unless otherwise stated.)

15. GOODWILL

At 31 December 2017 and 2016, goodwill comprised the following:

	31 December 2017	31 December 2016
Goodwill	3,349,356	6,848,196
-İdil İki Enerji	*3,349,356*	*3,349,356*
-Ayres Ayvacık Rüzgar(*)	--	*3,498,840*
Total	**3,349,356**	**6,848,196**

(*) In 2017, the Group sold its shares in Ayres Ayvacık Rüzgar. As a result of this transaction, the Group lost the control on this subsidiary and the goodwill amounting to TL 3,498,840 related to Ayres Ayvacık Rüzgar was derecognised. (Note 34)

16. FINANCIAL INVESTMENTS

Financial investments

At 31 December 2017 and 2016, financial investments comprised the following:

	Rate %	31 December 2017	31 December 2016
Enerji Piyasaları İşletme A.Ş. (*)	0.67	412,408	412,408
		412,408	**412,408**

(*) The Group invest to Enerji Piyasaları İşletme A.Ş. (EXIST) and obtained 412,408 number of Group C share on 20 November 2014

17. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax is provided in respect of taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences relating to goodwill not deductible for tax purposes and the initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Unrecognized deferred tax assets and liabilities

As at 31 December 2017, deferred tax assets amounting to TL 2,908,391 have not been recognized with respect to the statutory tax losses carried forward amounting to TL 14,541,955. Such losses carried forward expire until 2022. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

The table below shows the expiration date of the tax losses carried forward for which no deferred asset has been recognized:

	2017	2016
2016	--	57,754,247
2018	5,437,701	5,437,701
2022	9,104,254	31,340,940
	14,541,955	**94,532,888**

(Amounts expressed in Turkish Lira unless otherwise stated.)

17. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Recognized deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December are attributable to the items detailed in the table below:

	31 December 2017	31 December 2016
	Asset / (Liability)	Asset / (Liability)
Property and equipment and intangible assets	(203,007,478)	(2,765,431)
Provision to doubtful receivables	3,063,900	5,384,955
Inventory impairment loss	2,775,698	1,964,682
Derivatives	671,543	(1,301,038)
Loans and borrowings	(795,447)	390,996
Reserve for employee severance indemnity	600,041	685,195
Bonds issued	701,603	429,145
Litigation provisions	152,323	90,661
Vacation pay liability	369,445	388,844
Other asset	471,771	587,040
Losses carried forward	70,943,563	58,619,557
Consolidation adjustments	30,477,706	28,626,246
Other	(5,469,913)	(2,154,741)
Net deferred tax assets	**(99,045,245)**	**90,946,111**
Deferred tax asset	--	143,133,739
Deferred tax liability	(99,045,245)	(52,187,628)
Net deferred tax assets	**(99,045,245)**	**90,946,111**

Recognized deferred tax assets and liabilities

Movements in deferred tax balances during the years 2017 and 2016 are as follows::

	1 January 2017	*Effects of translation*	*Recognized in profit or loss*	*Effect of sale of subsidiary*	*Recognized in other comprehensive income*	*31 December 2017*
Total deferred tax assets/(liabilities)	**90,946,111**	(1,777,053)	47,675,747	4,627,723	(240,517,773)	**(99,045,245)**

	1 January 2016	*Effects of translation*	*Recognized in profit or loss*	*Recognized in other comprehensive income*	*31 December 2016*
Total deferred tax assets/(liabilities)	**18,589,128**	(658,383)	74,995,978	(1,980,612)	**90,946,111**

(Amounts expressed in Turkish Lira unless otherwise stated.)

18. INVENTORIES

At 31 December 2017 and 2016, inventories comprised the following:

	31 December 2017	31 December 2016
Other spare parts and operating supplies inventory	242,385,416	255,002,524
Raw materials	144,859,756	102,737,428
Work-in-progress	29,232,348	22,559,114
Advances given for raw materials and supplies	23,006,628	48,394,631
Trade goods	--	298,603
Provision for impairment on inventories (-)	(12,616,810)	(12,551,286)
Total	**426,867,338**	**416,441,014**

19. OTHER CURRENT ASSETS

At 31 December 2017 and 2016, other current assets comprised the following:

	31 December 2017	31 December 2016
Deferred value added tax (“VAT”)	124,527,070	93,749,062
Other	397,768	531,889
Total	**124,924,838**	**94,280,951**

20. LONG AND SHORT TERM PREPAYMENTS

At 31 December 2017 and 2016 short term prepayments comprised the following:

	31 December 2017	31 December 2016
Prepaid insurance expenses	5,109,497	4,315,929
Other	4,246,009	2,919,985
Total	**9,355,506**	**7,235,914**

At 31 December 2017 and 2016, long term prepayments comprised the following:

	31 December 2017	31 December 2016
Advances given for tangible assets	4,099,226	1,347,580
Other prepaid expenses	36,732	119,635
Total	**4,135,958**	**1,467,215**

(Amounts expressed in Turkish Lira unless otherwise stated.)

21. TRADE AND OTHER RECEIVABLES AND PAYABLES

At 31 December 2017 and 2016, trade receivables to third parties comprised the following:

	31 December 2017	31 December 2016
Trade receivables	677,158,715	222,049,699
Receivables from sale of subsidiary (*)	81,434,843	--
Doubtful receivables	9,233,263	25,744,460
Allowance for doubtful receivables (-)	(9,233,263)	(25,744,460)
Unearned credit finance charges (-)	(2,549,317)	(2,931,279)
Income accruals	--	175,779
Other receivables	3,518,851	402,746
Total	**759,563,092**	**219,696,945**

(*) Receivables from Borusan EnBW Enerji Yatırımlar ve Üretim A.Ş. in relation to sale of Alenka Enerji.

The exposure to credit and market risks and impairment losses related to trade and other receivables are disclosed in Note 32.

As of 31 December 2017 movement of doubtful receivables is shown below:

	2017	2016
Balance at 1 January 2017	25,744,460	25,637,972
Current year charge	7,424,552	370,638
Collections	(14,930,805)	(264,150)
Balance of 31 December 2017	**18,238,207**	**25,744,460**

At 31 December 2017 and 2016, trade and other payables to third parties comprised the following:

	31 December 2017	31 December 2016
Trade and other payables to third parties	427,941,600	292,858,336
Expense accruals	3,610,907	4,030,575
Unearned credit finance charges (-)	(3,388,553)	(2,527,057)
Total	**428,163,954**	**294,361,854**

The exposure to credit and liquidity related to trade and other payables are disclosed in Note 32.

At 31 December 2017 and 2016, long term trade and other receivables comprised the following:

Trade and other receivables	31 December 2017	31 December 2016
Deposits given	15,662,583	20,170,031
Total	**15,662,583**	**20,170,031**

(Amounts expressed in Turkish Lira unless otherwise stated.)

22. CASH AND CASH EQUIVALENTS

At 31 December 2017 and 2016, cash and cash equivalents comprised the following:

	31 December 2017	31 December 2016
Cash on hand	230,436	404,486
Cash at banks	59,347,355	218,960,369
- Demand deposits	*7,502,655*	*20,450,147*
- Time deposits	*51,813,380*	*5,091,722*
- Blocked cash (*)	*31,320*	*193,418,500*
Total	**59,577,791**	**219,364,855**
Restricted cash amount	**(31,320)**	**(193,418,500)**
Cash and cash equivalents classified as asset-held-for-sale	--	15,662,073
Cash and cash equivalents on cash flows	**59,546,471**	**41,608,428**

(*) Restricted cash amount is related to sale of Kozbükü power plant held by İdil İki Enerji. The portion of the received consideration for the sale of Kozbükü power plant amounting to USD 55.000.000 is held by the bank providing the investment loan to the Group as restricted cash in the Group's accounts. The Group repaid the outstanding bank loan on 27 January 2017.

The exposure to credit and liquidity related to cash and cash equivalents are disclosed in Note 32.

23. CAPITAL AND RESERVES

Paid in capital

At 31 December 2017, the Group's statutory nominal value of authorized and paid-in share capital is TL 613,169,118 (31 December 2016: TL 613,169,118) (comprising of 613,169,118 registered shares (31 December 2016: 613,169,118) having par value of TL 1 (31 December 2016: TL 1) each).

At 31 December 2017 and 2016, the shareholding structure of the Company was as follows:

	31 December 2017		31 December 2016	
Shareholders	**(%)**	**Amount**	**(%)**	**Amount**
Kazancı Holding	61.98	380,064,978	61.98	380,064,978
Goldman Sachs International	16.62	101,911,765	16.62	101,911,765
Public share	21.39	131,158,000	21.39	131,158,000
Other	0.01	34,375	0.01	34,375
Inflation adjustment to share capital	--	1,987,932	--	1,987,932
Paid in capital in TL (nominal)	**100.00**	**615,157,050**	**100.00**	**615,157,050**

	31 December 2017		31 December 2016	
Group	**(%)**	**Amount**	**(%)**	**Amount**
A Group (Registered share)	47.93	293,896,220	47.93	293,896,220
B Group (Bearer share)	52.07	319,272,898	52.07	319,272,898
Inflation adjustment to share capital	--	1,987,932	--	1,987,932
Paid in capital	**100.00**	**615,157,050**	**100.00**	**615,157,050**

TL 131,158,000 of bearer B group share are traded in Borsa İstanbul A.Ş.

