Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries

Consolidated Financial Statements
As at and For The Year Ended
31 December 2018
With Independent Auditor's Report Thereon

18 March 2019

This report includes 5 pages of independent auditor's report and 85 pages of consolidated financial statements together with their explanatory notes.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries

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KPMG

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Independent Auditors' Report

To the Shareholders 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 2018, 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 2018, 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 the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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.

Recoverability of trade and other receivables from third parties and initial application of IFRS 9

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, trade and other receivables from third parties have formed major part of Group's consolidated total assets. As at 1 January 2018, Group initially adopted IFRS 9 Financial Instruments. IFRS 9 is a new and complex accounting standard which requires significant judgment for the provision of impairment. Provisions of impairment for trade and other receivables from third parties, are recognized for as a result of assumptions made considering guarantees received from customers, customer's past payment performance and credibility information with the maturity analysis of trade and other receivables. These estimates are very sensitive to future market conditions. Therefore, the recoverability of trade and other receivables from third parties and initial adoption of IFRS 9 are determined as a key audit matter.	Audit procedures that are applied in this matter involves below: - Understanding of the process of Group's collection of trade and other receivables from third parties, evaluation of the design and operating effectiveness of internal controls in the process. - Analytical review of ageing of trade receivables and comparison of collection turnover rate with previous year, - Inquire about the management of any disputes or proceedings related to collections and obtain information about the proceedings from legal counsel, - Testing of trade receivable balances from third parties by sending external confirmations with sampling method, - Testing the accuracy of the maturity information in the receivable ageing through invoices and other related documents and testing the subsequent collections for the recoverability of the amounts that cannot be collected in the long term and testing the value of the received guarantees in cash, - Testing collections after reporting period with sampling method, -Evaluation of the assumptions used in model for the expected credit loss calculation, - Assessment of the appropriateness and adequacy of the disclosures given in the consolidated financial statements regarding to recoverability of trade and other receivables from third parties.

Depreciation and impairment of Property, plant and equipment

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the net book value of property, plant and equipment is TL 3.774.056.402 have formed major part of Group's consolidated total assets. The Group present its land and buildings and land improvements and machinery and equipment at its fair value at the revaluation date, less accumulated depreciation and subsequent accumulated impairment losses. The Group assess at each reporting date to determine whether there is objective evidence that it is impaired. The Group calculates the depreciation of property, plant and equipment by using the straight-line method and using some estimates such as useful life that determine the depreciation amounts to be calculated. The depreciation calculations are complex and the indicators used in the assessment at each reporting date to determine whether there is objective evidence of impairment are the significant accounting estimates. Therefore, the depreciation and impairment of property, plant and equipment are determined as the key audit matter.	Audit procedures that are applied in this matter involves below: - Understanding the depreciation calculation and accounting process property, plant and equipment and evaluation of the design and operating effectiveness of internal controls. - Evaluation of the consistency of estimates such as useful life and residual value used in depreciation calculations property, plant and equipment with previous period and property, plant and equipment, - Providing the Group's depreciation calculations, and re-calculating the depreciation and accumulated depreciation amounts of the period, - Recalculating and testing the depreciation amounts of the Group, including the conversion of the related amount to the functional currency, in the calculation of the depreciation of the property, plant and equipment of the foreign operations - Evaluating and examining the impairment analysis of property, plant and equipment made by Group management, - Assessment of the appropriateness and adequacy of the disclosures given in the consolidated financial statements.

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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.

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 firm of KPMG International Cooperative

Şirin Soysal
Partner
18 March 2019
İstanbul, Turkey

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Financial Position
As at 31 December 2018
(Amounts expressed in Turkish Lira unless otherwise stated.)

ASSETS	Notes	Audited 31 December 2018	Audited Restated (*) 31 December 2017
Current assets			
Cash and cash equivalents	*22*	53,026,362	59,577,791
Trade and other receivables	*21*	1,403,203,217	759,563,092
Due from related parties	*33*	406,262,617	41,374,904
Derivative financial assets	*30*	413,737	2,576,770
Inventories	*18*	369,140,605	426,867,338
Prepayments	*20*	15,312,166	9,355,506
Current tax assets	*12*	31,363,575	3,292,537
Other current assets	*19*	152,049,712	124,924,838
Subtotal		**2,430,771,991**	**1,427,532,776**
Assets held for sale	*35*	--	46,013,293
Total current assets		**2,430,771,991**	**1,473,546,069**
Non-current assets			
Financial investments	*16*	412,408	412,408
Trade receivables and other receivables	*21*	1,545,269	15,662,583
Property, plant and equipment	*13*	3,774,056,402	3,635,797,549
Intangible assets	*14*	91,845,092	72,616,102
Goodwill	*15*	3,349,356	3,349,356
Prepayments	*20*	14,234,496	4,135,958
Deferred tax asset	*17*	125,276,334	--
Total non-current assets		**4,010,719,357**	**3,731,973,956**
TOTAL ASSETS		**6,441,491,348**	**5,205,520,025**

* Please refer to Note 2.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Financial Position
As at 31 December 2018
(Amounts expressed in Turkish Lira unless otherwise stated.)

LIABILITIES	**Notes**	**Audited 31 December 2018**	**Audited Restated (*) 31 December 2017**
Current liabilities			
Loans and borrowings	*25*	1,898,442,337	1,281,784,265
Other financial liabilities	*26*	246,368,464	259,814,613
Trade payables and other payables	*21*	336,331,469	428,163,954
Due to related parties	*33*	239,348,509	85,276,884
Derivative financial liabilities	*30*	8,293,208	3,052,466
Taxation payable on income	*12*	71,354,527	2,732,752
Provisions	*29*	2,158,292	2,371,672
Other current liabilities	*28*	25,218,808	79,570,413
Deferred revenue		--	1,050,813
Total current liabilities		**2,827,515,614**	**2,143,817,832**
Non-current liabilities			
Loans and borrowings	*25*	1,586,768,204	1,158,627,222
Other financial liabilities	*26*	13,919,586	136,278,110
Reserve for employee severance indemnity	*27*	4,350,528	3,000,204
Deferred tax liabilities	*17*	184,734,615	96,618,904
Total non-current liabilities		**1,789,772,933**	**1,394,524,440**
		--	**--**
Total liabilities		**4,617,288,547**	**3,538,342,272**
EQUITY			
Share capital	*23*	615,157,050	615,157,050
Legal reserve	*23*	48,267,560	48,267,560
Cash flow hedge reserves	*23*	(3,518,526)	2,060,997
Actuarial gain/loss	*23*	898,193	1,566,073
Translation reserves	*23*	43,037,685	25,486,345
Share premium	*23*	247,403,635	247,403,635
Gains on revaluation of property, plant and equipment	*23*	821,844,347	882,386,856
Accumulated losses	*23*	(156,832,331)	(470,564,802)
Net profit for the year		26,094,071	257,947,268
Total equity attributable to equity holders of the Company		**1,642,351,684**	**1,609,710,982**
Non-controlling interests	*23*	181,851,117	57,466,771
Total equity		**1,824,202,801**	**1,667,177,753**
TOTAL EQUITY AND LIABILITIES		**6,441,491,348**	**5,205,520,025**

* Please refer to Note 2.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2018

(Amounts expressed in Turkish Lira unless otherwise stated.)

INCOME STATEMENT	Notes	Audited 1 January- 31 December 2018	Audited 1 January- 31 December 2017
Revenues	6	4,669,249,102	3,599,311,868
Cost of sales	6	(3,933,709,353)	(3,283,982,668)
Gross profit		**735,539,749**	**315,329,200**
Administrative expenses	9	(68,239,611)	(55,047,968)
Marketing and selling expenses	10	(1,370,976)	(1,258,384)
Other operating income	7	18,257,699	24,725,041
Other operating expenses	7	(33,862,938)	(8,570,535)
Operating profit		**650,323,923**	**275,177,354**
Impairment losses accordance with IFRS 9		(11,218,447)	(7,424,552)
Gain from investing activities	8	2,640,864	525,275,061
Loss from investing activities	8	--	(36,858,228)
Operating profit before finance costs		**641,746,340**	**756,169,635**
Financial income	11	424,894,229	88,925,423
Financial expenses	11	(886,863,321)	(598,027,562)
Net financial costs		**(461,969,092)**	**(509,102,139)**
Profit before tax for the year		**179,777,248**	**247,067,496**
Tax benefit/(expense)		**(29,298,814)**	**43,143,042**
Current tax expense	12	(67,892,244)	(4,532,705)
Deferred tax benefit	12	38,593,430	47,675,747
Profit for the year		**150,478,434**	**290,210,538**
Non-controlling interest		124,384,363	32,263,270
Attributable to equity holders of the parent		26,094,071	257,947,268
Total profit/(loss) for the year from continuing operations		**150,478,434**	**290,210,538**
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Gains on revaluation of property, plant and equipment	13	--	1,148,789,260
Remeasurements of the defined benefit liability	27	(834,850)	436,614
Tax on items that will not be reclassified to profit or loss	17	166,970	(237,844,003)
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		(6,974,425)	1,237,143
Foreign currency translation differences from foreign operations		17,551,340	(3,987,316)
Tax on items that are or may be reclassified subsequently to profit or loss	17	1,394,885	(247,429)
Other comprehensive income for the period, net of tax		**11,303,920**	**908,384,269**
Total comprehensive loss for the period		**161,782,354**	**1,198,594,807**
Non-controlling interests		124,384,346	59,886,575
Attributable to equity holders of the parent		37,398,008	1,138,708,232

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 2018

(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 1 January 2017	**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 income	**--**	**--**	**--**	**351,785**	**989,724**	**887,786,445**	**(2,967,401)**	**--**	**257,947,268**	**1,144,107,821**	**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**

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Changes in Equity
For The Year Ended 31 December 2018