Kazancı Holding, being the parent company of Aksa Enerji, has secured 500 million USD long term credit facility arranged by Goldman Sachs, China Development Bank, Garanti Bankası and İş Bankası. 68.86% of issued capital of Aksa Enerji are pledged as security of the credit facility to Garanti Bankası acting as security agent.

23. CAPITAL AND RESERVES (continued)

On the date of 2 August 2016, a new loan agreement with a total of US $ 800 million was signed between Kazancı Holding A.Ş. And Aksa partnership Co. and with the Bank's consortium under the leadership of Türkiye Garanti Bankası A.Ş. And Türkiye İş Bankası, with the participation of T.C. Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş., Türkiye Vakıflar Bankası T.A.O., Odea Bank A.Ş. and Türkiye Sınai Kalkınma Bankası A.Ş. With this created financing, all of the old loan mentioned above was repaid and the shares of Aksa Enerji in the property owned by Kazancı Holding liberalized. In addition to these liberalized shares belonging to the Kazancı Holding, representing %61.98 capital shares of Aksa Energy which is owned by Kazancı Holding and is 9.74% shares of Kazancı Holding, was pledged to be a guarantee for the new loan, to the Guarantee Representative Türkiye İş Bankası AŞ by Kazancı Holding.

Legal reserves

According to the Turkish Commercial Code ("TCC"), legal reserves are comprised of first and second legal reserves.

The first legal reserves are generated by annual appropriations amounting to 5 percent of income disclosed in the

Company's statutory accounts until it reaches 20% of paid-in share capital. If the dividend distribution is made in accordance with Dividend Distribution Communiqué II-19.1, a further 1/10 of dividend distributions, in excess of 5% of paid-in capital is to be appropriated to increase second legal reserves. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5% of paid-in capitals are to be appropriated to increase second legal reserves. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital. At 31 December 2017, legal reserves of the Group amounted to TL 48,267,560 (31 December 2016: TL 44,342,753).

Share premium

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

Actuarial gain/loss:

Actuarial gain/loss reserves comprises actuarial gains and losses recognized in other comprehensive income based on IAS (2011).

Gain on revaluation of property, plant end equipment:

Gain on revaluation of property, plant end equipment comprise of fair value gain of land and land improvements and buildings and machinery and equipment in property, plant and equipment.

(Amounts expressed in Turkish Lira unless otherwise stated.)

23. CAPITAL AND RESERVES (continued)

Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred, net of tax.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign and domestic operations from their functional currencies to presentation currency of TL.

Dividend distribution

Publicly held companies distribute dividends based on the Capital Market Board ("CMB") Dividend Communique numbered II-19.1 effective from 1 February 2014.

Companies distribute their profits in accordance with their dividend policy determined by the General Assembly and with General Assembly resolution in accordance with provisions of the relevant legislation.

Non-controlling interests

Equity in a subsidiary that is not attributable, directly or indirectly, to a parent is classified under the "Non-controlling interests" in the consolidated financial statements.

As at 31 December 2017 and 2016 the related amounts in the "Non-controlling interests" in the consolidated statement of financial position are respectively TL 58,704,622 liability and TL 2,337,947 liability. In addition, net profit or loss in a subsidiary that is not attributable, directly or indirectly, to a parent is also classified under the "Non-controlling interests" in the consolidated financial statements.

24. EARNINGS PER SHARE

The calculation of basic and diluted EPS at 31 December 2017 and 2016 is as follows:

	1 January-31 December 2017	**1 January-31 December 2016**
Numerator:		
Profit/(loss) for the period attributable to equity holders	257,947,268	(368,010,433)
Weighted average number of shares	613,169,118	613,169,118
Basic and diluted loss per share (full TL)	0.421	(0.459)

(Amounts expressed in Turkish Lira unless otherwise stated.)

25. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risks, see Note 32.

	31 December 2017	31 December 2016
Current liabilities		
Current portion of bank loans	840,155,894	658,708,167
Short term bank loans	440,990,351	377,122,889
Finance lease liabilities	638,020	18,696,630
Total	**1,281,784,265**	**1,054,527,686**
Non-current liabilities		
Long term bank loans	1,158,627,222	1,296,240,646
Finance lease liabilities	--	70,501,322
Total	**1,158,627,222**	**1,366,741,968**
Total loans and borrowings	**2,440,411,487**	**2,421,269,654**

The Group's total bank loans and finance lease liabilities as at 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
Bank loans	2,439,773,467	2,332,071,702
Finance lease liabilities	638,020	89,197,952
	2,440,411,487	**2,421,269,654**

Redemption schedules of the Group's bank loans according to original maturities as at 31 December 2017 are as follows:

31 December 2017			
Maturity	**Currency**	**Amount**	**TL Amount**
0-12 months	USD	144,022,552	541,282,499
	EUR	13,213,331	59,664,798
	TL	680,198,948	680,198,948
1-2 year	USD	45,376,992	171,157,476
	EUR	10,361,626	46,787,921
	TL	258,454,686	258,454,686
2-3 year	USD	33,667,403	126,990,076
	EUR	2,999,060	13,542,255
	TL	119,621,836	119,621,836
3-4 year	USD	25,701,580	96,943,790
	EUR	1,589,367	7,176,785
	TL	33,505,833	33,505,833
4-5 year	USD	22,818,684	86,069,793
	TL	17,729,119	17,729,119
5 year and more	USD	47,893,012	180,647,652
Total			**2,439,773,467**

(Amounts expressed in Turkish Lira unless otherwise stated.)

25. LOANS AND BORROWINGS (continued)

Redemption schedules of the Group's bank loans according to original maturities as at 31 December 2016 are as follows:

31 December 2016			
Maturity	**Currency**	**Amount**	**TL Amount**
0-12 months	USD	84,381,738	296,956,211
	EUR	14,763,984	54,772,903
	TL	684,101,942	684,101,942
1-2 year	USD	46,839,672	164,838,174
	EUR	13,203,152	48,982,373
	TL	210,519,783	210,519,783
2-3 year	USD	44,446,723	156,416,907
	EUR	9,894,615	36,708,033
	TL	22,849,844	22,849,844
3-4 year	USD	35,625,416	125,372,963
	EUR	3,338,969	12,387,242
4-5 year	USD	30,689,744	108,003,346
	EUR	1,431,137	5,309,374
5 year and more	USD	114,959,159	404,564,272
	EUR	77,720	288,335
Total			**2,332,071,702**

Terms and debt repayment schedule

The breakdown of bank loans as at 31 December 2017 is as follows:

Original Currency	**Nominal Interest rate %**	**Face Value**	**Carrying Amount**
TL	% 12.25 -% 18.50	1,085,499,166	1,109,510,423
USD	6MLibor +%0.15-6MLibor+%6.35	1,191,195,863	1,203,091,285
EUR	Euribor6M +% 1.60 - % 3.84	136,291,496	127,171,759
Total		**2,412,986,525**	**2,439,773,467**

As at 31 December 2017, The Group's expense accrual charge is TL 55,494,323.

The breakdown of bank loans as at 31 December 2016 is as follows:

Original Currency	**Nominal Interest rate %**	**Face Value**	**Carrying Amount**
TL	%11.50-3MTRL Libor+7.00	896,697,359	917,471,569
USD	Libor +%0.15 – %6.35	1,175,894,001	1,256,151,873
EUR	Euribor +%1.80 –Euribor +%6.50	154,245,049	158,448,260
Total		**2,226,836,409**	**2,332,071,702**

(Amounts expressed in Turkish Lira unless otherwise stated.)

25. LOANS AND BORROWINGS (continued)

The breakdown of finance lease as at 31 December 2017 is as follows:

		31 December 2017	
Maturity	**Currency**	**Amount**	**TL Amount**
0-12 Months	EUR	141,295	638,020
Total			**638,020**

The breakdown of financial lease as at 31 December 2016 is as follows:

		31 December 2016	
Maturity	**Currency**	**Amount**	**TL Amount**
0-12 Months	EUR	5,039,659	18,696,630
1-2 Year	EUR	4,275,230	15,860,676
2-3 Year	EUR	3,265,769	12,115,676
3-4 Year	EUR	2,901,102	10,762,800
4-5 Year	EUR	2,819,899	10,461,544
5 Year and more	EUR	5,741,563	21,300,626
Total			**89,197,952**

Finance lease at the amount of TL 59,899,866 which belongs to Alenka Enerji's liabilities as of 31 December 2016 is no longer in The Group's financial liabilities after the sale of Alenka Enerji.