(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 1 January 2018	**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**
Effect of restatement accordance with IAS 8	--	--	--	--	--	**(5,399,589)**	--	--	--	**(5,399,589)**	**(1,237,851)**	**(6,637,440)**
Effect of change in accounting policy	--	--	--	--	--	--	--	**(4,757,306)**	--	**(4,757,306)**	--	**(4,757,306)**
Balance at 1 January 2018 as restated	**615,157,050**	**247,403,635**	**48,267,560**	**1,566,073**	**2,060,997**	**882,386,856**	**25,486,345**	**(475,322,108)**	**257,947,268**	**1,604,953,676**	**57,466,771**	**1,662,420,447**
Net profit for the period	--	--	--	--	--	--	--	--	26,094,071	**26,094,071**	124,384,363	**150,478,434**
Actuarial gain / (loss)	--	--	--	(667,880)	--	--	--	--	--	**(667,880)**	--	**(667,880)**
Revaluation of PPE						(60,542,509)	--	60,542,509		--	--	--
Translation difference	--	--	--	--	--	--	17,551,340	--	--	**17,551,340**	--	**17,551,340**
Effective portion of changes in fair value of cash hedges	--	--	--	--	(5,579,523)	--	--	--	--	**(5,579,523)**	(17)	**(5,579,540)**
Total other comprehensive loss for the period	--	--	--	**(667,880)**	**(5,579,523)**	**(60,542,509)**	**17,551,340**	**60,542,509**	**26,094,071**	**37,398,008**	**124,384,346**	**161,782,354**
Transfer to retained earnings	--	--	--	--	--	--	--	257,947,268	(257,947,268)	--	--	--
Transaction with owners of the Company, recognised directly in equity	--	--	--	--	--	--	--	**257,947,268**	**(257,947,268)**	--	--	--
Balance at 31 December 2018	**615,157,050**	**247,403,635**	**48,267,560**	**898,193**	**(3,518,526)**	**821,844,347**	**43,037,685**	**(156,832,331)**	**26,094,071**	**1,642,351,684**	**181,851,117**	**1,824,202,801**

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Cash Flows
For The Year Ended 31 December 2018

(Amounts expressed in Turkish Lira unless otherwise stated.)

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	Audited 1 January- 31 December 2018	Audited 1 January- 31 December 2017
Net income/(loss) for the period		**150,478,434**	**290,210,538**
Depreciation and amortization	13,14	394,018,340	225,000,265
Provision for employee severance indemnity	27	1,068,442	1,737,030
Interest expense	11	584,888,056	412,724,369
Interest income	11	(84,677,833)	(37,687,380)
Tax benefit	12	29,298,814	(43,143,042)
Expense from derivative transactions, net	11	(68,098,736)	2,274,964
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	(2,640,864)	(1,985,683)
Unrealized foreign currency income/loss		131,237,229	270,468,189
Operating profit before working capital changes		**1,135,571,882**	**629,007,879**
Change in inventories		15,548,019	(35,814,326)
Change in trade and other receivables		(684,718,723)	(388,258,275)
Change in due from related parties		(364,887,713)	18,562,848
Change in trade and other payables		(144,285,791)	208,405,433
Change in due to related parties		158,713,274	12,191,663
Change in other current liabilities		(46,409)	(510,615)
Change in assets and liabilities held for sale		46,013,293	110,700,360
Change in other current assets		(10,774,672)	20,599,668
		151,133,160	**574,884,635**
Taxes paid		(5,428,423)	(5,092,490)
Employee termination indemnity paid	27	(552,968)	(1,199,311)
Interest paid		(474,668,262)	(377,907,056)
Interest received		84,677,833	37,687,380
Net cash provided from operating activities		**(244,838,660)**	**228,373,158**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of subsidiary	34	--	494,676,970
Proceeds from sale of asset-held-for-sale		--	72,066,016
Proceeds from sale of property, plant and equipment and intangible assets		44,813,488	5,674,087
Purchases of property, plant and equipment	13	(185,524,607)	(317,600,343)
Purchases of intangible assets	14	(802,055)	(12,433,648)
Net cash provided from/(used in) investing activities		**(141,513,174)**	**242,383,082**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issued bank borrowings	37	2,898,822,734	2,693,723,417
Repayments from banks borrowings	37	(2,579,670,969)	(3,016,247,536)
Change in issued derivatives	37	--	(135,000,000)
Net cash outflow from derivatives		60,648,640	4,705,922
Net cash (used in)/provided from financing activities		**379,800,405**	**(452,818,197)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(6,551,429)**	**17,938,043**
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**22**	**59,546,471**	**41,608,428**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**22**	**52,995,042**	**59,546,471**

(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. As of 31 December 2018, 21,39% of the Group's shares are listed on BIST.

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 2018**	**31 December 2017**
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	100.00
Aksaf Power Ltd.("Aksaf Power")	Electricity production	Mauritius	58.35	58.35
İdil İki Enerji Sanayi ve Ticaret A.Ş. ("İdil İki Enerji")	Electricity production	Turkey	99.99	99.99
Overseas Power Ltd. ("Overseas Power")	Good and supply trade	Mauritius	100.00	100.00
Rasa Enerji Üretim A.Ş. ("Rasa Enerji")	Electricity production	Turkey	99.99	99.99

At 31 December 2018, the number of employees of the Group is 977 (31 December 2017: 1,019).

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. As of 19 November 2018, the installed capacity of Ghana Fuel Oil Power Plant has increased from 2018 MW to 370 MW and thus the guaranteed capacity has been increased from 235,5 MW to 332 MW. Aksa Energy Ghana, sells all of the electricity generated during the agreement to the Ghana Electricity Authority (ECG) on a tariff basis determined in terms of US Dollars.

1. REPORTING ENTITY (continued)

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 Ghana B.V and Aksa Madagascar B.V are affiliated companies of Aksa Global B.V.

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.

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 US 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.

(Amounts expressed in Turkish Lira unless otherwise stated.)

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.

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 was established in İstanbul on 30 January 1996 with the named "Rasa Radyator Sanayi A.Ş." in order to produce oil and water cooler for vehicles, agricultural machinery and generators. Rasa Radyator changed its name to "Rasa Elektrik Üretim A.Ş." with the decision taken in the extraordinary general assembly meeting dated 12 November 2018. Rasa Elektrik completed the construction of the mobile plant in Mardin in 2001. The license of the power plant was canceled on 26 January 2017.

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. 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. On 21 May 2018, shares of Rasa Elektrik were taken over by Aksa Göynük Enerji.

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.

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.

As of 31 December 2018, 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	10 March 2009	15+3	153	153
Aksa Enerji	Antalya (*)	Natural Gas	13 November 2007	30 years	900	900
Aksa Enerji	Manisa (**)	Natural Gas	21 February 2008	30 years	115	115
Aksa Göynük	Bolu	Thermal	25 March 2008	30 years	270	270
Aksa Enerji Gana	Gana	Fuel Oil	1 August 2017	6,5 years	370	370
Aksa Mali S.A	Mali	Fuel Oil	28 September 2017	3 years	40	40
Aksaf Power	Madagaskar	Fuel Oil	5 September 2017	20 years	120	66
Rasa Enerji	Şanlıurfa	Natural Gas	12 May 2011	49 years	147	147
Toplam					**2,115**	**2,061**

(*) On 26 October 2018, the installed capacity of Antalya natural gas power plant was reduced from 1.150 MW to 900 MW with the application for license amendment to EMRA. Since the production part whose license has been canceled has not contributed to the actual production in 2018, the revised section has no effect in production or operation income on 2018.

(**) The Group applied to Energy Market Regulatory License (EPDK) to cancel the production license of Manisa Natural Gas Combined Cycle Power Plant with an installed capacity of 115 MW.

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 2018 were approved by the Board of Directors on 18 March 2019.

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 2004, except for the followings:

- derivative financial instruments
- financial assets
- land and building and land improvements and machinery and equipment in property, plants and equipment

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

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 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 2018 and 2017 are as follows:

	31 December 2018	**31 December 2017**
EUR/TL	6.0280	4.5155
USD/TL	5.2609	3.7719
GHS/USD	0.2076	0.2265
TL/USD	0.1900	0.2651

f) Use of judgements 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 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.

(Amounts expressed in Turkish Lira unless otherwise stated.)

2. BASIS OF PREPARATION (continued)

g) Changes in Accounting Policies

Significant changes in the accounting principles and significant accounting errors should de applied retrospectively and prior period financial statements should be restated. There are no changes in the accounting policies of the Group in the current period.

i) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (1 January 2018). Accordingly, the information presented for 2017 has not been restated – in other words it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 are not applied for the comprative periods. Detail of significant accounting policy regarding to revenue recognition was explained in Note 3.

IFRS 15 did not have a significant effect on the recognition of the Group's revenue.

ii) IFRS 9 Financial instruments

The Group has initially adopted IFRS 9 Financial Instruments was published in 2014 with a date of initial application of 1 January 2018. IFRS 9 sets out requirements for recognizing and measuring of financial assets and financial liabilities.

As of 1 January 2018, the effect of adopting IFRS 9 on retaining earnings after deferred tax is summarized as follows:

	1 January 2018- Effect of Adopting IFRS 9
Previous year gain /(losses)	
Recognizing expected credit loss related to IFRS 9	5,946,633
Deferred tax effect	(1,189,327)
Opening balance at 1 January 2018 related to IFRS 9	**4,757,306**

(Amounts expressed in Turkish Lira unless otherwise stated.)

2. BASIS OF PREPARATION (continued)

g) Changes in Accounting Policies (continued)

ii) IFRS 9 Financial instruments (continued)

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortised cost	59,577,791	59,577,791
Trade receivables	Loans and receivables	Amortised cost	706,750,072	700,803,439
Other receivables	Loans and receivables	Amortised cost	94,187,924	94,187,924
Financial investments	Available for sale financial assets	Fair value through other comprehensive income	412,408	412,408
Derivatives	Fair value through other comprehensive income	Fair value through other comprehensive income	2,576,770	2,576,770
Financial liabilities				
Bank borrowings	Other financial liabilities	Fair value through other comprehensive income	2,440,411,487	2,440,411,487
Other financial liabilities	Other financial liabilities	Fair value through other comprehensive income	396,092,723	396,092,723
Derivatives	Fair value through profit or loss	Fair value through profit or loss	3,052,466	3,052,466

<u>*Impact of the new impairment model*</u>

The details of new accounting policy that the Group need to apply in the context of the new model according to IFRS 9 are disclosed in Note 3 under "Financial instruments, Impairment" section. In this context, the Group has reclassified to Impairment losses determined in accordance with IFRS 9 from other income amounting to TL 7,424,552 has been recognized impairment losses related to trade and other receivables for in accordance with IAS 39 in the profit and loss statement for the year ended 31 December 2017.

i. Impairment of financial assets

IFRS 9 replaces the "resulting loss" model in IAS 39 with "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost but is not applied to investments in equity instruments.