26. OTHER FINANCIAL LIABILITIES

Other short term financial liabilities

At 31 December 2017 and 2016, other short term financial liabilities comprised the following:

Other short term financial liabilities	31 December 2017	31 December 2016
Factoring liabilities	175,783,689	127,736,250
Bond issued	84,023,074	163,062,228
Other financial liabilities	7,850	5,502
Total	**259,814,613**	**290,803,980**

Other long term financial liabilities

At 31 December 2017 and 2016, other long term financial liabilities comprised the following:

Other long term financial liabilities	31 December 2017	31 December 2016
Bond issued	119,166,031	174,083,496
Factoring liabilities	17,112,079	77,228,969
Total	**136,278,110**	**251,312,465**

The Company has bond issuance at a nominal amount of TL 60,000,000, to be quarterly paid within 2 years maturity bond based on 3.3763 % coupon rate on 24 June 2016. The maturity date of restated bonds is on 28 June 2018.
The Company has bond issuance at a nominal amount of TL 140,000,000, to be quarterly paid within 3 years maturity bond based on 3.6795% coupon rate on 28 June 2016. The maturity date of restated bonds is on 26 June 2019.
The Company paid principal payment of bond amount of TL 135,000,000 as of 15 November 2017.

(Amounts expressed in Turkish Lira unless otherwise stated.)

26. OTHER FINANCIAL LIABILITIES (continued)

Other long term financial liabilities (continued)

The breakdown of factoring liabilities as at 31 December 2017 and 2016 is as follows:

	31 December 2017	
Maturity	**Currency**	**TL Amount**
Less than 1 year	TL	175,783,689
1-2 years	TL	17,112,079
2-3 years	TL	--
Total		**192,895,768**

	31 December 2016	
Maturity	**Currency**	**TL Amount**
Less than 1 year	TL	127,736,250
1-2 years	TL	63,026,631
2-3 years	TL	14,202,338
Total		**204,965,219**

The breakdown of bond issues as at 31 December 2017 and 2016 is as follows:

	31 December 2017	
Maturity	**Currency**	**TL Amount**
Less than 1 year	TL	84,023,074
1-2 Year	TL	119,166,031
2-3 Year	TL	--
Total		**203,189,105**

	31 December 2016	
Maturity	**Currency**	**TL Amount**
Less than 1 year	TL	163,062,228
1-2 Year	TL	67,754,857
2-3 Year	TL	106,328,639
Total		**337,145,724**

(Amounts expressed in Turkish Lira unless otherwise stated.)

27. EMPLOYEE BENEFITS

Under the Turkish Labour Law, Aksa Enerji and its subsidiaries in Turkey are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to the length of service prior to retirement.

Such payments are calculated on the basis of 30 days' pay maximum full TL 4,732 as at 31 December 2017 (31 December 2016: full TL 4,297) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of Group from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the Government.

International Accounting Standard No. 19 ("IAS 19") "*Employee Benefits*" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2017, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provision at 31 December 2017 has been calculated assuming an annual inflation rate of 6.50% and a discount rate of 10.50% resulting in a real discount rate of approximately 3.76% (31 December 2016: annual inflation rate of 6,50% and a discount rate of 10,50% resulting in a real discount rate of approximately 3,76%). It is planned that retirement rights will be paid to employees at the end of concession periods. Accordingly, present value of the future probable obligation has been calculated based on the concession periods.

The amount of the reserve for employee severance indemnity during the as at and for the year ended 31 December was as follows:

	2017	2016
Balance at 1 January	2,899,099	4,385,783
Interest cost	287,075	394,275
Service cost	1,449,955	1,318,584
Payment made during the period	(1,199,311)	(1,315,962)
Transfer to liabilities held for sale	--	(526,877)
Actuarial difference	(436,614)	(1,356,704)
Balance at 31 December	**3,000,204**	**2,899,099**

(Amounts expressed in Turkish Lira unless otherwise stated.)

28. OTHER CURRENT LIABILITIES

At 31 December 2017 and 2016, other current liabilities comprised the following:

	31 December 2017	31 December 2016
Advances received(*)	70,694,151	1,907,905
Due to personnel	6,112,080	3,026,921
Social security withholdings payable	2,764,182	1,834,245
Total	**79,570,413**	**6,769,071**

(*)As of December 31 2017, TL 56,340,906 of the advance payment, is due to sale of İncesu power plant which is held by Aksa Enerji is taken from Deniz Elektrik within Fernas Group of Companies. The related was completed on 17 January 2018

29. PROVISIONS

At 31 December 2017 and 2016, provisions comprised the following:

	Lawsuits	Vacation pay liability	Other provisions	Total
Balance as of 1 January 2017	257,071	1,777,690	--	2,034,761
Provision set during the period	435,306	(98,395)	--	336,911
Balance as of 31 December 2017	**692,377**	**1,679,295**	**--**	**2,371,672**
Balance as of 1 January 2016	592,178	--	398,138	990,316
Provision set during the period	87,357	1,777,690	--	1,865,047
Provision used	(422,464)	--	(398,138)	(820,602)
Balance as of 31 December 2016	**257,071**	**1,777,690**	**--**	**2,034,761**

30. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2017 and 2016, derivative financial instruments comprised the following:

	31 December 2017		31 December 2016	
	Carrying Value		Carrying Value	
Derivative financial instruments	**Asset**	**Liability**	**Asset**	**Liability**
Cash flow hedges	2,576,770	--	1,339,627	--
Held for trading	--	(3,052,467)	5,165,563	--
Total	**2,576,770**	**(3,052,466)**	**6,505,190**	--

All derivatives in a net receivable position (positive fair value) are reported as derivative assets. All derivatives in a net payable position (negative fair value) are reported as derivative liabilities.

Further disclosure regarding the derivative contracts of the Group are explained at Note 32.

(Amounts expressed in Turkish Lira unless otherwise stated.)

31. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

Collateral / Pledge / Mortgage ("CPM")

As of 31 December 2017 and 2016, the Group's collateral, pledge and mortgage (CPM) position is disclosed as follows:

	31 December 2017	31 December 2016
A. CPM given for companies own legal personality	2,519,454,202	2,156,051,163
B. CPM given in behalf of fully consolidated companies	1,428,109,100	2,402,618,776
C. CPM given for continuation of its economic activities on behalf of third parties	--	--
D. Total amount of other CPM's	--	--
i. Total amount of CPM's given on behalf of majority shareholder	--	--
ii. Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	--	--
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	--	--
Total CPM	**3,947,563,302**	**4,558,669,939**

Letters of guarantees given to:

31 December 2017	TL	USD	EUR	CHF	TL Equivalent
Banks	--	--	1,457,143	--	6,579,728
Botaş–Petroleum Pipeline Corporation	665,042	--	--	--	665,042
Electricity distribution companies	19,264,093	--	--	--	19,264,093
Republic of Turkey Energy Market Regulatory Authority	21,758,000	--	--	--	21,758,000
Ministry of Custom and Trade	--	--	--	--	--
Enforcement offices	196,444	--	--	--	196,444
Turkey Electricity Transmission Company (TEIAS)	7,776,984	2,062,080	100,000	--	16,006,493
Turkish Coal Enterprises Institution(TKI)	4,525,476	--	--	--	4,525,476
Other	38,973,171	41,715,000	1,250,000	800,000	205,046,194
Total	**93,159,210**	**43,777,080**	**2,807,143**	**800,000**	**274,041,470**

(Amounts expressed in Turkish Lira unless otherwise stated.)

31. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

31 December 2016	**TL**	**USD**	**EUR**	**CHF**	**TL Equivalent**
Banks	--	5,410,903	16,894,604	--	81,719,343
Botaş–Petroleum Pipeline Corporation	--	11,084,184	--	--	39,007,460
Electricity distribution companies	1,682,487	--	--	--	1,682,487
Republic of Turkey Energy Market Regulatory Authority	29,831,720	--	--	--	29,831,720
Ministry of Custom and Trade	--	--	1,250,000	--	4,637,375
Enforcement offices	874,423	--	--	--	874,423
Special provincial administration	39,646	--	--	--	39,646
Electricity Authority of TRNC	--	3,000,000	--	--	10,577,077
Turkey Electricity Distribution Company (TEDAS)	15,526,862	--	--	--	15,526,862
Turkey Electricity Transmission Company (TEIAS)	30,142,738	3,395,119	--	--	42,461,832
Other	63,772,709	50,000	78	800,000	73,020,065
Total	**141,870,585**	**22,940,206**	**18,144,682**	**800,000**	**299,378,290**

Guarantees received

At 31 December 2017 and 2016, the details of guarantees received is as follows:

Type of guarantees	**TL**	**USD**	**EUR**	**31 December 2017 TL Equivalent**
Letter of guarantee	190,849,018	76,080,250	2,345,500	488,407,218
Notes taken for colleterals	26,326,505	1,034,174	1,184,169	35,574,419
Cheques taken for colleterals	11,387,533	28,000	3,456,000	27,098,714
Mortgage	700,000	--	--	700,000
Total	**229,263,056**	**77,142,424**	**6,985,669**	**551,780,351**

Type of guarantees	**TL**	**USD**	**EUR**	**31 December 2016 TL Equivalent**
Letter of guarantee	194,888,160	77,272,750	3,850,000	481,109,537
Notes taken for colleterals	26,668,303	1,050,574	935,112	33,834,655
Cheques taken for colleterals	12,196,533	28,000	3,546,000	25,450,376
Mortgage	700,000	--	--	700,000
Total	**234,452,996**	**78,351,324**	**8,331,112**	**541,094,568**

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS

Credit Risk

Impairment losses

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December 2017 and 2016 is:

31 December 2017	Receivables				Deposits at banks
	Trade receivables		Other receivables		
	Related Parties	Other	Related Parties	Other	
Maximum credit risk exposed to as at 31 December 2017 (A+B+C+D+E)	32,140,674	674,609,398	9,234,230	84,953,694	59,347,355
A. Carrying amount of financial assets not overdue or not impaired	32,140,674	674,609,398	9,234,230	84,953,694	59,347,355
B. Carrying amount of financial assets with rediscussed conditions that are considered overdue or impaired if not rediscussed					
C. Carrying amount of financial assets overdue but not impaired					
D. Carrying amount of assets impaired					
- Overdue (gross book value)					
- Impairment (-)	275,922	9,233,263		9,004,945	
E. Off balance sheet items with credit risk	(275,922)	(9,233,263)		(9,004,945)	

31 December 2016	Receivables				Deposits at banks
	Trade Receivables		Other Receivables		
	Related Parties	Other	Related Parties	Other	
Maximum credit risk exposed to as at 31 December 2016 (A+B+C+D+E)	51,191,182	219,294,198	8,746,570	402,747	218,960,369
A. Carrying amount of financial assets not overdue or not impaired	51,191,182	219,294,198	8,746,570	402,747	218,960,369
B. Carrying amount of financial assets with rediscussed conditions that are considered overdue or impaired if not rediscussed	--	--	--	--	--
C. Carrying amount of financial assets overdue but not impaired	--	--	--	--	--
D. Carrying amount of assets impaired	--	--	--	--	--
- Overdue (gross book value)	3,410,559	17,649,201	--	8,095,259	--
- Impairment (-)	(3,410,559)	(17,649,201)	--	(8,095,259)	--
E. Off balance sheet items with credit risk	--	--	--	--	--

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

The followings are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2017	Carrying amount	Contractual cash flows (=I+II+III +IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities	**2,836,504,210**	**3,381,297,556**	**476,778,516**	**1,187,987,892**	**1,452,538,649**	**263,992,499**
Financial liabilities	2,439,773,467	2,925,181,025	395,369,546	988,979,191	1,276,839,789	263,992,499
Financial lease liabilities	638,020	744,957	220,519	524,438	--	--
Other financial liabilities	396,092,723	455,371,574	81,188,451	198,484,263	175,698,860	--
Derivative financial liabilities	**475,697**	**139,223,054**	**50,412,540**	**88,810,514**	--	--
Cash inflow	(2,576,770)	(50,746,864)	(40,330,032)	(10,416,832)	--	--
Cash outflow	3,052,467	189,969,918	90,742,572	99,227,346	--	--

	Carrying amount	Contractual cash flows (=I+II+III +IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities	**513,440,838**	**507,809,075**	**507,809,075**	--	--	--
Trade payables to related parties	85,276,884	76,256,568	76,256,568	--	--	--
Trade and other payables to third parties	428,163,954	431,552,507	431,552,507	--	--	--

31 December 2016	Carrying amount	Contractual cash flows (=I+II+III +IV+V)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities	**2,963,386,099**	**3,532,106,899**	**533,303,690**	**993,854,139**	**1,640,473,713**	**364,475,357**
Financial liabilities	2,332,071,702	2,770,731,940	478,857,221	712,769,847	1,230,067,275	349,037,597
Financial lease liabilities	89,197,952	109,863,293	5,202,715	14,196,234	75,026,584	15,437,760
Other financial liabilities	542,116,445	651,511,666	49,243,754	266,888,058	335,379,854	--
Derivative financial liabilities	**(6,505,190)**	**(5,695,986)**	**(2,475,895)**	**(3,220,091)**	--	--
Cash inflow	--	(251,254,451)	(92,769,984)	(158,484,467)	--	--
Cash outflow	--	245,558,465	90,294,089	155,264,376	--	--

	Carrying amount	Contractual cash flows (=I+II+III +IV)	3 months or less (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non derivative financial liabilities	**359,051,250**	**361,578,307**	**361,578,307**	--	--	--
Trade and other payables to related parties	64,689,396	64,689,396	64,689,396	--	--	--
Trade and other payables to third parties	294,361,854	296,888,911	296,888,911			

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Currency risk

The summary of quantitative data about the Group entities' exposure to foreign currency risk as follows:

FOREIGN CURRENCY RISK						
	31 December 2016					
	TL Equivalent	**USD**	**EUR**	**GBP**	**CHF**	**Other (*)**
1. Trade receivables	5,435,658	370,206	1,114,000	--	--	--
2a. Monetary financial assets	221,323,607	62,862,062	25,785	875	--	--
2b. Non-monetary financial assets	21,114,948	3,962,609	1,932,595	--	--	--
3. Other	--	--	--	--	--	--
4. CURRENT ASSETS	**247,874,213**	**67,194,877**	**3,072,380**	**875**	**--**	--
5. Trade receivables	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--
7. Other	--	--	--	--	--	--
8. NON-CURRENT ASSETS	--	--	--	--	--	--
9. TOTAL ASSETS	**247,874,213**	**67,194,877**	**3,072,380**	**875**	**--**	--
10. Trade payables	50,948,090	7,490,130	6,594,651	27,501	1,322	--
11. Financial liabilities	501,340,663	101,202,264	39,135,733	--	--	--
12a. Other financial liabilities	--	--	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--	--
13. SHORT TERM LIABILITIES	**552,288,753**	**108,692,394**	**45,730,384**	**27,501**	**1,322**	--
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	1,362,824,559	311,855,156	71,523,193	--	--	--
16a. Other financial liabilities	--	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--	--
17. LONG TERM LIABILITIES	**1,362,824,559**	**311,855,156**	**71,523,193**	--	--	--
18. TOTAL LIABILITIES	**1,915,113,312**	**420,547,550**	**117,253,577**	**27,501**	**1,322**	--
19. Off statement of financial position derivatives net asset/liability position	--	--	--	--	--	--
20. Net foreign currency asset liability position	**(1,667,239,099)**	**(353,352,673)**	**(114,181,197)**	**(26,626)**	**(1,322)**	--
21. Net foreign currency asset / (liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1,688,354,047)**	**(357,315,282)**	**(116,113,792)**	**(26,626)**	**(1,322)**	--
22. Fair value of derivative instruments used in foreign currency hedge	**(1,339,627)**	**(381,662)**	--	--	--	--
23. Hedged portion of foreign currency assets	--	--	--	--	--	--
24. Hedged portion of foreign currency liabilities	**302,280,758**	**85,894,737**	**--**	**--**	**--**	**--**

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

FOREIGN CURRENCY RISK						
	31 December 2017					
	TL Equivalent	**USD**	**EUR**	**GBP**	**CHF**	**Other (*)**
1. Trade receivables	64,625,015	8,247,606	7,422,405	--	--	--
2a. Monetary financial assets	28,397,766	7,447,143	64,222	3,522	--	--
2b. Non-monetary financial assets	3,881,748	456,282	478,507	--	--	--
3. Other	--	--	--	--	--	--
4. CURRENT ASSETS	**96,904,529**	**16,151,031**	**7,965,134**	**3,522**	**--**	**--**
5. Trade receivables	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--
7. Other	--	--	--	--	--	--
8. NON-CURRENT ASSETS	**--**	**--**	**--**	**--**	**--**	**--**
9. TOTAL ASSETS	**96,904,529**	**16,151,031**	**7,965,134**	**3,522**	**--**	**--**
10. Trade payables	197,403,257	17,041,239	29,194,301	72,656	241,109	--
11. Financial liabilities	601,585,316	144,022,552	13,354,626	--	--	--
12a. Other financial liabilities	--	--	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--	--
13. SHORT TERM LIABILITIES	**798,988,573**	**161,063,791**	**42,548,927**	**72,656**	**241,109**	**--**
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	729,315,747	175,457,670	14,950,052	--	--	--
16a. Other financial liabilities	--	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--	--
17. LONG TERM LIABILITIES	**729,315,747**	**175,457,670**	**14,950,052**	**--**	**--**	**--**
18. TOTAL LIABILITIES	**1,528,304,320**	**336,521,461**	**57,498,979**	**72,656**	**241,109**	**--**
19. Off statement of financial position derivatives net asset/liability position	--	--	--	--	--	--
20. Net foreign currency asset liability position	**(1,431,399,791)**	**(320,370,430)**	**(49,533,845)**	**(69,134)**	**(241,109)**	**--**
21. Net foreign currency asset / (liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1,435,281,539)**	**(320,826,712)**	**(50,012,352)**	**(69,134)**	**(241,109)**	**--**
22. Fair value of derivative instruments used in foreign currency hedge	**(2,576,770)**	**(683,149)**	**--**	**--**	**--**	**--**
23. Hedged portion of foreign currency assets	**--**	**--**	**--**	**--**	**--**	**--**
24.Hedge portion of foreign currency liabilities	**285,870,320**	**75,789,475**	**--**	**--**	**--**	**--**

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis

Foreign currency risk sensitivity analysis

The Group is mainly exposed to foreign currency risks in USD and Euro.