As at 1 January, the impact of IFRS 9 on impairment provision is as follows;

As 31 December 2017, impairment loss accordance with IAS 39	**18,514,130**
As at 1 January 2018, recognizing additional impairment loss accordance with IFRS 9	
- Trade receivables	5,946,633
As at 1 January 2018, impairment loss accordance with IFRS 9	**24,460,763**

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

i) Recognition and measurement

Trade receivables and debt securities are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI – equity investment, or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets and equity investments measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)
Financial assets – Policy applicable from 1 January 2018 (continued)

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales. Financial assets that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets- Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 January 2018

Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Since the principal is the present value of expected cash flows, trade receivables and other receivables meets the solely payments of principal and interest criteria. It is managed in accordance with the business model based on collection of these receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Classification and subsequent measurement (continued)
Financial assets- Subsequent measurement and gains and losses – Policy applicable from 1 January 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Equity instruments at FVOCI	These assets are measured at fair value in subsequent periods. Dividends are recognized in profit or loss unless it is expressly intended to recover part of the investment cost. Other net gains and losses are recognized in other comprehensive income and cannot be reclassified to profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Financial assets: Policy applicable before 1 January 2018

Non-derivative financial assets

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 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.

Others

Other non-derivative financial instruments are measured by deducting impairmet cost from amortized cost with using the effective interest method

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

iii) Derecognition

Derecognition – Policy applicable from 1 January 2018

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group continues to recognize the financial asset in the statement of financial position if it retains substantially all the risks and benefits arising from the ownership of a financial asset.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

iv) Offsetting

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 financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

v) Derivative financial instrument and hedge accounting

Derivative financial instrument and hedge accounting – Policy applicable after 1 January 2018

The Group uses derivative financial insturements for the purpose of hedging foreign currency and interest risk rate. Embedded derivative instruments are separated from the host contract and recognized separately when the underlying contract is not a financial asset and mets certain criteria.

Derivatives are initially recognized at fair value. Subsequent to initial recognition of derivative instruments, changes in fair value are recognized in profit or loss.

The Group defines certain derivatives as hedging instruments in order to maintain the variability in the cash flows related to the high probability of realization arising from the changes in exchange rates and interest rates. The Group defines certain derivatives and non-derivative financial liabilities as hedging instruments for net investment in foreign operations.

At the beginning of the hedge relationship, the Group makes a certification regarding the risk management purpose and strategy that causes the hedging relationship and the operation of the enterprise.

The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in the cash flows of the hedged item and the hedging means are expected to offset each other.

Hedge accounting

If a derivative instrument is designed as a cash flow hedge hedging instrument, the effective portion of the change in the fair value of the derivative instrument is recognized in other comprehensive income and presented under equity in the hedging reserve. The ineffective portion of the change in the fair value of the derivative is recognized directly in profit or loss. The effective portion of the change in the fair value of the derivative instrument determined on the present value basis from the beginning of the hedging relationship recognized in other comprehensive income is limited to the cumulative effect of the change in the fair value of the hedging instrument. In the cash flow hedge relationship, the group defines only the change in the spot item of the forward contract as a means of hedging.

The change in the fair value of forward value of forward foreign exchange purchase contracts is recognized as hedging reserve as a hedging cost in equity as a hedging cost.

In the event that a non-financial asset or liability is subsequently recognized in the financial statements, the amount accumulated in the hedging fund and the cost of hedging are included directly in the initial cost of the non-financial asset or liability.

For all other hedge transactions, the hedging reserve and the hedging cost are classified in profit or loss in the hedging reserve in the period or periods when the estimated future cash flows are affected by profit or loss.

The hedge accounting is discontinued in case the hedging relationship (or part of it) no longer meets the required criteria, the hedging instrument is expired or sold, terminated or used. In case of discontinuation of cash flow hedge accounting, the retained amount in the hedging fund shall continue to be classified under equity until the hedged estimate of the non-financial item is recorded; hedging cost is classified as profit or loss in the period or periods in which the estimated future cash flows are affected by profit or loss.

If the expected future cash flows are no longer expected to materialize, the amount accumulated in the hedge fund and the cost of that fund are immediately classified in profit or loss.

Derivative financial insturement and hedge accounting – Policy applicable before 1 January 2018

The accounting policy applied for the comparative information presented for 2017 is similar to the accounting policy applied in the 2018 financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Impairment

i. Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group recognizes loss allowances for ECLs on:

- financial assets measured at amortized cost

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- bank balances for which credit risk has not increased significantly since initial recognition.

The Group applied lifetime ECL for calculation of loss allowances for trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. In other words, it is the credit losses that are measured on the present value of all the cash deficits (for example, the difference between the cash inflows to the entity and the cash flows expected by the entity to be collected based on the contract).

The cash deficit is the difference between the cash flows to be incurred and the cash flows expected to be received by the entity. As the amount and timing of payments are considered in anticipated credit losses, a credit loss occurs even if the entity expects to receive the full payment in the contract with the maturity specified in the contract. Expected credit loss are discounted over the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial re-organization; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of impairment in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The loss provision for the debt instruments measured at fair value through profit or loss is reflected in the other comprehensive income instead of decreasing the carrying amount of the financial asset in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Impairment (continued)

i. Non-derivative financial assets

Policy applicable from 1 January 2018

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where trade receivables, other receivables, other assets and contract assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

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.

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

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property and equipment (continued)

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.

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 recognised 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.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Intangible assets (continued)

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.

Current year amortization expense of revalued land, land improvements, building and machinery and equipment recognizes in profit or loss. When revalued land, land improvements, building and machinery and equipment are sold or withdraw from the service, the remaining balance in the revaluation reserve in transferred directly to the previous years' losses.

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. According to the current Labor Law in Turkey is obliged to pay for any reason claimed by the employee if the ending, but unused annual leave belonging fee gross salary at the date when the contract expires and contractual other interests him or rights to their owners over the total. The unused vacation liability is the undiscounted total liability amount that all employees deserve but which are not yet used as of the reporting date. Liabilities arising from unused vacation rights are accrued in the period in which they are entitled.

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 5,434 as at 31 December 2018 (31 December 2017: TL 4,732) 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

General model for accounting of revenue

The Group transferred revenue to a customer and recognizes the revenue in its consolidated financial statements as it fulfills or fulfills the performance obligation. When an assets is checked (or passed) by the customer, the assets is transferred.

The Group recognizes the revenue in the financial statements in accordance with the following basic principles:

- Identify the contracts with customer

- Identify the performance obligations in contracts

- Determine the transaction price in contracts

- Transaction price allocation to performance obligations

- Revenue recognition when each performance obligations are met.

A contract with a customer is in the scope of the new standard when the contract is legally enforceable and certain criteria are met. If the criteria are not met, then the contract does not exist for purposes of applying the general model of the new standard, and any consideration received from the customer is generally recognized as a deposit (liability).

At the beginning of the contract, the Group evaluates the goods or services it commits on the contract with the customer and defines each commitment to transfer it to the customer as a separate performance obligation. The Group also determines at the start of the contract whether or not it fulfills each performance obligation over time or at a certain time of time.

The Group considers the contractual terms and trade practices to determine the transaction price. The transaction price is the amount that the Group expects to pay in return for the transfer of goods or services to the customer, excluding the amounts collected on behalf of third parties (eg certain sales taxes). When evaluating, it is taken into account whether the contract contains elements of variable amounts and an important financing component.

In accordance with IFRS 15, has Revenue from contracts with customers dair, replacing IAS 18, the Group's performance obligations consist of ancillary services related to electricity sales and electricity sales. The electricity sold is transmitted to the customer via the transmission lines and the customer consumes the benefit of the operation simultaneously. Revenue from the sales of electricity and ancillary services for electricity sales is recognized at the time of delivery. IFRS 15 did not have a significant impact on the financial position or performance of the Group due to the Group's operations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

It is calculated by taking into consideration the tax rates which are in effect as of the end of the reporting period or which are close to the registration date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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) 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 2018 sales of industrial part, consist of electricity sales by 99 % (1 January-31 December 2017: 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 2018, 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, segment information regarding to year ended 31 December 2017 and 31 December 2018 is disclosed in Note 36.

q) 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.

r) Share capital

Ordinary share

Ordinary share is classified as capital paid. The additional costs directly attributable to ordinary shares are recognized as a decrease in equity after deducting the tax effect, if any.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

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 Leases 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.

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 IFRS Interpretation 23.

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle for applicable standards. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

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.

3. SIGNIFICANT ACCOUTING POLICIES (continued)

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

Annual Improvements to IFRSs 2015-2017 Cycle (continued)

Improvements to IFRSs (continued)

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.

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 does not expect that application of these amendments to IAS 28 will have significant impact on its consolidated financial statements.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). 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 19 will have significant impact on its consolidated financial statements.

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3. SIGNIFICANT ACCOUTING POLICIES (continued)

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

Improvements to IFRSs (continued)

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Group does not expect that application of these amendments to IAS 1 and IAS 8 will have significant impact on its consolidated financial statements.

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations that seek to clarify this matter. The amendments include an election to use a concentration test. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Group does not expect that application of these amendments to IFRS 3 will have significant impact on its consolidated financial statements.

t) Comparative information and restatements of prior period consolidated financial statements

In the consolidated financial statements for the year ended 31 December 2017, the land, buildings and land improvements and machinery and equipment included in the tangible fixed assets have ceased to use the cost method and have preferred the cost of revaluation method in accordance with IAS 16 Property, Plant and Equipment. In order to determine the revalued amounts of the tangible fixed assets of the foreign operations in which the functional currency is US Dollars and EUR subject to consolidation, the machine and real estate values taken as the base of the functional currency included in the valuation report dated 28 December 2017 are shown on the basis of the exchange rate at 29 December 2017 in the consolidated financial statements in which the functional currency is TL In accordance with IAS 21, these amounts are required to be translated into TL, which is the functional currency of the Group, using the foreign exchange rate dated 31 December 2017. The effects of these corrections are reflected to the related period in accordance with IAS 8 “Changes in Accounting Estimates and Errors. The effect of errors to the previous period is presented in the table below in each financial statement item:

(Amounts expressed in Turkish Lira unless otherwise stated.)