The following table shows the Group's sensitivity to a 10% increase and decrease in USD and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit / loss and other equity.

Sensitivity Analysis				
31 December 2017				
	Profit/Loss		**Equity**	
	The appreciation of foreign currency	The depreciation of foreign currency	The appreciation of foreign currency	The depreciation of foreign currency
10% appreciation / depreciation of TL against the USD				
1 - USD net asset / liability	(120,644,906)	120,644,906	(120,644,906)	120,644,906
2- Portion secured from USD(-)	28,587,032	(28,587,032)	28,587,032	(28,587,032)
3- USD net effect (1 +2)	**(92,057,874)**	**92,057,874**	**(92,057,874)**	**92,057,874**
10% appreciation / depreciation of TL against EUR				
4 - Euro net asset / liability	(22,367,008)	22,367,008	(22,367,008)	22,367,008
5 - Portion secured from Euro (-)	--	--	--	--
6 - Euro net effect (4+5)	**(22,367,008)**	**22,367,008**	**(22,367,008)**	**22,367,008**
10% appreciation / depreciation of TL against other currencies				
7- Other foreign currency net asset/liability	(128,065)	128,065	(128,065)	128,065
8- Portion secured from other currency (-)	--	--	--	--
9- Other currency net effect (7+8)	**(128,065)**	**128,065**	**(128,065)**	**128,065**
Total (3+6+9)	**(114,552,947)**	**114,552,947**	**(114,552,947)**	**114,552,947**

Sensitivity Analysis				
31 December 2016				
	Profit/Loss		**Equity**	
	The appreciation of foreign currency	The depreciation of foreign currency	The appreciation of foreign currency	The depreciation of foreign currency
10% appreciation / depreciation of TL against the USD				
1 - USD net asset / liability	(125,746,394)	125,746,394	(125,746,394)	125,746,394
2- Portion secured from USD(-)	30,228,076	(30,228,076)	30,228,076	(30,228,076)
3- USD net effect (1 +2)	**(95,518,318)**	**95,518,318**	**(95,518,318)**	**95,518,318**
10% appreciation / depreciation of TL against EUR				
4 - Euro net asset / liability	(43,077,056)	43,077,056	(43,077,056)	43,077,056
5 - Portion secured from Euro (-)	--	--	--	--
6 - Euro net effect (4+5)	**(43,077,056)**	**43,077,056**	**(43,077,056)**	**43,077,056**
10% appreciation / depreciation of TL against other currencies				
7- Other foreign currency net asset/liability	(10,337)	10,337	(10,337)	10,337
8- Portion secured from other currency (-)	--	--	--	--
9- Other currency net effect (7+8)	**(10,337)**	**10,337**	**(10,337)**	**10,337**
Total (3+6+9)	**(138,605,711)**	**138,605,711**	**(138,605,711)**	**138,605,711**

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis (continued)

Interest rate risk

Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

Interest rate position		
	31 December 2017	**31 December 2016**
Fixed rate instruments		
Financial assets	51,813,380	5,091,722
Financial liabilities	1,550,925,460	1,212,305,246
Other financial liabilities	396,092,723	542,116,445
Variable rate instruments		
Financial liabilities	889,486,027	1,208,964,408

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives (interest rate swaps) as hedging instruments under fair value hedge accounting model. Therefore, a change in interest rate as of the reporting date would not affect profit or loss and equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as at 31 December 2017 would have increased / (decreased) profit or loss by amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as at 31 December 2016.

	Profit or loss		**Equity**	
	1% increase	**1% decrease**	**1% increase**	**1% decrease**
31 Aralık 2017				
Variable rate instruments	22,067,871	(21,559,136)	22,067,871	(21,559,136)
Cash flow sensitivity (net)	**(508,736)**	**--**	**(508,736)**	**--**
31 Aralık 2016				
Variable rate instruments	4,413,217	(1,564,291)	4,413,217	(1,564,291)
Cash flow sensitivity (net)	**2,848,926**	--	**2,848,926**	--

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis (continued)

Capital risk management

The risk related with each of the capital class and group capital cost is considered by the top management of the Group.

The primary objective of the Group's capital management objectives is to ensure that it maintains a healthy capital structure in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may obtain new loans, repay existing loans; make dividend payments to shareholders, issue new shares based on Management's evaluation. The Group manages the capital structure so as to ensure the Group's ability to continue as a going concern; and maximize its profitability by maintaining an adequate capital to overall financing structure ratio.

The Group monitors capital using a gearing ratio, which is net debt divided by total financing used. The Group includes within net financial debt, borrowings, less cash and cash equivalents. Financing used is the sum of total equity and net financial debt.

The following table sets out the gearing ratios as of 31 December 2017 and 2016:

	31 December 2017	31 December 2016
Total financial liabilities	2,836,504,210	2,963,386,099
Less: cash and cash equivalents	(59,577,791)	(219,364,855)
Net financial debt	**2,776,926,419**	**2,744,021,244**
Total equity	1,673,815,193	490,264,909
Gearing ratio (net financial debt to overall financing used ratio)	**166%**	**559%**

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31 December 2017		31 December 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	59,577,791	59,577,791	219,364,855	219,364,855
Financial investment	412,408	412,408	412,408	412,408
Trade receivables	706,750,072	706,750,072	270,485,380	270,485,380
Other receivables (*)	93,832,711	93,832,711	11,885,379	11,885,379
Derivative assets	2,576,770	2,576,770	6,505,190	6,505,190
Financial liabilities				
Financial liabilities	2,440,411,487	2,440,411,487	2,421,269,654	2,421,269,654
Trade payables	485,992,026	485,992,026	344,426,682	344,426,682
Other financial liabilities	396,092,723	396,092,723	542,116,445	542,116,445
Derivative liabilities	3,052,466	3,052,466	--	--
Other payables (**)	2,311,943	2,311,943	14,624,568	14,624,568

(*)Non-financial instruments such as deposits given, VAT, prepayment and advances given are excluded from receivables and other current asset.

(**) Non-financial instruments such as VAT payables, withholding tax payable and social security premiums payable are excluded from trade and other receivables.

The basis for determining fair values is discussed in Note 4.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. Fair value hierarchy table as at 31 December 2017 is as follows:

	Fair value measurement			
31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Derivative assets	--	2,576,770		2,576,770
	--	**2,576,770**		**2,576,770**
Financial liabilities measured at fair value:				
Derivative liabilities	--	(3,052,467)		(3,052,467)
	--	**(3,052,467)**	--	**(3,052,467)**
31 December 2016				
Financial assets measured at fair value:				
Derivative assets	--	6,505,190	--	6,505,190
	--	**6,505,190**	--	**6,505,190**
Financial liabilities measured at fair value:				
Derivative liabilities	--	--	--	--
	--	--	--	--

Group’s land and land improvements and building and machinery and equipment are measured at fair value which is determined by TSKB Gayrımenkul Değerleme A.Ş. by using other observed inputs. (Level 2)

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES

The Company has a number of operating and financial relationships with its shareholders and other entities owned by its shareholders. There are no set payment terms for any of the related party transactions. The related party receivables and payables resulting from operating activities are generally settled in the normal course of business.

Parent and ultimate controlling party

The controlling party of the Company is Kazancı Holding, holding 61.98% of the Company's shares.

Key management personnel compensation

The remuneration of directors and other members of key management during year comprised the following:

	1 January- 31 December 2017	1 January- 31 December 2016
Short-term and long-term employee benefits (salaries, bonuses, employee termination benefits etc.)	2,283,354	3,993,427
	2,283,354	**3,993,427**

As at 31 December 2017 and 2016, none of the Group's directors and executive officers has outstanding personnel loans from the Company. As at 31 December 2017 and 2016, the Company did not issue any loans to the directors and executive officers.

As at 31 December 2017 and 2016, current trade and other receivables are as follows:

	31 December 2017		31 December 2016	
Current trade and other receivables	**Trade**	**Other**	**Trade**	**Other**
Trade receivables due to related parties	32,140,674	9,234,230	51,191,182	8,746,570
Doubtful trade receivables	275,922	--	3,410,559	--
Provisions for doubtful trade receivables (-)	(275,922)	--	(3,410,559)	--
Total	**32,140,674**	**9,234,230**	**51,191,182**	**8,746,570**

As of 31 December 2017 movement of doubtful receivables from related parties is shown below:

	2017	2016
Balance at 1 January 2017	3,410,559	3,134,496
Current Year Charge	--	276,063
Collections	(3,134,637)	--
Balance of 31 December 2017	**275,922**	**3,410,559**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Other related party balances

	31 December 2017		31 December 2016	
Due from Kazancı Holding's associates and subsidiaries:	**Trade**	**Other**	**Trade**	**Other**
Aksa Elektrik Satış A.Ş.	29,919,413	--	18,064,023	--
Aksa Jeneratör Sanayi A.Ş.	--	--	766,757	--
Datça Rüzgar Enerjisi Elektrik Üretimi A.Ş.	--	8,584,875	18,038	1,612,027
Kazancı Holding A.Ş.	--	--	3,663,739	6,752,058
Kazancı Teknik Cihazlar Yedek Parça A.Ş.	--	--	6,219,517	--
Other	78,393	--	53,050	--
	29,997,806	**8,584,875**	**28,785,124**	**8,364,085**
Due from Kazancı Holding's indirect investments and subsidiaries:	**Trade**	**Other**	**Trade**	**Other**
Aksa Teknoloji A.Ş.	--	176,482	--	--
Çoruh Elektrik Perakende Satış A.Ş.	--	--	4,491,513	--
Aksa International Ltd.	--	--	3,027,389	--
Aksa Satış ve Pazarlama A.Ş.	--	--	13,788,009	--
Other		271,949	--	--
	--	**448,431**	**21,306,911**	**--**
Due from related parties:	**Trade**	**Other**	**Trade**	**Other**
Koni İnşaat Sanayi A.Ş.	2,142,868	--	1,098,053	--
Flamingo Enerji Üretim ve Satış A.Ş.	--	200,924	--	363,846
Other	--	--	1,094	18,639
	2,142,868	**200,924**	**1,099,147**	**382,485**
Total	**32,140,674**	**9,234,230**	**51,191,182**	**8,746,570**

	31 December 2017		31 December 2016	
Short term due to related parties	**Trade**	**Other**	**Trade**	**Other**
Trade payables due to related parties	76,256,568	9,020,316	64,689,396	--
Total	**76,256,568**	**9,020,316**	**64,689,396**	**--**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Other related party balances (continued)

	31 December 2017		31 December 2016	
Due to Kazancı Holding's associates and subsidiaries:	**Trade**	**Other**	**Trade**	**Other**
ATK Sigorta Aracılık Hiz. A.Ş.	9,185,129	--	8,774,002	--
Aksa Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.	3,873,273	--	9,115,589	--
Aksa Manisa Doğalgaz Dağıtım A.Ş.	2,610,581	--	9,027,923	--
Aksa Jeneratör Sanayi A.Ş.	388,027	--	35,521,673	--
Aksa Havacılık A.Ş.	101,368	--	33,536	--
Aksa Elektrik Satış A.Ş.	9,925	--	171,777	--
Kazancı Holding	--	5,971,956	--	--
Other	--	--	12,210	--
	16,168,303	**5,971,956**	**62,656,710**	**--**
Due to Kazancı Holding's indirect investments and subsidiaries:	**Trade**	**Other**	**Trade**	**Other**
Çoruh Elektrik Perakende Satış A.Ş.	36,183,950	--	13,090	--
Fırat Elektrik Perakende Satış A.Ş.	16,816,838	--	--	--
Aksa Far East PTE Ltd.	1,915,605	--	918,564	--
Aksa Power Generation Fze	1,294,416	--	705,841	--
Other	400,658	--	135,235	--
	56,611,467	**--**	**1,772,730**	**--**
Due to related parties	**Trade**	**Other**	**Trade**	**Other**
Elektrik Altyapı Hizmetleri Ltd. Şti.	674,375	--	212,171	--
Koni İnşaat Sanayi A.Ş.	260,721	--	37,886	--
Flamingo Enerji Üretim A.Ş	--	3,048,360	--	--
Other	2,541,702	--	9,899	--
	3,476,798	**3,048,360**	**259,956**	**--**
Total	**76,256,568**	**9,020,316**	**64,689,396**	**--**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Related party transactions

	1 January - 31 December 2017		1 January - 31 December 2016	
Sales to Kazancı Holding's associates and subsidiaries:	**Goods services**	**Other**	**Goods services**	**Other**
Aksa Elektrik Satış A.Ş.	298,684,410	71,779	815,040,620	164,704
Other	487,995	71,309	--	133,494
	299,172,405	**143,088**	**815,040,620**	**298,198**
Sales to Kazancı Holding's indirect investments and subsidiaries:	**Goods services**	**Other**	**Goods services**	**Other**
Çoruh Elektrik Perakende Satış A.Ş.	127,665,030	--	92,337,005	--
Fırat Aksa Elektrik Perakende Satış A.Ş.	72,101,998	--	52,736,942	2,443
Other	50,000	2,511	--	--
	199,817,028	**2,511**	**145,073,947**	**2,443**
Sales to Related Parties:	**Goods services**	**Other**	**Goods services**	**Other**
Koni İnşaat Sanayi A.Ş.	16,953,366	555,664	--	--
Elektrik Altyapı Hizmetleri Ltd. Şti.	--	--	--	212,453
Other	--	15,691	--	--
	16,953,366	**571,355**	**--**	**212,453**
Total	**515,942,799**	**716,954**	**960,114,567**	**513,094**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Related party transactions (continued)

	1 January - 31 December 2017		1 January – 31 December 2016	
Purchases from Kazancı Holding's associates and subsidiaries	**Goods & Services**	**Other**	**Goods & Services**	**Other**
Aksa Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.	47,505,153	--	39,842,985	--
Aksa Manisa Doğalgaz Dağıtım A.Ş.	41,266,323	3,663	22,540,646	--
Aksa Elektrik Satış A.Ş.	21,448,834	447,330	72,161,284	370,102
Aksa Doğal Gaz Toptan Satış A.Ş.	14,722,842	--	95,651,175	--
Kazancı Holding A.Ş.	3,705,583	540,091	--	486,599
ATK Sigortacılık Hizmetler A.Ş	2,680,717	3,680,880	3,658	1,238,614
Aksa Jeneratör Sanayi A.Ş.	25,821	12,126	25,654,851	190,645
Aksa Ordu Giresun Doğalgaz Dağıtım A.Ş.	--	--	--	825
Aksa Doğalgaz Dağıtım A.Ş.	--	--	197	--
Other	65,661	1,945,256	8,704	20,889
Total	**131,420,934**	**6,629,346**	**255,863,500**	**2,307,674**

Purchases from Kazancı Holding's indirect investments and subsidiaries	**Goods & Services**	**Other**	**Goods & Services**	**Other**
Çoruh Elektrik Perakende Satış A.Ş.	6,789,291	--	3,269,076	--
Fırat Elektrik Perakende Satış A.Ş.	4,680,246	--	4,024,803	5,458
Aksa Satış ve Pazarlama A.Ş.	--	--	1,300	6,010
Aksa Servis ve Kiralama A.Ş.	--	--	2,603	2,998
Çoruh Elektrik Dağıtım A.Ş.	--	--	--	408,136
Aksa Power Generation	--	--	3,965,906	--
Fırat Elektrik Dağıtım A.Ş.	--	--	--	21,868
Other	455,527	156,353	--	--
Total	**11,925,064**	**156,353**	**11,263,688**	**444,470**

Purchases from related parties	**Goods & Services**	**Other**	**Goods & Services**	**Other**
Koni İnşaat Sanayi A.Ş.	132,550	2,292,341	90,718	2,174,809
Reform Altyapı Hizmetleri A.Ş	--	--	--	14,814
Other	300,169	1,312,061	--	1,244,365
	432,719	**3,604,402**	**90,718**	**3,433,988**
Total	**143,778,717**	**10,390,101**	**267,217,906**	**6,186,132**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Related party transaction (continued)

Financial Income from Related Parties

	1 January - 31 December 2017	1 January - 31 December 2016
Kazancı Holding's associates and subsidiaries:	**Interest and exchange difference**	**Interest and exchange difference**
Aksa Elektrik Satış A.Ş.	5,369,015	3,886,802
Kazancı Holding A.Ş.	1,367,971	2,752,991
Aksa Jeneratör Sanayi A.Ş.	1,345,541	486,497
Other	628,928	34,888
	8,711,455	**7,161,178**
Kazancı Holding's indirect investments and subsidiaries:		
Fırat Elektrik Perakende Satış A.Ş.	422,095	164,859
Çoruh Elektrik Parakende Satış A.Ş.	177,471	163,801
Other	3,596	--
	603,162	**328,660**
Purchases to Kazancı Holding's indirect investments and subsidiaries		
Koni İnşaat Sanayi A.Ş.	359,270	21,897
Flamingo Enerji Üretim ve Satış A.Ş.	28,300	35,734
Other	21,398	13,102
	408,968	**70,733**
Total	**9,723,585**	**7,560,571**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Related party transaction (continued)

Financial Expense to Related Parties

	1 January - 31 December 2017	1 January - 31 December 2016
Kazancı Holding's associates and subsidiaries:	**Interest and exchange difference**	**Interest and exchange difference**
Aksa Elektrik Satış A.Ş.	7,414,233	17,227,239
Kazancı Holding A.Ş.	1,067,432	5,191,478
Aksa Doğalgaz Toptan Satış A.Ş	135,282	--
Aksa Havacılık A.Ş.	107,076	24,654
Aksa Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.	77,958	56,246
Aksa Manisa Doğalgaz Dağıtım A.Ş.	73,530	5,344,564
Aksa Jeneratör Sanayi A.Ş.	45,706	2,715,657
Datça Rüzgar Enerjisi Elektrik Üretim A.Ş	--	304,160
Other	1,925	11,037
	8,923,142	**30,875,035**
Kazancı Holding's indirect investments and subsidiaries:		
Çoruh Elektrik Perakende Satış A.Ş.	2,077,160	2,503,660
Fırat Elektrik Perakende Satış A.Ş.	311,812	4,100,374
Aksa Satış ve Pazarlama A.Ş.	--	9,695
Aksa Teknoloji A.Ş.	--	7,279
Other	11,553	1,838
	2,400,525	**6,622,846**
Related Parties:		
Koni İnşaat Sanayi A.Ş.	58,398	111,296
Elektrik Altyapı Hizmetleri Ltd. Şti.	25,881	24,942
Other	226,972	--
	311,251	**136,238**
Total	**11,634,918**	**37,634,119**

(Amounts expressed in Turkish Lira unless otherwise stated.)