3. SIGNIFICANT ACCOUTING POLICIES (continued)

t) Comparative information and restatements of prior period consolidated financial statements (continued)

Consolidated Statements of Financial Position

	Previously Reported 31 December 2017	***Error Effect***	***Restated 31 December 2017***
Property, Plant and Equipment	3,644,861,330	(9,063,781)	3,635,797,549
Fixed Assets Revaluation Fund	887,786,445	(5,399,589)	882,386,856
Deferred Tax Liabilities	99,045,245	(2,426,341)	96,618,904
Minority Interest	58,704,622	(1,237,851)	57,466,771

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Previously Reported 31 December 2017	***Error Effect***	***Restated 31 December 2017***
Fixed Assets Revaluation Fund –Other Comprehensive Income	1,157,853,041	(9,063,781)	1,148,789,260
Deferred tax expense-Other Comprehensive Income	240,270,344	(2,426,341)	237,844,003

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.

iiii) Property, plant and equipment

Land and land improvements and building and machinery and equipment are measured at their fair values at the revaluation date. Measurement of land and building and land improvements and machinery and equipment has been made by an independent valuation expert, as at 31 December 2017.

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 2018	1 January- 31 December 2017
Domestic sales	2,962,561,755	2,645,177,899
Foreign sales	1,706,687,347	954,133,969
Net sales	**4,669,249,102**	**3,599,311,868**
Cost of sales (-)	(3,933,709,353)	(3,283,982,668)
Gross profit	**735,539,749**	**315,329,200**

	1 January- 31 December 2018	1 January- 31 December 2017
Revenue – amount		
Electricity	4,617,251,531	3,558,062,684
Other	51,997,571	41,249,184
Total	**4,669,249,102**	**3,599,311,868**
Gross margin - amount		
Electricity	732,939,870	290,547,859
Other	2,599,879	24,781,341
Total	**735,539,749**	**315,329,200**

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 2018	1 January- 31 December 2017
Foreign exchange gain related commercial activities	8,341,610	1,286,454
Interest and discount income	5,777,998	3,097,924
Provisions no longer required	743,769	18,065,441
Insurance income	441,160	162,623
Other	2,953,162	2,112,599
Total	**18,257,699**	**24,725,041**

(Amounts expressed in Turkish Lira unless otherwise stated.)

7. OTHER OPERATING INCOME AND EXPENSES (continued)

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 2018	1 January- 31 December 2017
Foreign exchange loss related to commercial activities	18,067,302	3,930,800
Contractual penalties	8,057,115	--
Litigation provision expenses	345,409	435,306
Donations	201,068	89,633
Financial expenses from credit sales	--	668,339
Other	7,192,044	3,446,457
Total	**33,862,938**	**8,570,535**

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 2018	1 January- 31 December 2017
Gain on disposal of property, plant and equipment	2,640,864	1,985,685
Gain on disposal of subsidiaries	--	466,106,510
Gain on sale of assets held for sale (*)	--	57,182,866
Total	**2,640,864**	**525,275,061**

(*) Gain on sale of assets held for sale is comprised of sale of Belen-Atik power plant.

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 2018	1 January- 31 December 2017
Loss on disposal of subsidiaries (Note 34)	--	32,698,007
Unrealized tender specification and other expenses	--	4,160,221
Total	**--**	**36,858,228**

(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 2018	1 January- 31 December 2017
Personnel expenses	21,064,254	22,291,121
Consultancy expenses	14,838,118	13,048,418
Travelling, vehicle and transportation expenses	14,210,240	8,286,374
Management support expenses	5,400,000	--
Rent expenses	2,657,421	4,790,610
Tax and duties	902,378	1,508,855
Depreciation and amortization expenses	470,853	507,364
Representation expenses	580,995	350,813
Electricity, gas and water expenses	142,349	202,525
Communication expenses	135,223	187,175
Other	7,837,780	3,874,713
Total	**68,239,611**	**55,047,968**

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 2018	1 January- 31 December 2017
Freight and export expenses	400,583	234,677
Other	970,393	1,023,707
Total	**1,370,976**	**1,258,384**

(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 2018**	**1 January- 31 December 2017**
Foreign exchange gain, net	271,064,288	44,147,874
Income from derivative transactions	69,152,108	7,090,169
Interest and discount income from related parties (Note 33)	61,308,268	9,723,586
Interest and discount income	23,369,565	27,963,794
Total	**424,894,229**	**88,925,423**

Financial expenses	**1 January- 31 December 2018**	**1 January- 31 December 2017**
Interest and discount expenses	523,341,825	401,089,452
Foreign exchange loss from borrowings, net	292,923,595	171,157,060
Interest expense on financial liabilities and loans to related parties (Note 33)	61,546,231	11,634,917
Guarantee letters and bank commission expenses	7,998,298	4,781,000
Expenses from derivative transactions	1,053,372	9,365,133
Total	**886,863,321**	**598,027,562**

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 22% (2017: 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% (2017: 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% (2017: 20%) to be calculated and paid based on earnings generated for each quarter for the nine month period ended 30 September 2018. 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 30 September 2018. 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 condensed 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 2017: 25%).

Turkish Republic Of Northern Cyprus (“KKTC”)

The applicable corporate tax rate in KKTC is 23,5% (31 December 2017: 23,5%).

(Amounts expressed in Turkish Lira unless otherwise stated.)

12. TAXATION (continued)

Netherlands (continued)

Corporate income tax is levied at the rate of 20% (31 December 2017: 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

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 nine 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 2017: 0%).

Republic Of Mali

The applicable corporate tax rate in Mali 25% (31 December 2017: 30%).

Madagascar

The applicable corporate tax rate in Madagascar 20% (31 December 2017: 20%).

Tax recognized in profit or loss

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

	1 January- 31 December 2018	1 January- 31 December 2017
Current tax expense		
Current period tax expense	(67,892,244)	(4,532,705)
Deferred tax expense		
Origination and reversal of temporary differences	38,593,430	47,675,747
Total tax income	**(29,298,814)**	**43,143,042**

Corporate tax:

Corporate tax liabilities as at 31 December 2018 and 2017 as follows:

	31 December 2018	31 December 2017
Corporate tax provision as restated		
Add / (Less): prepaid corporation tax from previous period	67,892,244	4,532,705
Less: corporation taxes paid in advance during the period	(27,901,292)	(5,092,490)
Current tax liabilities, net	**39,990,952**	**(559,785)**

As at 31 December 2018, current tax liabilities on income amounting to TL 71,354,527 (31 December 2017: TL 2,732,752) is not offset with prepaid taxes amounting to TL 31,363,575 (31 December 2017: TL 3,292,537) 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:

	2018		2017	
	Amount	**%**	**Amount**	**%**
Reported loss before taxation	**179,777,248**		**247,067,496**	
Taxes on reported profit per statutory tax rate of the Company	(39,550,995)	(22.00)	(49,413,499)	(20.00)
Permanent differences:				
Disallowable expenses	(37,268,463)	(20.73)	(16,150,596)	(6.54)
Tax exempt income	59,810,800	33.27	14,434,955	5.84
Carry forward tax losses used	(26,981,827)	(15.01)	--	
Effect of different tax rates in foreign jurisdictions	1,703,936	0.95	982,613	0.40
Temporary differences which no deferred tax asset is recognized	8,212,579	4.57	8,577,938	3.47
Change in tax rate	--	--	4,598,213	1.86
Tax exempt income resulting from sale of associates	--	--	78,353,997	31.71
Others, net	4,775,156	2.66	1,759,421	0.71
Tax income	**(29,298,814)**	**16.30**	**43,143,042**	**17.46**

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2018 and 2017 as follows:

	31 December 2018	**31 December 2017**
Property, plant and equipment	3,714,470,557	3,565,794,115
Mining assets	59,585,845	70,003,434
Total	**3,774,056,402**	**3,635,797,549**

(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 2018	**128,098,665**	**4,294,400,424**	**3,519,590**	**12,529,180**	**26,792,310**	**111,719,413**	**4,577,059,582**
Effect of movements in exchange rates	21,702,985	455,680,186	769,640	867,849	--	13,277,716	492,298,376
Additions	713,113	52,507,278	23,063	840,295	18,836	131,422,022	185,524,607
Disposals	(108,810)	(41,513,490)	--	(3,845)	(635)	(727,333)	(42,354,113)
Transfers	57,972	214,311,073	--	--	--	(177,470,857)	36,898,188
Balance at 31 December 2018	**150,463,925**	**4,975,385,471**	**4,312,293**	**14,233,479**	**26,810,511**	**78,220,961**	**5,249,426,640**
Accumulated depreciation							
Balance at 1 January 2017	**6,363,919**	**990,927,731**	**795,296**	**9,314,568**	**3,863,953**	**--**	**1,011,265,467**
Depreciation for the period	7,221,298	377,084,098	206,183	962,521	22,910	--	385,497,010
Disposals	(61,055)	(116,793)	--	(3,006)	(636)	--	(181,490)
Effect of movements in exchange rates	3,003,155	134,849,724	230,163	292,054	--	--	138,375,096
Balance at 31 December 2018	**16,527,317**	**1,502,744,760**	**1,231,642**	**10,566,137**	**3,886,227**	**--**	**1,534,956,083**
Carrying amount as of 31 December 2018	**133,936,608**	**3,472,640,711**	**3,080,651**	**3,667,342**	**22,924,284**	**78,220,961**	**3,714,470,557**

(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 2017	**70,881,340**	**2,698,818,600**	**3,144,551**	**12,403,165**	**26,509,495**	**369,786,001**	**3,181,543,152**
Additions (*)	5,035	233,435,013	366,908	921,671	--	82,871,716	317,600,343
Disposals (**)	(1,231,430)	(3,724,371)	--	(790,806)	--	(1,602,247)	(7,348,854)
Revaluation	43,341,657	1,105,447,603	--	--	--	--	1,148,789,260
Effect of movements in exchange rates	1,372,757	37,064,015	8,131	76,371	284,798	29,920,296	68,726,368
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	**128,098,665**	**4,294,400,424**	**3,519,590**	**12,529,180**	**26,792,310**	**111,719,413**	**4,577,059,582**
Accumulated depreciation							
Balance at 1 January 2017	**6,941,456**	**780,438,257**	**574,175**	**9,148,228**	**372,351**	**--**	**797,474,467**
Depreciation for the period	1,319,590	214,479,239	185,626	753,558	1,759,141	--	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	87,984	--	--	16,843,460
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	**8,097,727**	**990,927,730**	**795,296**	**9,314,569**	**2,130,145**	**--**	**1,011,265,467**
Carrying amount as of 31 December 2017	**112,527,414**	**3,320,009,999**	**2,724,294**	**3,214,612**	**24,662,165**	**111,719,412**	**3,565,794,115**

(*) 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 and transferred to machinery and equipment.
(***) 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 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 1,148,789,260. Net book value has brought to their revalued amounts and as a result incremental value has recorded with the amount of 882,386,856 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)

Construction in progress

At 31 December 2018 and 2017, construction in progress represents, stationary export and import warehouse.