34. DISPOSAL OF SUBSIDIARY

Disposal of Siirt Akköy Enerji

On 13 May 2016, the shares of Siirt Akköy Enerji held by the Group have been sold to DC Elektrik Üretim A.Ş., for a consideration of USD 7,963,183 (equivalent to TL 23,631,541 at the time of sale) adjusted for deduction of net debt of Siirt Akköy Enerji at the transaction date in accordance with share transfer agreement signed on 21 April 2016. The contract price determined in the share transfer agreement was 19 million USD.

The following table summarizes the major classes of consideration transferred and the recognized amounts of assets and liabilities disposed at the acquisition date:

Identifiable assets sold and liabilities transferred	**Recognised values on sale**
Cash and cash equivalents	13,550
Due from related parties - trade	2,118,758
Inventories	1,603,723
Prepayments - short term	101,943
Other current assets	32,942
Current tax assets	601
Trade other receivables - long term	43,105
Property and equipment	63,726,811
Prepayments - long term	32,657
Intangible assets	26,660
Trade payables	(347,180)
Trade other payables	(40,678,112)
Employee benefits	(34,450)
Deferred tax liabilities	(2,166,168)
Total net identifiable assets	**24,474,840**
Consideration received	23,631,541
Net loss on sale of Siirt Akköy Enerji	**(843,299)**
Cash flow from sale of Siirt Akköy Enerji	
Cash and cash equivalents disposed	(13,550)
Consideration received	23,631,541
Net cash received	**23,617,991**

The difference arising between consideration transferred and the recognized amounts of identifiable assets and liabilities disposed at the acquisition date is recognized under gain from investing activities in profit or loss (see Note 8).

(Amounts expressed in Turkish Lira unless otherwise stated.)

34. DISPOSAL OF SUBSIDIARY (continued)

Disposal of Ayvacık Rüzgar Elektrik

On 15 March 2017, the shares of Ayres Ayvacık Rüzgar held by the Group have been sold to Notos Elektrik Üretim for a consideration of USD 8,500,000 (equivalent to TL 33,545,784 as of the date of sale) adjusted for deduction of net debt of Ayres Ayvacık Rüzgar at the transaction date in accordance with share transfer agreement signed on 15 March 2017.

The following table summarizes the major classes of consideration transferred and the recognized amounts of assets and liabilities disposed at the acquisition date:

Identifiable assets sold and liabilities transferred	**Recognised values on sale**
Cash and cash equivalents	1
Trade and other receivables	14,610,719
Inventories	366,359
Other assets	78,995
Current tax assets	52
Property, plant and equipment	9,934,170
Intangible assets	63,981
Loans and borrowings	(13,134,530)
Trade and other payables	(564,790)
Employee benefits	(28,937)
Deferred tax liabilities	(99,728)
Goodwill	3,498,840
Total net identifiable assets disposed of	**14,725,132**
Consideration received	33,545,784
Net gain on sale of Ayres Ayvacık Rüzgar	**18,820,652**
Cash flow from sale of Ayres Ayvacık Rüzgar	
Cash and cash equivalents disposed	(1)
Consideration received	33,545,784
Net cash received	**33,545,783**

The difference arising between consideration transferred and the recognized amounts of identifiable assets and liabilities disposed at the acquisition date is recognized under gain from investing activities in profit or loss (see Note 8).

(Amounts expressed in Turkish Lira unless otherwise stated.)

34. DISPOSAL OF SUBSIDIARY (continued)

Disposal of Kapıdağ Rüzgar Enerjisi

On 8 September 2017, the shares of Kapıdağ Rüzgar enerjisi held by the Group have been sold to Fernas Şirketler Grubu for a consideration of USD 40,000,000 adjusted for deduction of net debt of Kapıdağ Rüzgar enerjisi at the transaction date in accordance with share transfer agreement signed on 15 March 2017.

The following table summarizes the major classes of consideration transferred and the recognized amounts of assets and liabilities disposed at the acquisition date:

Identifiable assets sold and liabilities transferred	**Recognised values on sale**
Cash and cash equivalents	5,791,777
Trade and other receivables	(29,230,131)
Inventories	48,408
Prepaid expenses	688,174
Current tax assets	49,522
Other assets	95,981
Property, plant and equipment	162,733,633
Intangible assets	242,095
Trade and other payables	(997,355)
Loans and borrowings	(63,512,216)
Employee benefits	(175,108)
Deferred tax assets	4,465,485
Total net identifiable assets	**80,200,265**
Consideration received	47,502,258
Net loss on sale of Kapıdağ Rüzgar Enerjisi	**(32,698,007)**
Cash flow from sale of Kapıdağ Rüzgar Enerjisi	
Cash and cash equivalents disposed	(5,791,777)
Consideration received	47,502,258
Net cash received	**41,710,481**

The difference arising between consideration transferred and the recognized amounts of identifiable assets and liabilities disposed at the acquisition date is recognized under gain from investing activities in profit or loss (see Note 8).

(Amounts expressed in Turkish Lira unless otherwise stated.)

34. DISPOSAL OF SUBSIDIARY (continued)

Disposal of Deniz Elektrik

On 8 September 2017, the shares of Deniz Elektrik held by the Group have been sold to Fernas Şirketler Grubu for a consideration of USD 60,500,000 adjusted for deduction of net debt of Deniz Elektrik the transaction date in accordance with share transfer agreement signed on 8 September 2017.

The following table summarizes the major classes of consideration transferred and the recognized amounts of assets and liabilities disposed at the acquisition date:

Identifiable assets sold and liabilities transferred	Recognized values on sale
Cash and cash equivalents	29,254
Trade and other receivables	2,662,610
Inventories	1,858,795
Prepaid expenses	949,737
Current tax assets	112
Other assets	620
Property, plant and equipment	139,379,460
Intangible assets	161,888
Trade and other payables	(62,345,577)
Loans and borrowings	(85,946,960)
Employee benefits	(470,583)
Deferred tax liabilities	(3,547,169)
Total net identifiable assets	**(7,267,813)**
Consideration received	66,708,418
Net gain on sale of Deniz Elektrik	**73,976,231**
Cash flow from sale of Deniz Elektrik	
Cash and cash equivalents disposed	(29,254)
Consideration received	66,708,418
Net cash received	**66,679,164**

The difference arising between consideration transferred and the recognized amounts of identifiable assets and liabilities disposed at the acquisition date is recognized under gain from investing activities in profit or loss (see Note 8).

(Amounts expressed in Turkish Lira unless otherwise stated.)

34. DISPOSAL OF SUBSIDIARY (continued)

Disposal of Alenka Enerji

On 1st December 2017, the shares of Alenka Enerji held by the Group have been sold to Borusan EnBW Enerji Yatırımları ve Üretim A.Ş. ve Borusan Danışmanlık ve Ortak Hizmetler A.Ş. for a consideration of USD 60,1 million adjusted for deduction of net debt of Alenka Enerji at the transaction date in accordance with share transfer agreement.

The following table summarizes the major classes of consideration transferred and the recognized amounts of assets and liabilities disposed at the acquisition date:

Identifiable assets sold and liabilities transferred	**Recognised values on sale**
Cash and cash equivalents	1,848
Trade receivables to third parties	1,470,647
Due from related parties - trade	2,898,053
Inventories	102,574
Prepaid expenses	460,461
Other assets	101,277
Current tax assets	430,211
Property, plant and equipment	69,219,517
Intangible assets	123,751
Trade payables to third parties	(547,415)
Trade payables to third parties	(891,306)
Current portion of the long term borrowings	(10,927,488)
Employee benefits	(381,059)
Short term provisions	(10,191)
Long term borrowings	(47,104,024)
Deferred tax assets	2,274,033
Long term provisions	(357,569)
Total net identifiable assets	**16,863,320**
Consideration received	173,989,821
Net gain on sale of Alenka Enerji	**157,126,501**
Cash flow from sale of Alenka Enerji	
Cash and cash equivalents disposed	(1,848)
Consideration received	173,989,821
Net cash received	**173,987,973**

The difference arising between consideration transferred and the recognized amounts of identifiable assets and liabilities disposed at the acquisition date is recognized under gain from investing activities in profit or loss (see Note 8).