Project	31 December 2018	Technical completion rate (%)	31 December 2017	Technical completion rate (%)
Ghana investment	38,981,159	99%	97,120,827	99%
Bolu Göynük power plant investment	4,693,286	99%	2,711,502	99%
Kıbrıs Kalecik – Mobile power plant investment	13,708,334	99%	7,134,808	99%
Other (*)	20,838,182		4,752,276	
Total	**78,220,961**		**111,719,413**	

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

Mining assets

At 31 December 2018 and 2017, mining assets comprise mining development assets and stripping cost.

Cost:	**31 December 2018**	**31 December 2017**
Stripping costs	69,415,348	73,578,865
Mining development assets	5,477,772	5,477,772
Total	**74,893,120**	**79,056,637**
Amortization:		
Stripping costs	15,074,942	8,820,870
Mining development assets	232,333	232,333
Total	**15,307,275**	**9,053,203**
Carrying amount	**59,585,845**	**70,003,434**

(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 2018	**77,124,020**	**626,510**	**77,750,530**
Additions	802,055	--	802,055
Effect of movements in exchange rates	21,935,999	--	21,935,999
Disposal	(126,396)	--	(126,396)
Balance at 31 December 2018	**99,735,678**	**626,510**	**100,362,188**
Amortization			
Balance at 1 January 2018	**4,569,268**	**565,159**	**5,134,427**
Amortization for the period	2,224,658	42,600	2,267,258
Effect of movements in exchange rates	1,148,331	--	1,148,331
Disposal	(32,920)	--	(32,920)
Balance at 31 December 2018	**7,909,337**	**607,759**	**8,517,096**
Carrying amount as of 31 December 2018	**91,826,341**	**18,751**	**91,845,092**

Cost	**Rights**	**Other**	**Total**
Balance at 1 January 2017	**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
Transfer 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**

(Amounts expressed in Euro unless otherwise stated.)

15. GOODWILL

At 31 December 2018 and 2017, goodwill comprised the following:

	31 December 2018	31 December 2017
Goodwill	3,349,356	3,349,356
-İdil İki Enerji	*3,349,356*	*3,349,356*
Total	**3,349,356**	**3,349,356**

16. FINANCIAL INVESTMENTS

Financial investments

At 31 December 2018 and 2017, financial investments comprised the following:

	Rate %	31 December 2018	31 December 2017
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.

According to IFRS 9, since cost is a reflection of the fair value estimation, financial investments are presented at their cost value.

(Amounts expressed in Turkish Lira unless otherwise stated.)

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.

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 2018	31 December 2017
	Asset / (Liability)	**Asset / (Liability)**
Property and equipment and intangible assets	(145,202,981)	(200,581,137)
Provision to doubtful receivables	2,514,943	3,063,900
Inventory impairment loss	356,531	2,775,698
Derivatives	(39,336)	671,543
Loans and borrowings	(2,523,404)	(795,447)
Reserve for employee severance indemnity	701,912	600,041
Bonds issued	1,460,050	701,603
Litigation provisions	57,394	152,323
Vacation pay liability	298,282	369,445
Other asset	(1,470,797)	471,771
Losses carried forward	85,005,083	70,943,563
Consolidation adjustments	--	30,477,706
Other	(615,958)	(5,469,913)
Net deferred tax liabilities	**(59,458,281)**	**(96,618,904)**
Deferred tax asset	125,276,334	--
Deferred tax liability	(184,734,615)	(96,618,904)
Net deferred tax liabilities	**(59,458,281)**	**(96,618,904)**

Recognized deferred tax assets and liabilities

Movements in deferred tax balances during the years 2018 and 2017 are as follows:

	1 January 2018	*Effects of translation*	*Recognized in profit or loss*	*Effect of sale of subsidiary*	*Recognized in other comprehensive income*	*31 December 2018*
Total deferred tax assets/(liabilities)	**(96,618,904)**	(2,994,662)	38,593,430	--	1,561,855	**(59,458,281)**

	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	(238,091,432)	**(96,618,904)**

(Amounts expressed in Turkish Lira unless otherwise stated.)

18. INVENTORIES

At 31 December 2018 and 2017, inventories comprised the following:

	31 December 2018	31 December 2017
Other spare parts and operating supplies inventory	105,150,435	242,385,416
Raw materials	198,333,132	144,859,756
Work-in-progress	50,328,991	29,232,348
Advances given for raw materials and supplies	17,726,102	23,006,628
Provision for impairment on inventories (-)	(2,398,055)	(12,616,810)
Total	**369,140,605**	**426,867,338**

19. OTHER CURRENT ASSETS

At 31 December 2018 and 2017, other current assets comprised the following:

	31 December 2018	31 December 2017
Deferred value added tax ("VAT")	151,121,750	124,527,070
Other	927,962	397,768
Total	**152,049,712**	**124,924,838**

20. LONG AND SHORT TERM PREPAYMENTS

At 31 December 2018 and 2017 short term prepayments comprised the following:

	31 December 2018	31 December 2017
Prepaid insurance expenses	7,324,938	5,109,497
Prepaid guarantee letter commissions	1,101,402	--
Other	6,885,826	4,246,009
Total	**15,312,166**	**9,355,506**

At 31 December 2018 and 2017, long term prepayments comprised the following:

	31 December 2018	31 December 2017
Advances given for tangible assets	6,940,708	4,099,226
Prepaid guarantee letter commissions	7,290,821	--
Other prepaid expenses	2,967	36,732
Total	**14,234,496**	**4,135,958**

(Amounts expressed in Turkish Lira unless otherwise stated.)

21. TRADE AND OTHER RECEIVABLES AND PAYABLES

At 31 December 2018 and 2017, trade receivables to third parties comprised the following:

	31 December 2018	31 December 2017
Trade receivables	1,283,737,084	677,158,715
Receivables from sale of subsidiary (*)	116,591,259	81,434,843
Doubtful receivables	33,700,863	22,995,513
Allowance for doubtful receivables (-)	(33,700,863)	(22,995,513)
Unearned credit finance charges (-)	--	(2,549,317)
Other receivables	2,874,874	3,518,851
Total	**1,403,203,217**	**759,563,092**

(*) 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 2018 movement of doubtful receivables is shown below:

	2018	2017
Balance at 1 January	22,995,513	25,744,460
Current year charge	11,289,993	12,181,858
Collections	(584,643)	(14,930,805)
Balance of 31 December	**33,700,863**	**22,995,513**

At 31 December 2018 and 2017, trade and other payables to third parties comprised the following:

	31 December 2018	31 December 2017
Trade and other payables to third parties	343,322,873	427,941,600
Expense accruals	--	3,610,907
Unearned credit finance charges (-)	(6,991,404)	(3,388,553)
Total	**336,331,469**	**428,163,954**

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

At 31 December 2018 and 2017, long term trade and other receivables comprised the following:

Trade and other receivables	31 December 2018	31 December 2017
Deposits given	1,545,269	15,662,583
Total	**1,545,269**	**15,662,583**

(Amounts expressed in Turkish Lira unless otherwise stated.)

22. CASH AND CASH EQUIVALENTS

At 31 December 2018 and 2017, cash and cash equivalents comprised the following:

	31 December 2018	31 December 2017
Cash on hand	422,744	230,436
Cash at banks	52,603,618	59,347,355
- Demand deposits	*4,211,398*	*7,502,655*
- Time deposits (*)	*48,360,900*	*51,813,380*
- Blocked cash	*31,320*	*31,320*
Total	**53,026,362**	**59,577,791**
Restricted cash amount	(31,320)	(31,320)
Cash and cash equivalents on cash flows	**52,995,042**	**59,546,471**

(*) Group have time deposits US Dollar equivalent TL 5,260,900 which in maturity date is 8 February 2019 and interest rate is 3% and amounting to TL 43,100,00 which in maturity date is 2 January 2019 and interest rate is 23% (31 December 2017: Group have time deposits US Dollar equivalent TL 27,912,060 which in maturity date is 2 January 2018 and interest rate is 1% and amounting to TL 23,900,00 which in maturity date is 2 January 2018 and interest rate is 12-14%).

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

23. CAPITAL AND RESERVES

Paid in capital

The registered authorized capital of the Company is 4,750,000,000 (31 December 2017: 4,750,000) Turkish Lira with the permission of the CMB dated 16.04.2010 and numbered by 10/330. This is valid for the years between 2014 and 2018. The Company should get permission of CMB to increase capital.

At 31 December 2018, the Group's statutory nominal value of authorized and paid-in share capital is TL 613,169,118 (31 December 2017: TL 613,169,118) (comprising of 613,169,118 registered shares (31 December 2017: 613,169,118) having par value of TL 1 (31 December 2017: TL 1) each).

At 31 December 2018 and 2017, the shareholding structure of the Company was as follows:

	31 December 2018		31 December 2017	
Shareholders	**(%)**	**Amount**	**(%)**	**Amount**
Kazancı Holding	78.60	481,976,743	61.98	380,064,978
Public share (*)	21.39	131,158,000	21.39	131,158,000
Other	0.01	34,375	0.01	34,375
Goldman Sachs International(**)	--	--	16.62	101,911,765
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**

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

23. CAPITAL AND RESERVES (continued)

* Kazancı Holding's purchases from the shares which is under the part of public shares that Kazancı holding obtained them in 2012 and 2013, are shown in the table above into the part of public shares. These shares are the number of 4.958.962 (31 December 2017: 4.458.962) as the date of 31 December 2018.