(Amounts expressed in Turkish Lira unless otherwise stated.)

34. DISPOSAL OF SUBSIDIARY (continued)

Disposal of Baki Elektrik

On 27th December 2017, the shares of Baki Elektrik held by the Group have been sold to Fernas Şirketler Grubu for a consideration of USD 111,000,000 adjusted for deduction of net debt of Baki Elektrik at the transaction date in accordance with share transfer agreement.

The following table summarizes the major classes of consideration transferred and the recognized amounts of assets and liabilities disposed at the acquisition date:

Identifiable assets sold and liabilities transferred	**Recognized values on sale**
Cash and cash equivalents	11,302,503
Trade receivables to third parties	1,507,318
Due from related parties - trade	3,619,693
Inventories	1,019,476
Prepaid expenses	425,402
Current tax assets	160,222
Property, plant and equipment	159,808,126
Intangible assets	52,235
Other trade payables to third parties	(28,416,796)
Trade payables to third parties	(2,365,814)
Current portion of the long term borrowings	(35,830,929)
Employee benefits	(1,976,605)
Due to related parties - trade	(1,068,313)
Long term borrowings	(129,340,898)
Short term provisions	(278,377)
Deferred tax assets	(4,553,754)
Long term provisions	(190,544)
Total net identifiable assets	**(26,127,055)**
Consideration received	190,056,072
Net gain on sale of Baki Elektrik	**216,183,127**
Cash flow from sale of Baki Elektrik	
Cash and cash equivalents disposed	(11,302,503)
Consideration received	190,056,072
Net cash received	**178,753,569**

The difference arising between consideration transferred and the recognized amounts of identifiable assets and liabilities disposed at the acquisition date is recognized under gain from investing activities in profit or loss (see Note 8)

(Amounts expressed in Turkish Lira unless otherwise stated.)

35. ASSETS AND LIABILITIES HELD FOR SALE

The Group decided to sell the wind power plants in order to decrease the short term liabilities, decrease interest expense effect on financial statements and allocate the cash income to potential investment in foreign countries at 10 November 2016. An agreement has been reached with Güriş Group for the sales of Hatay Sebenoba Wind Power Plant, Manisa Karakurt Wind Power Plant, Balıkesir Şamlı Wind Power Plant, Kapıdağ Wind Power Plant and Belen/Atik Wind Power Plant, which in total have 232 MW installed capacity, for USD 259,000,000 at 30 November 2016. The sales process of these WPPs, the sale of Belen Atik, Kapıdağ and Ayvacık WPPs have been approved by the Competition Board, while the sale of Sebenoba and Karakurt WPPs have been approved by Energy Market Regulatory Authority (EMRA) and the Competition Board on 26 January 2017. The sale of wind power plants are approved by general assembly held in 3 February 2017. Total assets and liabilities of the subsidiaries Baki Elektrik, Deniz Elektrik and Kapıdağ Rüzgar Enerjisi and Belen-Atik which is recognized as property, plant and equipment as group are classified as respectively, “Assets held for sale” and “Liabilities held for sale”. Group has sold Ayres Ayvacık Rüzgar to Notos Elektrik Üretim A.Ş. with its assets and liabilities on 15 March 2017. (Note 34) The sale of Belen-Atik power plant was completed on 7 April 2017.

As of 30 September 2017, the proposal of Fernas Group has been accepted as the sale of Hatay Sebenoba Wind Power Plant, Manisa Karakurt Wind Power Plant and Kapıdağ Wind Power Plant to the Güriş Group has not been completed within the predicted time. Therefore, the agreement between Güriş Group has been cancelled without being subject of an compensation and any other demand.

On 8 September 2017, sale of Hatay Sebenoba and Manisa Karakurt wind power plants to Fernas Şirketler Group has been completed.

On 1 December 2017, the sale of Kıyıköy WPP to Borusan EnBW Enerji Yatırımlar Üretim A.Ş and Borusan Danışmanlık Ortak Hizmetler A.Ş and on 27 December 2017 the sale of Şamlı WPP to Fernas Şirketler Grubu were completed.

On 17 January 2018 The Group has sold Incesu power plant which was held by Aksa Enerji to Deniz Elektrik Üretim Ltd.Şti which is held by Fernas Şirketler Grubu

Asset held for sale	**31 December 2017**	**31 December 2016**
Cash and cash equivalents	--	15,662,073
Trade receivables	--	4,137,169
Inventories	--	4,397,724
Property, plant and equipment	45,353,859	418,052,451
Intangible assets	659,434	397,794
Deferred tax asset	--	4,857,121
Other assets	--	1,384,006
	46,013,293	**448,888,338**

Liabilities held for sale	**31 December 2017**	**31 December 2016**
Loan and borrowings	--	357,470,411
Trade payable	--	5,394,941
Other liabilities	--	3,014,209
Deferred tax liability	--	3,137,212
Provisions	--	526,877
	--	**369,543,650**

(Amounts expressed in Turkish Lira unless otherwise stated.)

36. OPERATING SEGMENTS

The geographic information analyses the Group's revenue, EBITDA, assets and liabilities by the Group's country of domicile and other countries. In presenting the geographic information, segment revenue and EBITDA has been based on the geographic location of customers and segment assets and liabilities were based on the geographic location of the assets and liabilities

	1 January – 31 December 2017		
	Turkey (*)	**Africa**	**Total**
Total segment income	2,925,226,856	674,085,012	3,599,311,867
Profit before interest, tax, employee	125,776,323	366,976,745	492,753,068

	1 January – 31 December 2016		
	Turkey (*)	**Africa**	**Total**
Total segment income	3,178,201,840	--	3,178,201,840
Profit before interest, tax, employee	435,061,075	(2,056,681)	433,004,394

	1 January – 31 December 2017		
	Turkey (*)	**Africa**	**Total**
Reconciliation of EBITDA with profit before taxes:	**125,776,323**	**366,976,745**	**492,753,068**
Depreciation and amortisation expenses	(161,089,699)	(63,910,567)	**(225,000,266)**
Finance income/(expenses), net	(443,502,147)	(65,599,992)	**(509,102,139)**
Income/(expenses) from investing activities	587,780,329	--	**587,780,329**
Profit/(loss) before tax	**108,964,806**	**237,466,186**	**346,430,992**

	1 January – 31 December 2016		
	Turkey (*)	**Africa**	**Total**
Reconciliation of EBITDA with profit before taxes:	**436,923,764**	**(2,056,681)**	**434,867,083**
Depreciation and amortisation expenses	(191,172,113)	--	**(191,172,113)**
Finance income/(expenses), net	(579,548,429)	(5,063,873)	**(584,612,302)**
Income/(expenses) from investing activities	(86,204,437)	--	**(86,204,437)**
Profit/(loss) before tax	**(420,001,215)**	**(7,120,554)**	**(427,121,769)**

(Amounts expressed in Turkish Lira unless otherwise stated.)

36. OPERATING SEGMENTS (continued)

	31 December 2017		
	Turkey (*)	**Africa**	**Total**
Total segment assets	4,074,318,375	1,140,265,431	**5,214,583,806**
Total segment liabilities	3,247,664,597	293,104,016	**3,540,768,613**

	31 December 2016		
	Turkey (*)	**Africa**	**Total**
Total segment assets	3,847,117,500	408,302,657	**4,255,420,157**
Total segment liabilities	3,748,425,738	16,729,510	**3,765,155,248**

(*) Includes KKTC.

37. SUPPLEMENTARY CASH FLOW INFORMATION

Change of Group's liabilities from financing activities between 1 January – 31 December 2017 are presented below:

	1 January 2017	**Cash inflows**	**Cash outflows**	**Effect of subsidiaries that was classified to liabilities for sale**	**Effect of sales of subsidiaries**	**Non-cash transactions**	**31 December 2017**
Financial borrowings	2,963,380,597	2,685,199,300	(3,080,458,617)	(58,031,467)	--	326,414,398	**2,836,504,211**
Subsidiaries that were classified to liabilities for sale	357,470,411	8,524,118	(70,788,919)	58,031,467	(385,665,750)	32,428,673	--
Total financial liabilities	**3,320,851,008**	**2,693,723,418**	**(3,151,247,536)**	**--**	**(385,665,750)**	**358,843,071**	**2,836,504,211**

Change in "Proceeds from issued bank borrowings" and "Repayments from banks borrowings" which is presented in cash flows from financing activities.

38. SUBSEQUENT EVENTS

On 17 January 2018 The Group has sold Incesu power plant which was held by Aksa Enerji to Deniz Elektrik Üretim Ltd.Şti which is held by Fernas Şirketler Grubu

On 15 February 2018, Rasa Elektrik has merged with Aksa Göynük Enerji which are the subsidiaries of Group.