** The possession of 16,62% of the shares held by Goldman Sachs International (GSI) in Aksa Enerji was transferred to Kazancı Holding under the authorization of Energy Market Regulation Authority dated 20 April 2018 and numbered 19793. By the provisions of the relevant agreement between GSI and Kazancı Holding 101.911.765 shares has been purchased back from Goldman Sachs International (GSI) by Kazancı Holding on April 20, 2018.

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 2018, legal reserves of the Group amounted to TL 48,267,560 (31 December 2017: TL 48,267,560).

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. As of 31 December 2018, TL 96,523,266 of share premium amounting to TL 247, 403,635 (31 December 2017: 247,403,635) have occurred as a result of first public offering in 2010 and TL 150,880,369 have occurred as a result of allocated capital increase in 2012.

Actuarial gain/loss:

Actuarial gain/loss reserves comprises actuarial gains and losses recognized in other comprehensive income based on IAS (2011). As of 31 December 2018, the Group's actuarial gain/loss is TL 898,193 (31 December 2017: TL 1,566,073).

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. As of 31 December 2018, Group's gain on revaluation of property, plant and equipment is TL 821,844,347 (31 December 2017: TL 882,386,856)

(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. As of 31 December 2018, Group's cash flow hedge reserve liabilities is TL 3,518,526 (31 December 2017: TL 2,060,997)

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. . As of 31 December 2018, Group's translation reserve is TL 43,037,685 (31 December 2017: TL 25,486,345)

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 2018 and 2017 the related amounts in the "Non-controlling interests" in the consolidated statement of financial position are respectively TL 181,851,117 liability and TL 57,466,771 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.

Accumulated losses

Accumulated gain and loss is shown in retaining earnings as net-off except net income for the period. Extraordinary reserves that are accumulated as profit/loss by their nature are also recognized as retaining earnings shown. As of 31 December 2018, Group's accumulated losses are 156,832,331 (31 December 2017: 470,564,802)

24. EARNINGS PER SHARE

The calculation of basic and diluted EPS at 31 December 2018 and 2017 is as follows:

	1 January- 31 December 2018	1 January- 31 December 2017
Numerator:		
Profit/(loss) for the period attributable to equity holders	26,094,071	257,947,268
Weighted average number of shares	613,169,118	613,169,118
Basic and diluted loss per share (full TL)	0.043	0.421

(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 2018	31 December 2017
Current liabilities		
Current portion of bank loans	1,394,427,238	840,155,894
Short term bank loans	504,015,099	440,990,351
Finance lease liabilities	--	638,020
Total	**1,898,442,337**	**1,281,784,265**
Non-current liabilities		
Long term bank loans	1,586,768,204	1,158,627,222
Total	**1,586,768,204**	**1,158,627,222**
Total loans and borrowings	**3,485,210,541**	**2,440,411,487**

The Group's total bank loans and finance lease liabilities as at 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Bank loans	3,485,210,541	2,439,773,467
Finance lease liabilities	--	638,020
	3,485,210,541	**2,440,411,487**

Commitment and contingies of loans and borrowings are disclosed in Note 31.

Redemption schedules of the Group's bank loans according to original maturities as at 31 December 2018 are as follows:

		31 December 2018	
Maturity	**Currency**	**Amount**	**TL Amount**
0-12 months	USD	101,235,841	532,591,758
	EUR	10,315,736	62,183,257
	TL	1,303,667,322	1,303,667,322
1-2 year	USD	64,226,784	337,890,687
	EUR	3,624,196	21,846,651
	TL	443,490,761	443,490,761
2-3 year	USD	51,017,861	268,399,865
	EUR	1,105,311	6,662,812
	TL	100,188,816	100,188,816
3-4 year	USD	25,356,714	133,399,139
	TL	20,960,029	20,960,029
4-5 year	USD	21,685,581	114,085,674
5 year and more	USD	26,581,720	139,843,770
Total			**3,485,210,541**

(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 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**

Terms and debt repayment schedule

The breakdown of bank loans as at 31 December 2018 is as follows:

Original Currency	**Nominal Interest rate %**	**Face Value**	**Carrying Amount**
TL	14.40% – 39.00%	1,835,607,653	1,868,307,049
USD	6MLibor +0,15%-6MLibor +6,35%	1,453,606,906	1,526,210,772
EUR	Euribor6M+1,60% - 3,84%	97,668,843	90,692,720
Total		**3,386,883,402**	**3,485,210,541**

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**

(Amounts expressed in Turkish Lira unless otherwise stated.)

25. LOANS AND BORROWINGS (continued)

The breakdown of finance lease as at 31 December 2018 is as follows:

31 December 2018			
Maturity	**Currency**	**Amount**	**TL Amount**
0-12 Months	EUR	--	--
Total			--

The breakdown of financial 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**

26. OTHER FINANCIAL LIABILITIES

Other short term financial liabilities

At 31 December 2018 and 2017, other short term financial liabilities comprised the following:

Other short term financial liabilities	31 December 2018	31 December 2017
Factoring liabilities	99,727,020	175,783,689
Bond issued	146,636,592	84,023,074
Other financial liabilities	4,852	7,850
Total	**246,368,464**	**259,814,613**

Other long term financial liabilities

At 31 December 2018 and 2017, other long term financial liabilities comprised the following:

Other long term financial liabilities	31 December 2018	31 December 2017
Bond issued	--	119,166,031
Factoring liabilities	13,919,586	17,112,079
Total	**13,919,586**	**136,278,110**

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. Restated bonds matured 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.

(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 2018 and 2017 is as follows:

31 December 2018		
Maturity	**Currency**	**TL Amount**
Less than 1 year	TL	99,727,020
1-2 years	TL	13,919,586
Total		**113,646,606**

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**

The breakdown of bond issues as at 31 December 2018 and 2017 is as follows:

31 December 2018		
Maturity	**Currency**	**TL Amount**
Less than 1 year	TL	146,636,592
Total		**146,636,592**

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**

(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.

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 2018, 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 2018 has been calculated assuming an annual inflation rate of 9.50% and a discount rate of 14.00% resulting in a real discount rate of approximately 4.11% (31 December 2017: 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:

	2018	**2017**
Balance at 1 January	3,000,204	2,899,099
Interest cost	268,395	287,075
Service cost	800,047	1,449,955
Payment made during the period	(552,968)	(1,199,311)
Actuarial difference	834,850	(436,614)
Balance at 31 December	**4,350,528**	**3,000,204**

(Amounts expressed in Turkish Lira unless otherwise stated.)

28. OTHER CURRENT LIABILITIES

At 31 December 2018 and 2017, other current liabilities comprised the following:

	31 December 2018	31 December 2017
Advances received(*)	17,955,012	70,694,151
Due to personnel	5,283,626	6,112,080
Social security withholdings payable	1,980,170	2,764,182
Total	**25,218,808**	**79,570,413**

(*)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 transaction was completed on 17 January 2018

29. PROVISIONS

At 31 December 2018 and 2017, provisions comprised the following:

	Lawsuits	Vacation pay liability	Other provisions	Total
Balance as of 1 January 2018	**692,377**	**1,679,295**	**--**	**2,371,672**
Provision set during the period	345,409	(558,789)	--	(213,380)
Balance as of 31 December 2018	**1,037,786**	**1,120,506**	**--**	**2,158,292**
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
Provision used	--	--	--	--
Balance as of 31 December 2017	**692,377**	**1,679,295**	**--**	**2,371,672**

30. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2018 and 2017, derivative financial instruments comprised the following:

	31 December 2018		31 December 2017	
	Carrying Value		Carrying Value	
Derivative financial instruments	**Asset**	**Liability**	**Asset**	**Liability**
Cash flow hedges	413,737	(3,895,565)	2,576,770	--
Held for trading	--	(4,397,643)	--	(3,052,466)
Total	**413,737**	**(8,293,208)**	**2,576,770**	**(3,052,466)**

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 2018 and 2017, the Group's collateral, pledge and mortgage (CPM) position is disclosed as follows:

	31 December 2018	31 December 2017
A. CPM given for companies own legal personality	4,450,910,793	2,519,454,202
B. CPM given in behalf of fully consolidated companies	1,915,362,150	1,428,109,100
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	**6,366,272,943**	**3,947,563,302**

Letters of guarantees given to:

31 December 2018	TL	USD	EUR	CHF	TL Equivalent
Banks	--	--	1,457,143	--	8,783,657
Botaş–Petroleum Pipeline Corporation	665,042	--	--	--	665,042
Electricity distribution companies	26,862	--	--	--	26,862
Republic of Turkey Energy Market Regulatory Authority	44,398,000	--	--	--	44,398,000
Ministry of Custom and Trade	--	--	--	--	--
Enforcement offices	700,192	--	--	--	700,192
Turkey Electricity Transmission Company (TEIAS)	12,419,674	2,062,080	100,000	--	23,870,871
Turkish Coal Enterprises Institution(TKI)	5,225,526	--	--	--	5,225,526
Other	22,777,183	5,021,001	1,250,000	800,000	60,995,327
Total	**86,212,479**	**7,083,081**	**2,807,143**	**800,000**	**144,665,477**

(Amounts expressed in Turkish Lira unless otherwise stated.)

31. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

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
Turkish Coal Enterprises Institution(TKI)	4,525,476	--	--	--	4,525,476
Turkey Electricity Transmission Company (TEIAS)	7,776,984	2,062,080	100,000	--	16,006,493
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**

Guarantees received

At 31 December 2018 and 2017, the details of guarantees received is as follows:

Type of guarantees	**TL**	**USD**	**EUR**	**31 December 2018 TL Equivalent**
Letter of guarantee	121,697,977	75,000,000	1,582,600	525,805,390
Notes taken for colleterals	26,327,053	1,050,574	1,205,112	39,118,433
Cheques taken for colleterals	26,327,053	28,000	3,456,000	32,367,606
Mortgage	700,000	--	--	700,000
Total	**175,052,083**	**76,078,574**	**6,243,712**	**597,991,429**

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**

(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 2018 and 2017 is:

31 December 2018	Receivables				Deposits at banks
	Trade receivables		Other receivables		
	Related Parties	Other	Related Parties	Other	
Maximum credit risk exposed to as at 31 December 2018 (A+B+C+D+E)	398,189,737	1,283,737,084	8,072,880	121,011,402	52,603,618
A. Carrying amount of financial assets not overdue or not impaired	398,189,737	1,283,737,084	8,072,880	121,011,402	52,603,618
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 (-)	10,620	24,961,521	--	8,739,342	--
E. Off balance sheet items with credit risk	(10,620)	(24,961,521)	--	(8,739,342)	--

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)	--

(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 2018	**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	**3,745,498,591**	**4,441,298,675**	**103,982,767**	**896,951,861**	**2,307,207,071**	**1,133,156,976**
Financial liabilities	3,485,210,541	4,162,765,621	91,638,289	692,709,873	2,245,260,483	1,133,156,976
Financial lease liabilities	--	7	7	--	--	--
Other financial liabilities	260,288,050	278,533,047	12,344,471	204,241,988	61,946,588	--
Derivative financial liabilities	**7,879,471**	**60,648,640**	**43,578,640**	**16,475,300**	**594,700**	--
Cash inflow	--	(242,594,560)	(174,314,560)	(65,901,200)	(2,378,800)	--
Cash outflow	--	303,243,200	217,893,200	82,376,500	2,973,500	--

	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	**582,008,905**	**562,359,647**	**562,359,647**	--	--	--
Trade payables to related parties	239,348,509	233,019,582	233,019,582	--	--	--
Trade and other payables to third parties	336,331,469	329,340,065	329,340,065	--	--	--

31 December 2017	**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	**2,836,504,210**	**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 and other 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	--	--	--

(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 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. Hedged portion of foreign currency liabilities	**285,870,320**	**75,789,475**	**--**	**--**	**--**	**--**

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

FOREIGN CURRENCY RISK						
	31 December 2018					
	TL Equivalent	**USD**	**EUR**	**GBP**	**CHF**	**Other (*)**
1. Trade receivables	162,313,398	15,153,536	13,342,196	--	405,871	--
2a. Monetary financial assets	7,981,922	1,413,260	86,740	3,347	331	--
2b. Non-monetary financial assets	12,986,567	1,640,352	722,767	--	--	--
3. Other	113,163,043	21,510,206	--	--	--	--
4. CURRENT ASSETS	**296,444,930**	**39,717,354**	**14,151,703**	**3,347**	**406,202**	**--**
5. Trade receivables	--	--	--	--	--	--
6a. Monetary financial assets	2,610,541	105,000	341,431	--	--	--
6b. Non-monetary financial assets	36	--	6	--	--	--
7. Other	--	--	--	--	--	--
8. NON-CURRENT ASSETS	**2,610,577**	**105,000**	**341,437**	**--**	**--**	**--**
9. TOTAL ASSETS	**299,055,507**	**39,822,354**	**14,493,140**	**3,347**	**406,202**	**--**
10. Trade payables	75,479,037	4,702,484	7,892,346	100,352	468,034	--
11. Financial liabilities	598,142,408	101,495,329	10,647,915	--	--	--
12a. Other financial liabilities	12,378,643	800,000	1,355,329	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--	--
13. SHORT TERM LIABILITIES	**686,000,088**	**106,997,813**	**19,895,590**	**100,352**	**468,034**	**--**
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	1,022,128,632	188,868,660	4,729,512	--	--	--
16a. Other financial liabilities	--	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--	--
17. LONG TERM LIABILITIES	**1,022,128,632**	**188,868,660**	**4,729,512**	**--**	**--**	**--**
18. TOTAL LIABILITIES	**1,708,128,720**	**295,866,473**	**24,625,102**	**100,352**	**468,034**	**--**
19. Off statement of financial position derivatives net asset/liability position	--	--	--	--	--	--
20. Net foreign currency asset liability position	**(1,409,073,213)**	**(256,044,119)**	**(10,131,962)**	**(97,005)**	**(61,832)**	**--**
21. Net foreign currency asset / (liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1,535,222,859)**	**(279,194,677)**	**(10,854,735)**	**(97,005)**	**(61,832)**	**--**
22. Fair value of derivative instruments used in foreign currency hedge						**--**
23. Hedged portion of foreign currency assets						**--**
24.Hedge portion of foreign currency liabilities						**--**

(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 2018				
	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	(146,881,528)	146,881,528	(146,881,528)	146,881,528
2- Portion secured from USD(-)	7,578,947	(7,578,947)	7,578,947	(7,578,947)
3- USD net effect (1 +2)	**(139,302,581)**	**139,302,581**	**(139,302,581)**	**139,302,581**
10% appreciation / depreciation of TL against EUR				
4 - Euro net asset / liability	(6,543,234)	6,543,234	(6,543,234)	6,543,234
5 - Portion secured from Euro (-)	--	--	--	--
6 - Euro net effect (4+5)	(6,543,234)	6,543,234	(6,543,234)	6,543,234
10% appreciation / depreciation of TL against other currencies				
7- Other foreign currency net asset/liability	(97,524)	97,524	(97,524)	97,524
8- Portion secured from other currency (-)				
9- Other currency net effect (7+8)	**(97,524)**	**97,524**	**(97,524)**	**97,524**
Total (3+6+9)	**(145,943,339)**	**145,943,339**	**(145,943,339)**	**145,943,339**

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**

(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 2018	**31 December 2017**
Fixed rate instruments		
Financial assets	48,360,900	51,813,380
Financial liabilities	2,477,695,637	1,550,925,460
Other financial liabilities	260,288,050	396,092,723
Variable rate instruments		
Financial liabilities	1,007,514,904	889,486,027

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 2018 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 2017.

	Profit or loss		**Equity**	
	1% increase	**1% decrease**	**1% increase**	**1% decrease**
31 Aralık 2018				
Variable rate instruments	22,550,524	(21,580,795)	22,550,524	(21,580,795)
Cash flow sensitivity (net)	**(969,729)**	**--**	**(969,729)**	**--**
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)**	**--**

(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 2018 and 2017:

	31 December 2018	31 December 2017
Total financial liabilities	3,745,498,591	2,836,504,210
Less: cash and cash equivalents	(53,026,362)	(59,577,791)
Net financial debt	**3,692,472,229**	**2,776,926,419**
Total equity	1,824,202,801	1,667,177,753
Gearing ratio (net financial debt to overall financing used ratio)	**202%**	**166%**

(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 2018		31 December 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	53,026,362	53,026,362	59,577,791	59,577,791
Financial investment	412,408	412,408	412,408	412,408
Trade receivables	1,515,930,391	1,515,930,391	706,750,072	706,750,072
Other receivables (*)	293,003,421	293,003,421	93,832,711	93,832,711
Derivative assets	413,737	413,737	2,576,770	2,576,770
Financial liabilities				
Financial liabilities	3,485,210,541	3,485,210,541	2,440,411,487	2,440,411,487
Trade payables	551,532,389	551,532,389	485,992,026	485,992,026
Other financial liabilities	260,288,050	260,288,050	396,092,723	396,092,723
Derivative liabilities	8,293,208	8,293,208	3,052,466	3,052,466
Other payables (**)	2,547,395	2,547,395	2,311,943	2,311,943

(*)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 2018 is as follows:

	Fair value measurement			
31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Derivative assets	--	413,737	--	413,737
	--	**413,737**	**--**	**413,737**
Financial liabilities measured at fair value:				
Derivative liabilities	--	(8,293,208)	--	(8,293,208)
	--	**(8,293,208)**	**--**	**(8,293,208)**
31 December 2017				
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	--	(3,052,466)	--	(3,052,466)
	--	**(3,052,466)**	**--**	**(3,052,466)**

(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 2018	1 January- 31 December 2017
Short-term and long-term employee benefits (salaries, bonuses, employee termination benefits etc.)	2,194,158	2,283,354
	2,194,158	**2,283,354**

As at 31 December 2018 and 2017, none of the Group's directors and executive officers has outstanding personnel loans from the Company. As at 31 December 2018 and 2017, the Company did not issue any loans to the directors and executive officers.

As at 31 December 2018 and 2017, current trade and other receivables are as follows:

	31 December 2018		31 December 2017	
Current trade and other receivables	**Trade**	**Other**	**Trade**	**Other**
Trade receivables due to related parties	232,193,307	174,069,310	32,140,674	9,234,230
Doubtful trade receivables	10,620	--	275,922	--
Provisions for doubtful trade receivables (-)	(10,620)	--	(275,922)	--
Total	**232,193,307**	**174,069,310**	**32,140,674**	**9,234,230**

As of 31 December 2018 movement of doubtful receivables from related parties is shown below:

	2018	2017
Balance at 1 January	**275,922**	**3,410,559**
Current Year Charge	10,620	--
Collections	(275,922)	(3,134,637)
Balance of 31 December	**10,620**	**275,922**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Other related party balances

	31 December 2018		31 December 2017	
Due from Kazancı Holding's associates and subsidiaries:	**Trade**	**Other**	**Trade**	**Other**
Aksa Elektrik Satış A.Ş.	147,360,015	165,996,430	29,919,413	--
Aksa Jeneratör Sanayi A.Ş.	16,718,701	--	--	--
Datça Rüzgar Enerjisi Elektrik Üretimi A.Ş.	--	7,357,874	--	8,584,875
Other	5,551	--	78,393	--
	164,084,267	**173,354,304**	**29,997,806**	**8,584,875**
Due from Kazancı Holding's indirect investments and subsidiaries:	**Trade**	**Other**	**Trade**	**Other**
Aksa Teknoloji A.Ş.	--	180,516	--	176,482
Aksa Power Generation (Dubai)	7,637,914	--	--	--
Other	--	--	--	271,949
	7,637,914	**180,516**	**--**	**448,431**
Due from related parties:	**Trade**	**Other**	**Trade**	**Other**
Koni İnşaat Sanayi A.Ş.	60,363,742	--	2,142,868	--
Flamingo Enerji Üretim ve Satış A.Ş.	97,331	--	--	200,924
Other	10,053	534,490	--	--
	60,471,126	**534,490**	**2,142,868**	**200,924**
Total	**232,193,307**	**174,069,310**	**32,140,674**	**9,234,230**

	31 December 2018		31 December 2017	
Short term due to related parties	**Trade**	**Other**	**Trade**	**Other**
Trade payables due to related parties	233,019,582	6,328,927	76,256,568	9,020,316
Total	**233,019,582**	**6,328,927**	**76,256,568**	**9,020,316**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Other related party balances (continued)

	31 December 2018		31 December 2017	
Due to Kazancı Holding's associates and subsidiaries:	**Trade**	**Other**	**Trade**	**Other**
ATK Sigorta Aracılık Hiz. A.Ş.	8,318,008	--	9,185,129	--
Aksa Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.	1,947	--	3,873,273	--
Aksa Manisa Doğalgaz Dağıtım A.Ş.	--	--	2,610,581	--
Aksa Jeneratör Sanayi A.Ş.	13,949	--	388,027	--
Aksa Havacılık A.Ş.	--	--	101,368	--
Aksa Elektrik Satış A.Ş.	1,676	--	9,925	--
Kazancı Holding	--	6,328,927	--	5,971,956
Other	176,738	--	--	--
	8,512,318	**6,328,927**	**16,168,303**	**5,971,956**
Due to Kazancı Holding's indirect investments and subsidiaries:	**Trade**	**Other**	**Trade**	**Other**
Çoruh Elektrik Perakende Satış A.Ş.	107,304,553	--	36,183,950	--
Fırat Elektrik Perakende Satış A.Ş.	113,847,982	--	16,816,838	--
Aksa Far East PTE Ltd.	2,671,812	--	1,915,605	--
Aksa Power Generation Fze	--	--	1,294,416	--
Other	258,450	--	400,658	--
	224,082,797	**--**	**56,611,467**	**--**
Due to related parties	**Trade**	**Other**	**Trade**	**Other**
Elektrik Altyapı Hizmetleri Ltd. Şti.	306,195	--	674,375	--
Koni İnşaat Sanayi A.Ş.	114,540	--	260,721	--
Flamingo Enerji Üretim A.Ş	--	--	--	3,048,360
Other	3,732	--	2,541,702	--
	424,467	**--**	**3,476,798**	**3,048,360**
Total	**233,019,582**	**6,328,927**	**76,256,568**	**9,020,316**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Related party transactions

	1 January - 31 December 2018		1 January - 31 December 2017	
Sales to Kazancı Holding's associates and subsidiaries:	**Goods services**	**Other**	**Goods services**	**Other**
Aksa Elektrik Satış A.Ş.	120,535,007	--	298,684,410	71,779
Other	100,355	203,428	487,995	71,309
	120,635,362	**203,428**	**299,172,405**	**143,088**
Sales to Kazancı Holding's indirect investments and subsidiaries:	**Goods services**	**Other**	**Goods services**	**Other**
Çoruh Elektrik Perakende Satış A.Ş.	15,171,959	72,990	127,665,030	--
Fırat Aksa Elektrik Perakende Satış A.Ş.	14,662,377	--	72,101,998	--
Aksa Power Generation (Dubai)	7,433,416	--		
Other	1,345	606	50,000	2,511
	37,269,097	**73,596**	**199,817,028**	**2,511**
Sales to Related Parties:	**Goods services**	**Other**	**Goods services**	**Other**
Koni İnşaat Sanayi A.Ş.	30,492,251	767,074	16,953,366	555,664
Other	--	11,768	--	15,691
	30,492,251	**778,842**	**16,953,366**	**571,355**
Total	**188,396,710**	**1,055,866**	**515,942,799**	**716,954**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Related party transactions (continued)

	1 January - 31 December 2018		1 January – 31 December 2017	
Purchases from Kazancı Holding's associates and subsidiaries	**Goods & Services**	**Other**	**Goods & Services**	**Other**
Aksa Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.	36,633,933	--	47,505,153	--
Aksa Manisa Doğalgaz Dağıtım A.Ş.	15,284,747	--	41,266,323	3,663
Aksa Elektrik Satış A.Ş.	21,362,610	108,733	21,448,834	447,330
Aksa Doğal Gaz Toptan Satış A.Ş.	4,098,024	--	14,722,842	--
Kazancı Holding A.Ş.	340,458	6,532,053	3,705,583	540,091
ATK Sigortacılık Hizmetler A.Ş	238,265	6,619,805	2,680,717	3,680,880
Aksa Jeneratör Sanayi A.Ş.	11,612	496,155	25,821	12,126
Other	--	831	65,661	1,945,256
Total	**77,969,649**	**13,757,577**	**131,420,934**	**6,629,346**

Purchases from Kazancı Holding's indirect investments and subsidiaries	**Goods & Services**	**Other**	**Goods & Services**	**Other**
Fırat Elektrik Perakende Satış A.Ş.	6,901,292	--	4,680,246	--
Çoruh Elektrik Perakende Satış A.Ş.	2,321,778	--	6,789,291	--
Other	10,195	22,407	455,527	156,353
Total	**9,233,265**	**22,407**	**11,925,064**	**156,353**

Purchases from related parties	**Goods & Services**	**Other**	**Goods & Services**	**Other**
Koni İnşaat Sanayi A.Ş.	542,820	2,548,340	132,550	2,292,341
Other	231,453	921,118	300,169	1,312,061
	774,273	**3,469,458**	**432,719**	**3,604,402**
Total	**87,977,187**	**17,249,442**	**143,778,717**	**10,390,101**

(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 2018	1 January - 31 December 2017
Kazancı Holding's associates and subsidiaries:	**Interest and exchange difference**	**Interest and exchange difference**
Aksa Elektrik Satış A.Ş.	36,655,886	5,369,015
Kazancı Holding A.Ş.	16,282,374	1,367,971
Aksa Jeneratör Sanayi A.Ş.	1,214,986	1,345,541
Other	912,080	628,928
	55,065,326	**8,711,455**
Kazancı Holding's indirect investments and subsidiaries:		
Çoruh Elektrik Parakende Satış A.Ş.	172,917	177,471
Fırat Elektrik Perakende Satış A.Ş.	26,477	422,095
Other	36,352	3,596
	235,746	**603,162**
Related parties		
Koni İnşaat Sanayi A.Ş.	5,927,426	359,270
Flamingo Enerji Üretim ve Satış A.Ş.	80,190	28,300
Other	--	21,398
	6,007,616	**408,968**
Total	**61,308,688**	**9,723,585**

(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 2018	1 January - 31 December 2017
Kazancı Holding's associates and subsidiaries:	**Interest and exchange difference**	**Interest and exchange difference**
Aksa Elektrik Satış A.Ş.	830,593	7,414,233
Aksa Jeneratör Sanayi A.Ş.	30,685	45,706
Aksa Havacılık A.Ş.	17,607	107,076
Aksa Manisa Doğalgaz Dağıtım A.Ş.	6,453	73,530
Kazancı Holding A.Ş.	--	1,067,432
Aksa Doğalgaz Toptan Satış A.Ş	--	135,282
Aksa Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.	--	77,958
Other	7,265	1,925
	892,603	**8,923,142**
Kazancı Holding's indirect investments and subsidiaries:		
Çoruh Elektrik Perakende Satış A.Ş.	15,760,154	2,077,160
Fırat Elektrik Perakende Satış A.Ş.	14,115,900	311,812
Other	53,881	11,553
	29,929,935	**2,400,525**
Related Parties:		
Flamingo Enerji Üretim Ve Satiş A.Ş	495,781	--
Koni İnşaat Sanayi A.Ş.	27,962	58,398
Elektrik Altyapı Hizmetleri Ltd. Şti.	--	25,881
Diğer	58,731	226,972
	582,474	**311,251**
Total	**31,405,012**	**11,634,918**

(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

As of 31 December 2017, asset held for sale was comprised of İncesu power plant affiliated of Aksa Enerji.

Asset held for sale	31 December 2018	31 December 2017
Property, plant and equipment	--	45,353,859
Intangible assets	--	659,434
	--	**46,013,293**

On 21 September 2017, it was decided to evaluate the proposals for the sale of the İncesu power plant affiliated company of Aksa Energy. On 17 January 2018, İncesu Hydroelectric Power Plant, one of Fernas Group Companies, sale to Deniz Elektrik Üretim Ltd. Şti. has been completed.

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 2018		
	Turkey (*)	**Africa**	**Total**
Total segment income	3,493,073,875	1,176,175,227	**4,669,249,102**
Profit before interest, tax, depreciation and amortisation (EBITDA)	359,474,015	673,649,801	**1,033,123,816**

	1 January – 31 December 2017		
	Turkey (*)	**Africa**	**Total**
Total segment income	2,925,226,856	674,085,012	**3,599,311,868**
Profit before interest, tax, depreciation and amortisation (EBITDA)	125,776,323	366,976,745	**492,753,068**

	1 January – 31 December 2018		
	Turkey (*)	**Africa**	**Total**
Reconciliation of EBITDA with profit before taxes:	359,474,015	673,649,801	**1,033,123,816**
Depreciation and amortisation expenses	(244,750,598)	(149,267,742)	**(394,018,340)**
Finance income/(expenses), net	(446,569,949)	(15,399,143)	**(461,969,092)**
Income/(expenses) from investing activities	2,640,864	--	**2,640,864**
Profit/(loss) before tax	**(329,205,668)**	**508,982,916**	**179,777,248**

(Amounts expressed in Turkish Lira unless otherwise stated.)

36. OPERATING SEGMENTS (continued)

	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**

	31 December 2018		
	Turkey (*)	**Africa**	**Total**
Total segment assets	4,565,312,207	1,876,179,141	**6,441,491,348**
Total segment liabilities	4,042,934,022	574,354,525	**4,617,288,547**

	31 December 2017		
	Turkey (*)	**Africa**	**Total**
Total segment assets	4,074,318,375	1,131,201,650	**5,205,520,025**
Total segment liabilities	3,247,664,597	290,677,675	**3,538,342,272**

(*) Includes KKTC.

37. SUPPLEMENTARY CASH FLOW INFORMATION

Change of Group's liabilities from financing activities between 1 January – 31 December 2018 are presented below:

	1 January 2018	**Cash inflows**	**Cash outflows**	**Non-cash transactions**	**31 December 2018**
Financial borrowings	**2,836,504,211**	2,898,822,734	(2,579,670,969)	589,842,615	**3,745,498,591**
Total financial liabilities	**2,836,504,211**	**2,898,822,734**	**(2,579,670,969)**	**589,842,615**	**3,745,498,591**

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

	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**

38. SUBSEQUENT EVENTS

None.